

NİLAY BERİL ÇİFTÇİ

CHARTING THE MIDDLE WAY:
VARIETIES OF MIDDLE POWER RESPONSE TO ECONOMIC STATECRAFT

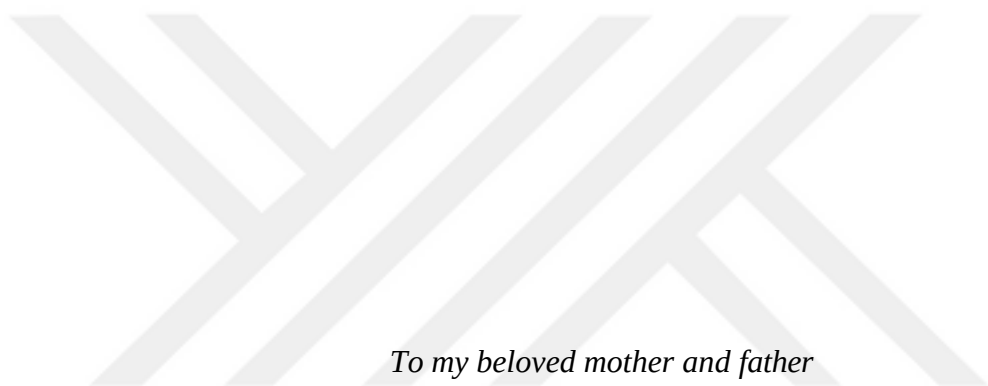
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CHARTING THE MIDDLE WAY:
VARIETIES OF MIDDLE POWER RESPONSE TO ECONOMIC STATECRAFT

A Master's Thesis

by
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June 2025



To my beloved mother and father

CHARTING THE MIDDLE WAY:
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The Graduate School of Economics and Social Sciences
of

İhsan Doğramacı Bilkent University

by

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CHARTING THE MIDDLE WAY: VARIETIES OF MIDDLE POWER RESPONSE TO
ECONOMIC STATECRAFT

By Nilay Beril Çiftçi

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

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ABSTRACT

CHARTING THE MIDDLE WAY: VARIETIES OF MIDDLE POWER RESPONSE TO ECONOMIC STATECRAFT

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MA, Department of International Relations

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June 2025

This thesis examines how middle powers navigate the rising use of economic statecraft in world politics. Departing from the existing literature that treats target states as either compliant or defiant, it asks: How do middle powers respond to external economic pressure? The dissertation develops a four-stage continuum of Accommodation, Engagement, Diversification, and Resistance, whose selection is shaped by material cost thresholds, domestic pay-offs, and institutional opportunities. After theorizing the causal logic of each pathway, the framework is tested through comparative empirical analyses that trace policy sequences in different regions and sectors. Building on typological theory-making, this study maps how different combinations of economic costs, domestic incentives, and coalition options drive middle-power responses to economic statecraft and includes a structured comparison that identify twelve observable outcomes that map

how states recalibrate trade, investment, and diplomacy when coercion intensifies. The findings show that middle powers rarely face a simple binary choice: they blend and reorder the outcomes within four strategies as incentives, domestic coalitions, and market structures evolve. By bridging economic statecraft and middle power literatures, the thesis advances a much more refined understanding of power asymmetries and offers guidance for elucidating the designation of measured economic tools that anticipate adaptive agency.

Keywords: Economic Statecraft, Geoeconomics, International Political Economy, Middle Powers, Trade

ÖZET

ORTA YOLU ÇİZMEK: EKONOMİK DEVLET İDARESİNE ORTA GÜÇLERİN ÇEŞİTLİ TEPKİ TÜRLERİ

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Tez Danışmanı: Doç. Dr. Seçkin Köstem

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Bu tez, orta güçlerin dünya siyasetinde ekonomik devlet idaresinin artan kullanımında nasıl yol aldıklarını incelemektedir. Hedef devletleri ya itaatkâr ya da meydan okuyan olarak ele alan mevcut literatürden ayrılarak şu soruyu sorar: Orta güçler dış ekonomik baskıya nasıl tepki verir? Çalışma, seçimi maddi maliyet eşikleri, içsel getiriler ve kurumsal ya da koalisyon oluşturma fırsatları tarafından şekillenen Uyum, Katılım, Çeşitlendirme ve Direnişten oluşan dört aşamalı bir süreklilik geliştirmektedir. Her yolun nedensel mantığını teorileştirdikten sonra, çerçeve farklı bölgeler ve sektörlerdeki politika dizilerini izleyen karşılaştırmalı ampirik analizler aracılığıyla test edilir. Tipolojik teori kurumuna dayanan bu çalışma, ekonomik maliyetlerin, iç teşviklerin ve koalisyon seçeneklerinin farklı kombinasyonlarının orta güçlerin ekonomik devlet yönetimine verdiği tepkileri nasıl

yönlendirdiğini haritalandırıyor ve baskı yoğunlaştığında devletlerin ticareti, yatırımı ve diplomasiyi nasıl yeniden kalibre ettiğini haritalayan on iki gözlemlenebilir sonuçla yapılandırılmış bir karşılaştırma içeriyor. Bulgular, orta güçlerin nadiren basit bir ikili seçenekle karşı karşıya kaldığını; teşvikler, iç koalisyonlar ve piyasa yapıları evrildikçe dört strateji içindeki çıktıları harmanlayıp yeniden sıraladıklarını göstermektedir. Ekonomik devlet idaresi ile orta güç literatürlerini birleştirerek tez, güç asimetrilerine dair çok daha incelikli bir anlayış sunar ve uyarlanabilir aktörlüğü öngören ölçülü ekonomik araçların tasarımını açıklığa kavuşturmak için rehberlik sağlar.

