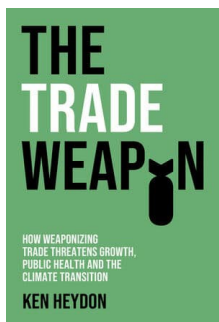


BOOK REVIEW



Ken Heydon:

***The Trade Weapon: How
Weaponizing Trade
Threatens Growth, Public
Health and the Climate
Transition***

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INTRODUCTION

While the global news was highlighting the increase in tax for Chinese-made electric vehicles by the European Union, the two authors of this review were discussing what would be the end of these types of trade weapons and what would be the impact on China and global consumers as a whole. Adding to the discussion we had, we came across this really impressive piece of work by Ken Heydon, published in Polity in 2024, which raised the same question and analysed and explained it in about 204 pages. We strongly felt that this book could be a timely, valuable reading for policymakers, administrators, academics, and business people, as well as for the general public alike, given the current scenario. The book discusses the four motivational factors of using trade as a weapon in the modern era by exercising power unilaterally (outside the WTO provisions) targeted at injuring another party and finally weakening the global trade flow. The author's main argument in the book is that using trade as a weapon is an increasing trend, and it reduces the benefits of global trade while showing that these trade arms are not achieving the targeted objectives while inflicting cost not only on the receiving party but also on the sending party. While criticising protectionism, the validity, efficiency, and impacts of weaponising trade are extensively discussed in the book. Furthermore, the author proposes plausible alternatives for achieving the same objectives without impeding the benefits of free trade.

There are 204 pages of the book divided into five main chapters, including a comprehensive introduction to the trade, trade barriers, and politicising the trade provisions for necessary trade restrictions. The introduction (30 pages) of the book provides a detailed discussion of the winners and losers of free trade and explains the logic behind the use of trade weapons. The section further discusses the avenues for promoting the use of the trade weapon and elaborates how protectionist capture of the trade weapon can lead to the distractions of free trade and reduce the benefits to all including the user of the weapon. Next, Chapter One (25 pages) discusses the use of trade sanctions as a tool for curbing the aggression in detail while the recent trend of disconnecting from the global value chains and the dire impact of it is discussed the Chapter Two (28 pages). Chapters Three (26 pages) and Four (25 pages) discuss the other two remaining major arguments for weaponising trade i.e., using trade as a self-defence tool and the use and misuse of the WTO regulations. Finally, Chapter Five (25 pages) elaborates on the suggestions for a better environment for trade and achieving the same objectives without losing the gains from trade. Additionally, the book consists of seven boxes providing detailed discussions on relevant topics selected in the area and a comprehensive list of references.

FREE TRADE’S WINNERS AND LOSERS

The introductory chapter “Free Trade’s Winners and Losers” provides a detailed overview of the book and shows the increasing use of trade as a strategic tool by governments to achieve various national objectives, highlighting the rise in government interference through import and export controls and state-funded subsidies over the past decade. This shift is driven by concerns over national sovereignty, heightened geopolitical rivalries (particularly between the US and China), and vulnerabilities in supply chains exacerbated by global events such as the COVID-19 pandemic, the war in Ukraine, and climate change transitions.

The chapter highlights the need to clearly define what constitutes the weaponisation of trade. Two key conditions are identified in this regard. Unilateral imposition of trade restrictions: These are actions taken outside the WTO framework, primarily by powerful nations like the US and EU. Ulterior motives beyond trade: Trade restrictions are increasingly justified by broader goals that cannot be substantiated under WTO exceptions, leading to significant distortions in international trade. The chapter illustrates some examples of trade weaponisation, including US steel tariffs, the EU’s Carbon Border Adjustment Mechanism, and China’s import restrictions on COVID-19 vaccines and treatments, all justified by national security, environmental protection, or sovereignty.

The chapter also argues that while trade weaponisation can sometimes appear defensive or morally justified, such as in the case of sanctions against Russian aggression in Ukraine, it often leads to greater harm and inefficiency in global trade. Moreover, the

fragmentation of global production and the rise of global value chains (GVCs) have increased the susceptibility of trade to interventionist pressures, making the trade weapon more potent and widespread.

SANCTIONING AGGRESSION

Chapter one "Sanctioning Aggression" provides a comprehensive analysis of the role, effectiveness, and evolving dynamics of trade sanctions as a tool of international trade policy. Despite extensive sanctions over decades, countries like North Korea and Russia continue to engage in aggressive behaviours, highlighting the paradox of sanctions: they are widely supported but often ineffective.

Sanctions historically date back to ancient Greece, but today's global supply chains amplify their impact. The primary goal of sanctions is to change the behaviour of the target country, which is often not achieved, according to the chapter. The United States has been the most dominant sender of sanctions, with increasing involvement from the EU, Russia, and China. Recent decades have seen more targeted sanctions, including cyber-attacks, especially under the Trump administration.

