

Responding to Economic Coercion Without Turning Resilience Into Protectionism

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Section: Trade, investment, and economic security

Research question

How can democratic governments respond when trade or investment measures appear designed to pressure a government into changing a political choice, while preserving open markets, legal process, and the interests of affected firms and workers?

Key findings

- The WTO record in DS610 contains no final panel finding: the EU's November 2025 termination records its own assessment that key objectives were met, expressly without prejudice — it is not a ruling that the contested measures were unlawful, nor proof of why trade resumed.
- The EU Anti-Coercion Instrument (in force 27 December 2023) builds in safeguards — case-specific determination, engagement before response measures, termination when no longer needed — but enactment is not evidence of deterrence; the instrument remains untested.
- Resilience is a sequence, not a posture: establish the record, measure the exposure, protect those bearing concentrated costs, coordinate with partners, tie any countermeasure to a defined objective, and publish a review and exit test.

- The cross-case evidence base needed to say which responses work does not yet exist; conclusions should stay modest until documented cases are compared on the same measures.

The policy problem

Economic ties can distribute benefits and risks unevenly. When a government can selectively restrict imports, exports, investment, or administrative approvals, it may impose concentrated costs on a country or company whose government is making a political decision. The affected state then faces a hard choice: absorb the pressure, negotiate, seek a legal remedy, or retaliate.

The label “economic coercion” should not replace evidence. The European Union defines coercion for its Anti-Coercion Instrument as a third country applying or threatening measures affecting trade or investment to pressure the EU or a member state into a particular choice. The Commission says each case must be determined individually. A sharp decline in trade may be evidence of harm, but by itself it does not establish the measure’s purpose, attribution, or legal status.[1]
[2]

This paper’s central recommendation is to treat resilience as a disciplined sequence, not a synonym for decoupling or retaliation. Governments should establish the record, protect those bearing the immediate costs, coordinate with affected partners, use available legal channels, and reserve countermeasures for a defined objective with review and an exit condition.

What the Lithuania dispute does—and does not—establish

The EU requested WTO consultations in January 2022 over measures it alleged the PRC had imposed on trade in goods and services. The dispute record shows that Australia, Chinese Taipei, Canada, Japan, the United Kingdom, and the United States sought to join consultations. A panel was established, then suspended and resumed before the EU requested a further suspension in 2025. In July 2023 the parties also agreed to appeal arbitration under Article 25 of the Dispute Settlement Understanding (the Multi-Party Interim Appeal Arbitration Arrangement), so that an appeal would be heard by arbitrators rather than into the void left by the Appellate Body impasse. On 28 November 2025, the EU notified the WTO that it no longer considered the dispute necessary to pursue because, in its view, key objectives had been met and relevant trade had resumed. The EU

expressly preserved its position on consistency with WTO agreements and its right to challenge similar measures.[3]

That ending matters. The public WTO record does not contain a final panel finding that resolves the factual or legal allegations. The termination is evidence of the EU's stated assessment and procedural decision. It is not a ruling that every contested measure was unlawful, nor a definitive causal finding about why trade resumed. A careful policy paper should preserve that distinction.[3]

The case nevertheless illustrates why remedies need not be limited to immediate retaliation. WTO procedures require written requests identifying measures and legal grounds, provide for consultations, and allow panels when consultations fail. They also recognize voluntary good offices, conciliation, and mediation. These routes can clarify the record and create a negotiated exit, but their value depends on the issue being legally cognizable, the parties' willingness to participate, and the availability of timely remedies.[4]

A new tool, not a proven result

The EU Anti-Coercion Instrument entered into force on 27 December 2023. Its framework begins with Commission examination, followed by a Council determination. Once coercion is determined, the Commission seeks to engage the third country. Possible avenues include negotiation, mediation, arbitration, good offices, or adjudication. EU response measures are framed as a last resort and are to be terminated when no longer needed. The Commission's process also contemplates input from affected operators, business associations, consumers, and member states.[1] [2]

This design contains useful safeguards: a case-specific determination, a sequence that prioritizes engagement, an opportunity to consider affected parties, and a termination rule. But enactment is not proof of deterrence or effectiveness. Until outcomes are documented, evaluation should focus on whether the procedure is used consistently, whether it changes conduct, how long resolution takes, what costs fall on third parties, and whether the instrument reinforces or strains the rules-based trading system.

The G7's 2023 economic-security statement provides a complementary political frame. It calls for reducing vulnerabilities and countering practices that exploit dependencies, while also supporting diversified partnerships, development, and

the WTO-centered trading system. It distinguishes controls on a narrow set of sensitive technologies from restrictions that would unduly affect broader trade.[5] This is a policy commitment, not evidence that coordination has already reduced coercion.

A practical response sequence

First, define the alleged pressure precisely. Record the measure, the public or private actor responsible, the timing, the goods or services affected, and the political choice said to be targeted. Separate government documentation from company reports and from later interpretation. Where intent is not established, say so.

Second, measure the exposure. Identify firms, workers, consumers, and communities likely to bear the cost. Use consistent trade and investment data, state the period and units, distinguish direct losses from projected losses, and keep unresolved values visible rather than filling gaps with estimates presented as fact.

Third, protect the people facing concentrated harm. Temporary adjustment support, market diversification, trade finance, or coordinated buyer support may reduce the leverage created by concentrated dependence. Such assistance should be proportionate, time-limited, and transparent. Resilience policy can itself become protectionism if it subsidizes favored firms without a clear risk rationale or imposes costs on partners who were not part of the dispute.

Fourth, coordinate before escalating. The affected government should consult partners, affected businesses, and relevant institutions. A joint factual record can prevent divergent public claims from weakening a legal case. Coordination should not become a requirement that every partner adopt identical measures; governments have different legal authorities, exposures, and domestic costs.

Fifth, select measures tied to an explicit objective. That objective might be ending a specific restriction, restoring non-discriminatory treatment, or obtaining a negotiated commitment. Any countermeasure should be assessed for legality, proportionality, reversibility, expected effect, and likely spillover to civilians and third-country suppliers. If a measure cannot be linked to an achievable objective, its signaling value may not justify its costs.

Finally, publish a review and exit test. State what evidence would count as compliance, when the measure will be reviewed, how affected businesses can contribute information, and what conditions would lead to suspension or termination. This makes it possible to distinguish deterrence, negotiated settlement, adaptation, and unresolved pressure rather than calling every outcome a “success.”

Limits and questions for further research

The record supports an institutional design framework more strongly than a universal claim about which response works. The EU’s characterization in DS610 is an attributed allegation, not a final adjudication. The 2025 termination of the case records the EU’s decision and stated reasons, not an independent causal test. The G7 statement sets out shared commitments but does not, by itself, establish implementation or effect.[3] [5]

Further work should compare documented cases using the same measures: what government action was alleged; whether intent was evidenced; how the affected state and partners responded; how firms and workers were affected; whether a legal or diplomatic process produced a documented change; and what costs remained afterward. Until that case base is assembled, the safest conclusion is modest: economic resilience is more credible when it protects exposed communities, preserves legal channels, and sets a reviewable objective than when it promises cost-free leverage.

References

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Status and updates

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