Anahtar Kelimeler: Ekonomik Devlet İdaresi, Jeoekonomi, Uluslararası Politik Ekonomi, Orta Güçler, Ticaret

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CHAPTER 1

INTRODUCTION

In an increasingly interconnected yet volatile global landscape, the accelerating importance and centrality of economic statecraft measures in international diplomacy underlines a wider conception of transfiguration within global politics. Economic statecraft refers to a state's strategic use of economic resources that resembles a "market price in terms of money" (Baldwin, 1985, p.29), such as sanctions, trade incentives, export restrictions, or financial interventions, as instruments to influence the behavior of other actors. These punitive or rewarding measures have increasingly come to serve as primary means of modern statecraft in shaping global outcomes. In contrast to traditional military action, economic statecraft fundamentally reflects the highly convoluted, intertwined character of the global political economy. It operates by strategically employing economic leverage in order to influence state conduct. Through these mechanisms, states prize their allies by channeling dependencies and guaranteeing prospective strategic benefits along with projecting power via enforcing levers on their adversaries. Given the devastating human and financial costs associated with such engagements, these statecraft tools are frequently employed as a replacement for conventional conflict. Within this evolving framework, middle powers

occupy both a unique and precarious position, lacking the structural dominance of a great power but also possessing sufficient economic and diplomatic leverage to make a significant impact on regional and global affairs.

The effectiveness of economic statecraft has been a topic of extensive scholarly attention. While some scholars, like Hufbauer, Schott, and Elliot (1990) and Haass (1998), have vigorously discussed its success, others, including Pape (1997), Drezner (1998) along with Chan and Drury (2000), have expressed skepticism regarding its decreasing efficacy in an increasingly globalized world. Empirical observations often present mixed results, varying effectiveness significantly based on the target state's resilience, economic diversity, and internal political mechanisms (Mastanduno, 1999, p. 288). This ongoing discussion underscores a fundamental change in how power is understood and exercised in the international system. The rising costs along with inherent uncertainties of military intervention have prompted a strategic re-evaluation by states, making economic instruments a more attractive and frequently utilized means of achieving foreign policy objectives. This evolution is not merely a tactical adjustment but indicates a profound systemic shift, where economic leverage is now recognized as a core component of national security and foreign policy. Consequently, traditional power hierarchies, once predominantly defined by military might, are becoming less absolute, compelling all states to develop sophisticated economic strategies and enhance their resilience.

Despite this burgeoning academic interest in economic statecraft, a significant gap persists in the literature concerning the reactions of middle powers to external economic pressures. While extensive research has focused on the strategies and efficacy of economic statecraft as employed by great powers, and the binary outcomes of cooperation or overt resistance by

target states, this existing scholarship often overlooks the nuanced and flexible strategies adopted by middle powers. Middle powers can be defined as states that, while not superpowers, possess substantially broader economic and diplomatic capacities enabling them to influence regional and even global affairs when compared to the “vast majority of other smaller powers” (Robertson, 2017, p.360). Much of the economic statecraft and geoeconomics research tends to view middle powers as passive objects rather than independent agents, primarily focusing on the impact of great power policies (Govella, 2021; Zelicovich, 2024). Furthermore, existing studies on economic coercion often tend to simplify target state responses, failing to capture the continuum of cultivated adaptive behaviors exhibited by states that cannot simply dictate terms but also possess the capacity to avoid outright capitulation. This overlooks how middle powers, despite their relative vulnerabilities, actively recalibrate their economic and diplomatic portfolios, transforming unequal reliance into a strategic tool. Against this backdrop, this thesis seeks to answer a pivotal question:

How do middle powers respond to the age of economic statecraft?

This thesis argues that middle powers do not simply give in or fight back in a binary form when confronted with outside economic pressure. Rather, they tactically move through a range of reactions that fall into four different categories: Accommodation, Engagement, Diversification, and Resistance. This novel theoretical framework aims to posit that these adaptive strategies are not arbitrary but are intricately conditioned by the interaction of three crucial factors: material cost thresholds, domestic political payoffs, and the available institutional and coalition-building options. By understanding the interplay of these elements, we can explain the varied and dynamic responses of middle powers, moving beyond

simplistic explanations of compliance or defiance. This thesis positions middle powers not as passive recipients of great power economic policies, but as active participants and co-shapers in the global economic statecraft arena, capable of leveraging their unique positions, alliance politics, regional dynamics, and domestic considerations to assert their agency and pursue their interests in an increasingly coercive international environment.

This thesis makes several significant contributions to the existing academic discourse on international relations, economic statecraft, and the study of middle powers. Firstly, it builds a crucial bridge between two distinct yet interconnected bodies of literature: economic statecraft and middle powers. While economic statecraft research has extensively explored the instruments of influence wielded by powerful states, and middle power literature has focused on their agency and unique diplomatic roles, a systematic integration of how middle powers navigate and react to economic coercion has been largely absent. By synthesizing these fields, this thesis offers a more nuanced and comprehensive account of power asymmetries within the global political economy, demonstrating that middle powers are not merely passive recipients of great power actions but active agents in shaping their own economic destinies.

Secondly, this research elucidates the specific circumstances under which economic hardship directly reshapes the international positions and strategic choices of middle powers. It moves beyond generic assumptions about economic coercion's effects to explore the intricate interplay of material costs, domestic political considerations, and the availability of institutional and coalition-building avenues. This detailed analysis provides a granular understanding of the decision-making processes within middle powers, explaining why certain responses are favored over others under varying conditions.