Economic sanctions aim to impair military actions, improve human rights, and induce regime changes. Studies have shown that sanctions target a wide range of countries but are primarily imposed by a few major powers. However, Sanctions tend to fail if the target country can sidestep them, withstand economic pain, or expects ongoing conflict with the sender. The author illustrates that with case studies of North and South Korea, sanctions succeeded in South Korea due to its democratic regime and lower conflict expectations but failed in North Korea due to its autocratic regime and high conflict expectations. The Iran nuclear sanctions demonstrate the power of unintended consequences. The withdrawal from the 2015 Joint Comprehensive Plan of Action by the Trump administration led to an escalation in Iran's nuclear and ballistic missile activities.

The chapter emphasises that while sanctions are a favoured tool for expressing disapproval and attempting to change behaviours, their effectiveness is limited by several factors, including the nature of the target regime and the geopolitical context. The discussion points towards a need for more strategic and potentially multi-faceted approaches to international sanctions.

ARMING THE GLOBAL VALUE CHAIN

Chapter Two on "Arming Global Value Chain" elaborates that while global leaders advocate for greater self-reliance due to geostrategic tensions and recent crises like COVID-19 and the Ukraine war, globalisation and interconnected supply chains remain crucial. However, the weaponisation of trade through protectionism, nationalistic policies, and aggressive trade measures poses significant challenges and costs. The chapter emphasises the complexity and importance of Global Value Chains (GVCs) and

warns against the unintended consequences of attempts to de-link and re-shore, which can lead to economic inefficiencies, increased costs, and vulnerabilities. Strategic and balanced approaches are necessary to maintain the benefits of global trade while addressing dependencies and risks.

GVCs are integral to daily products, involving complex international supply chains in present-day economic operations. Fragmentation of production has increased, with over half of global trade now in intermediate goods and services. The rise of GVCs was driven by reduced trade costs and technological advancements but has slowed recently due to protectionism. The author highlights that agglomeration and dispersion due to geographical clustering versus fragmented specialisation, vertical and horizontal Specialization due to allocation based on wage gaps and technical excellence, backward and forward linkages due to demand-side (foreign inputs) and supply-side (re-exported value) are the dynamics of modern GVCs.

It is important to note here that GVCs have been losing their growth-driving force due to rising protectionism and environmental concerns. COVID-19 and geopolitical tensions, particularly the US-China rivalry, have intensified supply chain vulnerabilities. According to the author global supply chains are under threat from nationalistic policies like re-shoring and friend-shoring. Countries are concerned about dependence on key materials and technologies, with significant impacts on industries and economies. Aggressive trade policies, like recent US export controls on China, aim to limit other countries' growth but often result in self-harm. Export controls have unintended consequences, such as accelerating rivals' technological development and harming international cooperation. Subsidy wars and industry policies intended to foster national capacity can also be problematic, leading to economic inefficiencies and increased costs.

The chapter underscores the complexity of GVCs and the significant challenges posed by efforts to reduce dependence through trade weaponisation. It highlights the importance of strategic economic management and the need for balanced approaches to maintaining global trade benefits while addressing vulnerabilities.

TRADE SELF-DEFENCE

Chapter Three, "Trade Self-Defence", examines the growing trend of countries resorting to unilateral trade measures in response to perceived vulnerabilities and unfair practices in international trade. This shift towards self-reliance and protectionism undermines the rules-based system established by the World Trade Organization (WTO) and fuels trade tensions.

Trade remedies, including anti-dumping measures, countervailing duties, and safeguards, are intended to protect domestic industries from unfair trade practices like dumping and subsidies. These measures are increasingly used for protectionist purposes, with anti-dumping actions rising during economic slowdowns, suggesting opportunistic behaviour.

The case of Australia's anti-dumping practices highlights how anti-dumping policies can inflate dumping margins, leading to higher duties and protectionism. The author specifically takes China as the primary target of global anti-dumping actions, driven by its designation as a non-market economy by major trading partners like the US and EU. The WTO accession protocol for China is ambiguous, leading to differing interpretations about its market economy status, which affects the application of trade remedies.

The chapter highlights the increasing use of unilateral trade measures by countries, often invoking national security or sovereignty as justifications. The United States' use of Section 232, Section 201, and Section 301 of its domestic trade laws to impose tariffs on imports, particularly from China, exemplifies this trend. Such unilateral actions bypass WTO rules and dispute settlement mechanisms, weakening the multilateral trading system. The unilateral use of trade measures imposes significant costs on both the countries implementing them and their trading partners. This approach provokes trade friction and retaliatory measures and further erodes trust in the rules-based trading order. The chapter also discusses the tension within the WTO between national sovereignty and adherence to multilateral rules. The weakening of the WTO's dispute settlement mechanism exacerbates the shift towards unilateralism and power-based trade policies.