Finally, the proposed continuum of responses, Accommodation, Engagement, Diversification, and Resistance, significantly advances the understanding of economic coercion and its often-underestimated effects on middle powers. This spectrum model challenges the simplistic binary outcomes of compliance or defiance often found in existing studies. By revealing a more sophisticated range of adaptive strategies, the thesis offers profound implications for the durability of rules-based trade systems and provides valuable insights for policymakers seeking to develop counter-strategies that are both attuned to domestic limitations and effective in leveraging institutional and market redundancies. It highlights how middle powers can convert what might appear as economic vulnerabilities into opportunities for strategic flexibility and arbitration.

Methodologically, the study builds a typological theory in George and Bennett's sense that is a framework that offers key independent variables, groups them into analytically distinct categories, and offers generalizations on how particular configurations generate policy outcomes (George & Bennett, 2005, p.194). Unlike a purely historical narrative, such a theory maps the universe of actual and potential causal pathways, allowing scholars to reason about cases that has the potential to occur, that have not yet occurred as well as those that have (George & Bennett, 2005, p. 195). This approach suits the present dissertation because it can "address complex phenomena without oversimplifying, clarify similarities and differences among cases, and draw attention to empty cells" (George & Bennett, 2005, p.263) where theory expects certain combinations that history has not shown.

Outline of Chapters

Following the above-mentioned theoretical exposition, the thesis applies this framework to selected empirical cases where middle powers are the central unit of analysis. This

application serves to demonstrate, with concrete examples, why and how these states recalibrate their economic and diplomatic portfolios in response to external pressures. The analytical approach classifies middle-power reactions into twelve potential outcomes, derived from the interplay of four categories of behavioral pathways (Accommodation, Engagement, Diversification, Resistance) across three critical conditioning factors. By examining how middle powers maneuver through complicated economic instances, this systematic observation aims to validate the suggested theoretical model through practical applications. The rest of this thesis is divided into a number of chapters, each of which builds on the one before it to methodically answer the main research question and support the main argument. The second chapter offers a thorough examination of the foundational works of the literature on economic statecraft and geoeconomics. Through an analysis of its historical development and growing use as a tool in modern international relations, this chapter explores the origins, reach, and effectiveness of economic statecraft. It examines the integration of geoeconomics within the larger framework of statecraft with a distinction made between traditional interpretations and more contemporary conceptualizations. Additionally, by concentrating on how middle powers respond to economic coercion, this thesis seeks to fill the gaps in the literature by critically examining how middle powers are conceptualized and characterized within the framework of International Relations theory.

The third chapter introduces and elaborates upon the novel theoretical framework that thesis develops. This chapter meticulously details the proposed continuum of middle-power responses to economic statecraft: Accommodation, Engagement, Diversification, and Resistance. For each response mode, a clear definition is provided, alongside a thorough exploration of the causal mechanisms that lead states to adopt one particular path over others.

This section lays the analytical groundwork for the subsequent empirical chapters, explaining how material cost thresholds, domestic political payoffs, and institutional/coalition-building options influence these strategic choices.

Fourth chapter will apply the theoretical framework of the thesis to a selection of carefully chosen empirical cases. These empirical episodes will examine diverse instances where middle powers have faced significant economic pressures, illustrating the practical implications and explanatory power of the proposed sequence of response strategies.

Through observing and analyzing real-world scenarios, these cases will provide evidence upon how middle powers navigate complex economic coercion, validate the theoretical argument, and underline the dynamic nature of their responses.

Finally, fifth chapter will synthesize the findings of the entire thesis and discuss their significant ramifications for both international relations theory and foreign policy practice.

This concluding chapter will examine how the spectrum model of middle-power responses alters existing assumptions regarding the efficacy and impact of economic coercion, and its broader implications for the durability of the rules-based international trade system. It will also provide policy-relevant insights, discussing how policymakers can develop effective counterstrategies that are attuned to domestic limitations while strategically leveraging institutional frameworks and market redundancies. Ultimately, the conclusion will explore the circumstances under which middle powers might transcend sporadic, reactive responses to economic pressure and convert them into sustainable strategic positions, thereby actively influencing the developing framework of international economic governance rather than simply responding to it.

CHAPTER 2

LITERATURE REVIEW

1. Introduction to the Literature Review

The accelerating centrality of the economic statecraft measures in global diplomacy happens to accentuate a wider picture of transfiguration within global politics, in which the economic apparatuses, such as sanctions, interventions, restrictions and incentives, can be deemed as primary tools of statecraft. In contrast to traditional military action, economic statecraft, essentially reflects the highly complex interconnected nature of the global political economy, and functions by strategically using economic leverage to influence state conduct. Through these mechanisms states not only project power through enforcing levers on their adversaries, but also prize their allies, by channeling dependencies and guaranteeing prospective strategic benefits. The aforementioned statecraft tools are frequently employed as a substitute in the light of the undeniable hesitancy in engaging in a conventional conflict, where its devastation is at its most intense, and the adverse outcomes that could ensue are too costly to be sidestepped.

Throughout the upcoming sections, the literature review is thoroughly structured in a way to systematically analyze the seminal pieces of the economic statecraft research from the origins to practical applications, along with a centralized focus on middle powers. The next section

will establish an introduction to economic statecraft, examining its roots, scope and efficiency, and the increasing prominence of middle powers in the light of extensive studies. Thereafter, the review will delve deeper into the theoretical foundations of economic statecraft, the classical definitions, frameworks and the contemporary perspectives. Further, the review will continue to explore geoeconomics, trying to explain the way that economic statecraft intersects and overlaps with geopolitical strategies. Further, the middle powers in international relations theory will be discussed in the third main part, which also locates them within a broader framework of economic statecraft. This section of the study drives from seminal studies' findings to construct middle powers' distinct placement between great powers and smaller actors by classifying them accordingly with their economic might, diplomatic clout, and regional dominance.

1.1 Significance of the Topic

The origins of this concept can be traced back to multiple periods of time within the past, where the utilization of economic means was aimed to achieve certain political or diplomatic objectives at the time. According to certain scholars, the roots of economic statecraft go back to the appearance of mercantilist incentives just as the concept of mercantilism had emerged from Adam Smith, specifically between the 15th and 18th centuries, where European powers had adopted protectionist policies over trade relations, strategic development in industry, and control of resources within their domestic security agenda (Csurgai, 2022, p.247-248).

In modern global relations, economic statecraft became more evidently conceptualized in the 20th century, specifically within the periods of World War I and World War II, during which the utilization of economic measures such as blockades, trade restrictions, and embargoes were aimed in the means of undermining adversaries. Later on, oil embargo imposed by the

Arab world, the food embargo imposed on the Soviet Union and the Cold War further institutionalized the utilization of economic statecraft as a systematic apparatus of coercion and influence, especially in U.S. foreign policy against the Soviet Union (Xiaotong, 2023).

The debate upon the success and efficiency of economic statecraft has been the most fervently discussed topic within economic statecraft literature by many scholars (Hufbauer, Schott and Elliot, 1990; Haass, 1998; Blanchard and Ripsman, 1999; Drezner, 1999; Peksen, 2019). On the contrary of the importance that scholars have placed on economic statecraft measures, Steve Chan and Cooper Drury remained critical over the centrality of certain measures, sanctions for instance, due to their decreasing efficacy.

Throughout their work, Chan and Drury (2000) argued that sanctions decrease in effectiveness due to the immaculate increase in globalization. Even though some, who either affirmatively or negatively argue the effectiveness of sanctions, emphasize that trade restrictions and investment controls efficiently coerce state conduct, empirical observations seem to suggest mixed results about how effectiveness varies depending on the target state's resilience, economic diversity, and domestic political mechanisms (Mastanduno, 1999, p. 288).

Certain scholars have also stated that the pain caused by economic coercion might also beget profoundly counter-productive scenarios where we can observe an unintended “rally around the flag” effect (Mueller, 1920, p.20). Under harsh circumstances the population might project more support for the government as a response to the economic stress caused by foreign coercion, as we have observed in the Iranian case against the economic sanctions of US. The increasing role of middle powers in economic statecraft literature also indicates an equally noteworthy development. Middle powers hold a special and frequently vulnerable

position, while major powers like the U.S. and China employ economic instruments to impose their geopolitical priorities. These mentioned states happen to lack the structural dominance of major powers but they obtain enough economic and diplomatic leverage to create ripples in the global affairs. These states often adopt a multilateralist approach, leveraging organizations such as the World Trade Organization (WTO), conducting or partaking in regional trade agreements, and assisting development finance mechanisms to insulate themselves from economic coercion while securing an active role in shaping global governance (Govella, 2021, p. 189)

Unlike major powers, middle powers such as South Korea, Japan or Canada happen to lack the capacity to unilaterally set global economic policies like major powers do, but they do possess considerable diplomatic and financial clout thanks to their involvement in regional trade agreements and multilateral organizations. For instance, Japan has historically engaged in economic statecraft through its foreign direct investments (FDI) and industrial policy, using these tools to counterbalance the rising prominence of China's Belt and Road Initiative (BRI) and strengthen its own strategic positioning in global supply chains (Aggarwal & Reddie, 2021, p. 116)

Further on this issue, the middle powers had also been depicted as adopting middle ground strategies, such as hedging, to mitigate risks and hazards that could originate from increasing dependency on certain economic major powers. According to the studies of several scholars, hedging strategy is the most common in Asia Pacific including almost all of the states within the region, including Japan, Australia, Malaysia, Singapore, India and many others (Wilkins, 2021; Kuik, 2008; Hoo, 2016). Certain studies had also indicated the collective

acknowledgement of the Chinese challenge in the hedging strategies of ASEAN countries (Shekhar, 2012, p.260).

As an example, we can observe how South Korea's industrial policy has seemed to be shifted from foreign technology transfers toward protecting the domestic firms from potential “technological assimilation” (Chang, 1993, p.141), underlining the increasing securitization of economic governance in middle-power policymaking. Similarly, in line with the assumptions of Amitendu Palit, India had also sought to balance its growing economic influence with cautious policy-making over trade relations, indicating an inclination towards engaging with global markets selectively, while protecting its domestic industries from further external vulnerabilities with a hesitant, inward-looking approach (Palit, 2021, p. 204). As Köstem's (2019) study of Turkey's decision to join the Asian Infrastructure Investment Bank also indicates, middle powers often embrace economic pragmatism to achieve geopolitical ends by leveraging the aforementioned multilateral institutions, clearly hedging against great-power pressure and widen their policy options.

By diversifying their trade connections, making investments in new markets, and fortifying regional financial systems, middle powers are actively aiming to alter their economic strategies, demonstrating the understanding that they are not merely passive players at the mercy of superpowers. Such strategies can demonstrate how agile and impactful middle powers actually are in utilizing economic statecraft measures as a weapon for both offensive and defensive purposes during a period of increased geoeconomic competitors.