The chapter argues that while trade remedies are necessary tools for addressing unfair practices, their misuse for protectionist purposes and the growing reliance on unilateral measures threaten the stability and fairness of the global trading system. It calls for a balanced approach that reinforces the rules-based system while addressing legitimate concerns about vulnerabilities and unfair trade practices.

BATTLING FOR THE GREATER GOOD

Chapter Four discusses the concept of the "trade weapon" particularly in the context of environmental and public health challenges. The chapter argues that while trade policies such as Europe's Carbon Border Adjustment Mechanism (CBAM) are intended to promote climate transition by penalising environmental free-riders, they may ultimately cause more harm than good by fostering discord and confusion.

The chapter highlights the importance of trade in essential solar photovoltaic materials like polysilicon for climate transition. Protectionist tendencies, such as tariffs and non-tariff barriers, hinder the spread of technology crucial for reducing carbon emissions, posing a threat to global trade and climate action. The COVID-19 pandemic led to concerns about supply-chain dependence, resulting in counterproductive trade policies. For example, WTO members maintained export restrictions on essential products for combating the disease, worth \$122 billion. Nevertheless, the chapter emphasises the role of solar photovoltaic technology, low-carbon hydrogen, and CRISPR gene-editing in driving the climate transition. Trade stimulates competition, which is a catalyst for innovation, reducing costs and increasing efficiency in these technologies. Economists

advocate for carbon border taxes to prevent the shift of carbon-intensive production to countries with lax environmental standards. However, such taxes risk ‘protectionist capture’ and could hinder the economic growth needed for the energy transition. The chapter critiques the EU’s CBAM, suggesting it may be viewed as protectionist and could lead to trade distortions and retaliatory measures from other countries. Trade in solar photovoltaic technology faces tariffs and non-tariff barriers, with significant protectionist measures from countries like the United States. The production of batteries for electric vehicles is also threatened by protectionist policies, such as those in the US Inflation Reduction Act. Trade in hydrogen and gene-editing face potential restrictions, impacting environmental benefits and global food supply.

Hence, the chapter argues for more open and expansive trade policies to tackle environmental and public health challenges effectively. It suggests that protectionist trade policies, while intended to support climate and public health goals, often result in counterproductive outcomes that impede technological innovation and economic growth essential for sustainable development.

ARMS CONTROL: RESTRAINING THE USE OF THE TRADE WEAPON

Chapter Five elaborates on the persistent and inevitable utilisation of the trade weapon in international relations, particularly highlighting the dynamics between major global players such as the United States and China. It emphasises the necessity of restraining the damaging effects of trade weaponisation while addressing the underlying tensions between trading nations. The trade weapon, characterised by economic sanctions and trade measures, remains a favoured tool for combating aggression and achieving national objectives. Despite its drawbacks, there will always be public support for the use of economic sanctions to address aggression and other strategic concerns. Trade rules under the General Agreement on Tariffs and Trade (GATT) are permissive and open to abuse, allowing countries to invoke broad criteria to justify trade restrictions. This flexibility risks undermining three decades of gains in global trade, driven by the globalisation of production.

The chapter proposes alternatives to using the trade weapon, such as promoting resilience within the global value chain instead of seeking autonomy through reshoring and friend-shoring. It advocates for rules-based multilateral trade remedies over sovereignty-seeking unilateral measures and direct methods to achieve environmental and public health goals rather than relying on trade restrictions. Addressing systemic concerns about the World Trade Organization (WTO) and the broader liberal trading order is crucial for mitigating the opportunistic use of trade policy. Restoring trust involves improving support for those who lose from market opening, bolstering economies' capacity to adjust to international competition, strengthening advocacy for open markets, reinvigorating multilateral cooperation, and better exploiting regional initiatives.

The chapter emphasises the importance of helping those who lose from market opening, acknowledging the existence of both winners and losers in trade liberalisation. Successful support should be time-bound, decoupled from production, aimed at re-employing displaced workers, compatible with general safety-net arrangements, and transparent. Fully realising the gains from trade requires macroeconomic policies that promote stability and growth, sound regulatory frameworks, and labour market flexibility. Successful adjustment involves enabling workers and capital to move from declining to expanding areas of activity, supported by appropriate regulatory and labour market reforms. Effective advocacy for open markets is vital for fostering public support and achieving positive trade policy outcomes. Governments, the academic community, business leaders, and an independent statutory authority should work together to provide informed and dispassionate analysis of international competition's opportunities and costs.

The chapter underscores the enduring relevance of the trade weapon in international relations and the importance of pursuing alternatives to its use. It calls for restoring trust in the liberal trading order through targeted support for trade losers, promoting resilience and multilateral cooperation, and effective advocacy for open markets. By addressing systemic concerns and fostering informed public support, policymakers can mitigate the damaging effects of trade weaponisation and enhance global trade's benefits.