2. Theoretical Foundations

2.1 Economic Statecraft: Definitions and Evolution

On basic terms, economic statecraft depicts the utilization of economic measures by a state to influence the behavior of another state. It can be said that the academic literature on economic statecraft started to gain prominence with Albert O. Hirschman's writings in the 1980, which observed the power asymmetries that begot from economic dependencies of trade relations. Hirschman argues that trade is not merely an economic activity, but also an instrument of strategy. By showing how certain dominant economies might impose restrictions on trade relations or investments in order to exercise influence upon economies that are less prosperous, he delves into the political aspects of global commerce (Hirschman, 1980, p.14-15). In his study, as Hirschman draws from the example of Nazi Germany and its deployment of economic measures to induce geopolitical influence, he reinforces the idea that economic leverage can be as consequential as military power in shaping international relations.

While Hirschman's studies play a linchpin role in diverting the focus on political imperatives of economic leverage, the most impactful description had been coined by Baldwin's seminal study, *Economic Statecraft* (1985), driving from the claim that states utilize from economic tools in the means of attaining objectives regarding their security. He posits statecraft to be "an art of conducting state affairs" (Baldwin, 1985, p.6), leading up the impression that economic statecraft being deemed as an art of conducting economic affairs of the state.

The principles of economic statecraft in Baldwin's framework can be explained in a couple of points. Firstly, he believes that economic measures are to be pursued as a means to attaining political or strategic ends, rather than simply for their own sake. Therefore, rather than focusing on the momentary economic effects of economic measures like trade incentives or restrictions, their effectiveness in accomplishing foreign policy objectives deserves to be

evaluated (Baldwin, 1985, p.10). Secondly, Baldwin argues that economic statecraft contains the usage of economic instruments to accomplish non-economic goals, like strengthening alliances, discouraging aggression, or changing the political conduct of a competitor state (1995, p.25). The comprehensiveness of economic statecraft not being merely limited to economic ends, but also reaching out to political, strategic, and security-related dynamics as well. Lastly, Baldwin argues that, in some circumstances, economic statecraft can accomplish strategic objectives with decreased risks and expenses, challenging the notion that military intervention is always more efficient in comparison to monetary coercion.

Moving on from these principles, Baldwin's (1985) framework underlines that economic statecraft can operate through both positive and negative stimulations, leading up to the assumption that states can either entice or penalize other states through channeling economic leverage. Positive economic statecraft measures can include the usage of foreign aid and support, incentives or developmental assistance, whereas negative economic measures consist of sanctions, controls and restrictions. The mentioned assumption enlarges the extent of statecraft methods beyond mere enforcement, portraying the many ways how economic incentives can be utilized to proactively to formulate global alignments.

Baldwin did not simply make a statement upon how tools of economic statecraft were much likely to succeed, but rather he purposefully underlined how the ways of statecraft had been more credible options compared to military coercion, in a system full of everlasting interdependence. Trade controls, sanctions, restrictions over investments, and financial incentives have become key proponents through which states aim to reshape the behaviors of their allies and adversaries (Baldwin, 1985, p. 4)

Along with the discernible transition of economic dynamics in the late 20th century, the understanding about economic statecraft had respectively changed as well. Mastanduno's work attempted to bridge the conventional and contemporary understandings on economic statecraft, by suggesting the involvement of economic measures in major power competition, highlighting an intersection of issues of economy and security that had been largely ignored by the literature (1998, p.826). According to the study, economic statecraft, despite the challenges that come alongside, remains a critical juncture in power politics and competition.

In the means of underlining the security-driven economic framework, Mastanduno further delves into the distinction of negative and positive measures. He mentions about the Marshall Plan launched by the United States in the aftermath of the World War II to describe the epitome of positive economic statecraft, as it aimed to counterbalance the Soviet influence in European region through economic aid and attempts of reinstatement (Mastanduno, 1999, p.304). Conversely, the demonstration of negative statecraft methods is explained through the example of U.S. sanctions on Cuba and Iran, in which the economic restraints happened to be used for coercing such inimical regimes into alterations over their policies.

At the beginning of the 21st century, scholars have worked to improve and broaden the conceptual basis regarding how nations use economic instruments since Hirschman's and Baldwin's seminal studies on economic statecraft and its critical place in foreign policy. According to the observations of Jean-Marc Blanchard and Norris Ripsman, the literature on economic statecraft remained to be confined by the definitions and approaches provided by the two aforementioned scholars, and the general lack of attention given to the domestic political atmosphere remained as a persistent cavity. By creating a political theory of economic statecraft that moves the conceptual emphasis from just the monetary scope of

incentives and punishments to their conversion into political expenses and prospects, Blanchard and Ripsman (2008) aim to make a substantial contribution to this dialogue.

The viability of economic statecraft, according to Blanchard and Ripsman, depends on the intended state's degree of stateness, what they define as consisting of three essential elements: autonomy, capability, and credibility, rather than on its overall economic influence (2008, p.372). The ability of a state to come to decisions without internal opposition is known as autonomy; the ability to co-opt or force important stakeholders is known as capacity; and the degree to which state leaders can mobilize domestic support in the face of foreign economic pressures is known as legitimacy.

According to their argumentation, their approach has significant implications when assessing the conditions under which economic statecraft measures are more likely to be efficient (Blanchard and Ripsman, 2008, p.393). As an example, states who obtain a higher level of stateness—those with strong governance that is centralized, substantial economic resources, and enlarged domestic legitimacy, happen to be more efficiently positioned to resist to economic pressure. On the contrary, states who operate on a weaker level of stateness happen to be more vulnerable to external economic pressures because they lack the institutional and political resilience to absorb economic shocks without conceding to the sender's demands.

Once mostly viewed through the prism of trade dependency and imbalances economic statecraft has developed toward an expanded structure that takes strategic agency and structural limitations into consideration. The efficacy of economic tools relies not merely on external dependencies but additionally on national political endurance and global financial connections, according to later scholarship, which has improved previous research that focused on the way dominant states make use of monetary connections to exert political a

‘bargaining chip’. This change emphasizes that economic statecraft is a fluid endeavor influenced by both global frameworks and state-dependent circumstances, rather than a strict practice of coercion as well as a definite means of influencing others. When observing the more contemporary pieces on the matter, there are certain themes to acknowledge. Firstly, along with the increasing significance of technology in IPE studies and utilization of economic statecraft, scholars have started to pay more attention. The increasing integration of technology, security, and economic statecraft has reshaped how states exercise influence in global affairs.

During the Trump administration, for instance, the United States used economic pressure aggressively, especially by means of tariffs and penalties against tech companies like Huawei (Drezner, 2019). Similarly, Farrell and Newman’s (2019) concept of "weaponized interdependence" also aims to demonstrate how dominant states exert their control over financial systems, digital networks, and critical supply chains to enforce their adversaries and reinforce strategic benefits. The U.S, as an example, has imposed export restrictions on sectors regarding semi-conductors and technological advancements regarding Artificial Intelligence, specifically aiming for Chinese tech giants, while the EU has enhanced its oversight of foreign investments in certain critical industries.

Moreover, Weiss and Thurbon (2021) contribute to this discussion by distinguishing between ‘developmental state’ approaches and economic statecraft, indicating the ways states strategically employ industrial policy, technological investments, and controls over supply chain, not only for economic goals on the national level but also as apparatuses of geo-strategic maneuvering. These ever-changing technological dynamics within recent scholarly

works accentuate the transition from conventional economic coercion to a long- term technological dominance as a linchpin stone within the literature of economic statecraft.

Although talks of economic statecraft are largely driven by a focus on major actors, developing powers and emerging economies have also created distinctive methods to deal with an age of escalating strategic rivalry. In this regard, Armijo and Katada (2015) present the idea of "financial statecraft", wherein nations such as South Korea, Brazil, and India use swap agreements over currencies, investment and wealth fund strategies to affect international financial systems. In order to mitigate the ongoing U.S.-European financial supremacy by setting itself aside from typical Western-led economic repression, this new type of statecraft concentrates on developing alternative ways through financial institutions, regional trade agreements, and strategic financing channels. By highlighting the ways regional middle powers, such as South Korea and ASEAN nations, employ trade regulations, regulatory structures, and financial collaborations to increase their independence in a fluctuating global structure, Breslin and Nesadurai (2023) contend that debates on economic statecraft shouldn't be constrained to super-powers only. These strategies indicate the ways economic statecraft operate beyond mere repression or sanctioning, rather it aims to incorporate financial adherence and resilience, investing on infrastructure, and economic partnerships on the regional level as ways of maintaining a strategic posture.

As time has passed, the attention has shifted to geoeconomics, where economic tools are systematically used to form geopolitical alignments, as a result of the increasing awareness that such strategies are essential within the fight for global supremacy. Further, academics highlight the trend towards broader interventionist strategies involving industrial policy, trade restrictions, and investment legislation to influence geopolitical results (Gertz and

Evers, 2020; Wigell and Scholvin, 2018). While some argue that geoeconomics represents a deliberate fusion of economic and security objectives to enhance state power, others caution against conflating geoeconomics with traditional economic statecraft, emphasizing its distinct role in shaping global economic governance (Aggarwal & Reddie, 2021). The unfolding discussion highlights an expanding awareness that economic interconnection is being considered more strategically, laying the groundwork for a more thorough analysis of geoeconomics in the section that follows.

2.2 Geoeconomics: Concept and Integration

The concept of geoeconomics emerged to describe the growing employment of economic instruments as strategic levers in the means of achieving geopolitical goals. Edward N. Luttwak (1990) provides the basic description of the concept, asserting the idea that whereas military might had traditionally been the primary instrument of geopolitical competition, economic instruments taken central stage in contemporary statecraft. He happens to be renowned for his description of geoeconomics, as following the "logic of conflict in the grammar of commerce" (Luttwak, 1990, p.19), highlighting the ways how governments currently employ commerce, investment, and financial advantage in ways that are much similar to conventional warfare strategies. When observing this framework, it can be acknowledged that economically driven competition is a purposeful expansion of state authority intended to further strategic goals, not a means to obtain mere efficiency or market forces.

Building upon Luttwakian foundations of geoeconomics, Blackwill and Harris (2016, p.26) aims to refine the concept of geoeconomics by distinguishing it from conventional understandings of geopolitics. According to their arguments, while geopolitics had attempted

to historically explain state power through geographic determinants, whether it be territorial matters, populace, or military might, geoeconomics happens to provide a parallel framework that locates state power predominantly within economic capabilities (Blackwill & Harris, 2016, p. 23). Furthermore, because the aforementioned phrase is frequently employed inconsistently, the authors draw attention to the larger difficulty of identifying the concept of geopolitics itself. Some definitions link geopolitics to the exercise of political power over territory, while others concentrate on how geography affects global relations.

Instead of solely focusing on these geographical factors, geoeconomics examines how nations develop and project power largely through economic methods. This distinction remains a crucial part in comprehending why geoeconomics should be viewed as a distinct, albeit closely connected, aspect of strategic rivalry rather than being acknowledged as a subset of geopolitics (Blackwill & Harris, 2016, p. 23-24). They also draw attention to the basic distinction in the underlying presumptions of geopolitics and economics. Although economics is typically viewed as a 'positive-sum game' in which creation of wealth benefits several actors, geopolitics operates upon a 'zero-sum logic', where the gain of a certain nation is the loss of a different one (Blackwill & Harris, 2016, p. 24-25).