CONCLUSION

Ken Heydon's book provides a timely and comprehensive analysis of the use of trade as a weapon in contemporary international relations. As global tensions rise, particularly between major players like the US and China, the book's exploration of trade weaponisation is both relevant and insightful. The authors of this review were particularly impressed with Heydon's examination of the increasing trend of using trade restrictions and sanctions, highlighting the adverse impacts not only on the targeted countries but also on the countries imposing these measures.

Heydon convincingly argues that the benefits of global trade are being undermined by the growing use of trade as a tool for achieving national objectives. The book critically examines the validity, efficiency, and impact of such practices, showing that they often fail to meet their intended goals and instead disrupt global trade flows. The detailed analysis of specific cases, such as the EU's Carbon Border Adjustment Mechanism and the US's export controls on China, illustrates the complexities and unintended consequences of trade weaponisation.

Furthermore, the book offers practical alternatives for policymakers. Heydon advocates for promoting resilience within global value chains, supporting those negatively impacted by trade liberalisation, and restoring trust in the multilateral trading system. These

recommendations are crucial for mitigating the negative effects of trade weaponisation and ensuring that global trade continues to deliver its benefits.

Heydon uses straightforward language to explain the concepts of trade weaponisation. He avoids jargon and technical terms, making the book approachable for anyone interested in understanding how trade policies are used as tools in international relations. This clarity ensures that readers from various backgrounds can appreciate the insights without needing a background in economics or political science. The book is rich with real-world examples that illustrate the impact of trade weaponisation. Heydon builds his arguments on solid facts and data, which adds credibility and weight to his points. He cites historical instances, like the sanctions on North Korea and Russia, to demonstrate the often limited effectiveness of trade sanctions. He also highlights how recent US export controls on China have had unintended consequences, such as accelerating China's technological development. These fact-based arguments help readers understand the real-world implications of trade policies. Despite dealing with serious topics, Heydon's writing is engaging and often reads like a narrative. He tells the story of global trade and its weaponisation in a way that captures the reader's attention. This storytelling approach makes the book not only informative but also enjoyable to read. The book is refreshingly light on dense theoretical frameworks. Instead, he focuses on practical aspects and real-life implications of trade policies. This makes the book especially appealing to readers who are interested in practical knowledge and real-world applications rather than abstract theories. The book also serves as a call to action, urging policymakers, business leaders, and the general public to consider alternatives to trade weaponisation. Heydon proposes practical solutions, such as promoting resilience within global value chains and supporting those negatively impacted by trade liberalisation. These recommendations are grounded in real-world possibilities, making them actionable and relevant.

Ken Heydon's book on trade weaponisation is undoubtedly a valuable and timely contribution to the discussion on international trade policies. However, like any work, it is not without its flaws. While the book does an excellent job of discussing the major players in international trade, it falls short in exploring the impact of trade weaponisation on smaller and developing economies. These countries often bear the brunt of trade wars and sanctions, yet their stories and challenges are not given enough attention. A more inclusive analysis would have provided a fuller picture of the global trade landscape. Moreover, the book effectively highlights the immediate impacts of trade weaponisation, but there is less focus on the long-term consequences. For example, while the book discusses the immediate disruptions caused by sanctions and tariffs, it could delve deeper into the lasting economic, social, and political effects on both the imposing and receiving countries. A more thorough exploration of these long-term impacts would have strengthened the book's arguments. While the book's use of simple language and clear examples makes it accessible, this approach sometimes leads to an oversimplification of complex issues. Trade policies and their implications are inherently complicated,

involving numerous variables and stakeholders. At times, Heydon's effort to make the content digestible for a non-academic audience might gloss over some of these complexities, potentially leading to an incomplete understanding of certain issues. The rapid pace of technological change and its impact on global trade is a critical aspect that could have been explored in greater detail. The book touches on how technology influences trade weaponisation, but it does not fully address how emerging technologies like artificial intelligence, blockchain, and digital currencies could transform trade dynamics in the future. A more comprehensive discussion on this front would have added a valuable dimension to the analysis. Finally, the book tends to focus heavily on the negative aspects of trade weaponisation, which, while important, can overshadow the instances where trade policies have successfully achieved their intended objectives. A more balanced approach that also highlights the potential benefits and successful examples of trade measures could provide a more nuanced perspective.

In conclusion, Heydon's book is a valuable resource for policymakers, administrators, academics, business people, and the general public. It provides a nuanced understanding of the motivations behind the use of trade weapons and offers thoughtful solutions for fostering a more stable and beneficial global trade environment. Given the current geopolitical climate, this book is an essential read for anyone interested in international trade and its impact on global relations.