Moving on from the conceptual foundations and definitions of geoeconomics, another vital aspect to focus on happens to be the relationship between geoeconomics and economic statecraft. Among the scholars that have examined this intersection, Breslin and Nesadurai (2023) lay a groundwork for understanding how geoeconomics and economic statecraft function in various geographical contexts. The authors contend that, even though they might not create ripples on a global level, emerging and regional powers also employ and engage with geoeconomic strategies on the regional level, making it not just the purview of

superpowers. The interaction between geoeconomics and economic statecraft is particularly evident in cases where states utilize from economic means to gain geopolitical advantages.

In addition, Gertz and Evers (2020, p.118) analyze how nations take advantage of their positions in international financial networks to exert pressure on opponents and further accomplish their strategic goals, turning economic interdependencies into weapons. They draw attention to how state capitalism, especially in China, makes it possible to combine geoeconomic goals with economic statecraft tools, resulting in a scenario in which state-owned companies serve as extensions of foreign policy. The geo-economic strategy of Russia has a similar tendency. Wigell and Vihma (2016) analyze the sanctions imposed by Western states as a form of geoeconomic power, aimed at undermining Russia's energy exports. The analysis is founded upon the Russian strategies of fluctuating energy costs in an effort to enforce pressure on EU states and erode European unity. Recent work on Eurasian infrastructure corridors also shows that multilateral development banks themselves have become contested geoeconomic arenas, as middle powers and great powers channel finance to lock in influence along strategic routes (Köstem & Metintaş, 2024). Moreover, Liao and Waters (2023) use the energy policy of Northeast Asia as an example to further highlight this dynamic. They contend that the funding of coal abroad by China, Japan, and South Korea represents a two-pronged strategy: "geoeconomically," it increases their power in energy markets, but it also acts as an economic statecraft tool to forge political alliances (Liao and Waters, 2023, p.1054). This case illustrates how economic statecraft gives policymakers the ability to affect international economic organizations, hence facilitating geoeconomic objectives.

Even though both seem complementary, geoeconomics and economic statecraft are not necessarily indistinguishable. According to Sparke, the state-centricist view found geoeconomics in Luttwakian thinking frequently overgeneralizes economic approaches by viewing them as merely statecraft devices (2018, p. 32). He emphasizes how the efficacy of statecraft policies might be limited by market dynamics and actors in the private sector, which may complicate state-led geoeconomic projects. Similarly, Mattlin and Wigell (2015) warn about adopting an instrumentalist perspective alone when examining geoeconomics and imply the significance of a more detailed understanding that does not sidestep structural realities.

Having mentioned the relationship between economic statecraft and geoeconomics, further significant topics of the economic statecraft literature consists the tools of geoeconomic strategies. These tools can be deployed in several ways, such as cyber activities, energy politics or developmental assistance, and in several typologies, whether it is offensive or defensive (Blackwill and Harris, 2016, p.49; Danzman and Meunier, 2024, p.1099). Even though there are attempts of classifications over the nature of geoeconomic tools, it is vital to acknowledge the fact that these intended purposes might not always be unidimensional.

In *The Political Economy of Geoeconomics: Europe in a Changing World*, Milan Babić, Adam D. Dixon, and Imogen T. Liu examine how financial tools, such as SWFs which are “state-owned but market-oriented” (Babic, Dixon and Liu, 2022, p. 4-5), might fit into larger geoeconomic plans via a not so state-centric approach. They contend that sovereign wealth funds—particularly those in Europe—have developed into vital instruments for managing international economic competition. Furthermore, Babic et al. calls out to view state incentives in “accelerating energy transition” via technological investments from a

geoeconomics perspective (2024, p.6). To further indicate the geoeconomic state of thinking in energy politics, we can observe how certain states are making efforts for green transition with precautionary strategies, such as investment screening or export controls, towards becoming overly dependent on other contender states.

Apart from leveraging energy politics, states have also started to deploy a spectrum of digital and technological methods to enforce their geoeconomic capabilities. Scholars have analyzed the utilization of digital financial networks, such as Society for Worldwide Interbank Financial Telecommunication (SWIFT), and ‘dual-use technologies’, such as cybersecurity and Artificial Intelligence, as apparatuses in geoeconomics competition (Farrell and Newman, 2019, p.53; Aggarwal and Reddie, 2021, p.138). In addition to financial and electronic means, governments exploit development assistance as a tool for strategy to avert rivals’ pressures and form economic dependence. In today’s world, assistance programs aim to strengthen geopolitical alliances instead of pursuing only humanitarian or economic development objectives in a progressive manner, guaranteeing beneficiary states' strategic immunity from financial stress from the contender powers. In this case the most suitable example can be found in Indo-Pacific region, wherein the United States, Japan, and Australia collaborate their development financing organizations to offer a substitute to China's Belt and Road Initiative (BRI) (Danzman and Meunier, 2024, p.1103).

3. Middle Powers in IR Theory

3.1 Conceptualizing Middle Powers

Identifying and classifying middle powers has long been a challenge for modern international relations literature, which recognizes that these states fall somewhere between minor, “system-ineffectual actors and larger, system-determining ones” (Keohane, 1969, p. 296). In

order to identify governments that were neither great nor weak in international affairs, early talks frequently focused on measurements of material capability, such as economic growth or military might (Fels, 2012, p.16). However, many scholars note that these positional or capacity-based criteria alone have proved insufficient to capture the nuance of middle-power behavior, leading to ongoing debates about whether the term should also hinge upon other indicators such as behavioral, geographical, positional or normative dimensions (Cooper, Higgott and Nossal, 1993). Carsten Holbraad's research indicates that the fundamental focus of the conceptual framework of middle powers is their intermediary position in the hierarchy of the global system. The author claims that, although a large portion of the literature on international relations focuses on great powers, intermediate powers have a distinct viewpoint that strikes a balance between the relatively weak position of small states and the supremacy of great powers (Holbraad, 1971, p. 78). Further on the issue, Holbraad points out that previous exchanges, especially from European academics, struggled to establish an agreeable description, criticizing research on middle powers for missing clear criteria that differentiate these nations from the other nations (1971, p.77).

In a comparable manner, Adam Chapnick (1999) also criticizes the vagueness of the term "middle power," contending that even though it is widely used in the literature on international affairs, the idea still lacks an explicit description. He points out that although states are frequently categorized as intermediate forces according to their functional capacities, behavioral patterns, or hierarchical classification, neither of such approaches offer an impartial foundation for doing so (Chapnick, 1999, p. 73). According to one of the three models Chapnick offers, the functional model happened to describe middle powers accordingly with their capacity in contributing to global affairs in certain contexts.

Originating from the Canadian way of conducting diplomacy, it was argued that the impact

of a state needs to be determined by its engagement, pursuits, and ability to make contributions to international concerns, which Chapnick accuses the approach due to temporariness (Chapnick, 1999, p. 74).

Moving to the second model, the behavior-based approach that has been widely recognized in middle power literature, middle powers are defined by their dedication to stability around the world, multilateralism, and arbitration (p. 75). Certain scholars had also suggested a similar regard, claiming that middle powers happen to be defined by their inclination for diplomatic compromising, global collaboration, and missions to maintain peace (Cooper, Higgott, and Nossal, 1993; Cox, 1989). Chapnick, however, criticizes the cyclical character of this logic, by contending that this method is tautological in character because this reasoning presumes the existence of middle powers and then retrospectively attributes attitudes to them (1999, p. 76). Chapnick's preferred hierarchical model categorizes intermediate powers according to their structural place in the global order (p. 76). He links this concept to the division of states into great, middle, and minor powers in the earlier times. The hierarchical model restricts middle power status to a small number of states that hold a particular and acknowledged place in international politics, in contrast to the functional and behavioral approaches, that seek to extend it to other countries.

Middle powers have traditionally fulfilled a variety of roles, especially in the bipolar and multipolar frameworks. Middle powers can serve as arbitrators or balancers in a bipolar setting, as demonstrated by India's non-alignment or Canada's Cold War diplomacy (Holbraad, 1971, p. 80). Additionally, scholars had drawn attention to the previous example of Germany, which some 19th-century academics described as an intermediary power that would balance among France and Russia (Holbraad, 1971, p. 79).

A key point within this debate underlines the significance of diplomatic activism and “coalition-building” capabilities, arguing that middle powers tend to be fonder of multilateral solutions, in support of global institutions, and encourage results driven by consensus (Cooper, 1997, p.9; Jordaan, 2003, p.166; Robertson, 2017). Drawing on this perspective, some scholars emphasize the “bridge-building” function, whereby middle powers leverage their position to mediate between major powers and smaller states (Gilley and O’Neil, 2014, p.238). This bridging strategy aligns with studies that aim to indicate how middle powers actively pursue legitimacy globally by adhering to established global governance norms, demonstrating not only their material competence along with a collaborative diplomatic culture (Robertson, 2017, 366-367).

3.2. Characteristics of Middle Powers

Emerging middle powers often have social and developmental contexts that differ from those of more recognized middle powers, but they often have material characteristics, such as strong exporting profiles or notable growth in gross domestic product. According to Jordaan, the conventional middle powers, such as Australia and Canada, are much wealthier, more “egalitarian” and less influential whereas the emerging middle powers, namely Argentina and Malaysia, are “inegalitarian” and employ more influence in comparison (2003, p. 165). Some scholars have criticized past efforts to identify intermediate powers based on both military and financial measurements, such as population density, nuclear capabilities, or Gross National Product (GNP) (Holbraad, 1971, p. 81). It has been pointed out that although these elements have a role in power, they tend to not constantly characterize intermediate powers because structural factors determine how they operate.

At the same time, by claiming regional governance, these powers regularly aim to project influence. In the means of grasping the significance of the mentioned powers' roles on a global scale, it is important acknowledge that middle powers who are classified as emerging are defined by their role as a regional power (Karim, 2018, p.354). As an example, Indonesia has used its regional clout to construct identity that somewhat set it apart from both major powers and smaller nations, as well as to strengthen relations with other nations and become the defender of democratic rights within the region.

In a similar way, Holbraad suggests a more connective method, characterizing intermediate powers as countries regarded as "significantly weaker than the great powers but significantly stronger than most small nations" (p. 78). Middle powers can serve as intermediaries or moderating forces amongst giants in a bipolar society (p. 84). Middle powers may also act as minor players in major power coalitions, regional stabilizers, or localized leaders in a multipolar system (p. 86). Their primary trait is their transitional status, which establishes the possibilities and limitations in the global network.

This kind of regional focus emphasizes how emerging middle powers aim to be champions in their respective regions not just economically but also politically and culturally. Having observed the growth trajectories of emerging powers, it is possible to indicate their capabilities in challenging previous categorizations that limited them to the status of "developing" or "regional" entities. On the contrary, emerging powers appear to take use of their intermediary standing in global forums such as World Trade Organization (WTO) or G20 (Jordaan, 2017). The activist character of middle powers is further highlighted by Ungerer, who contends that they usually take part in diplomatic endeavors that go above their personal geographical worries (2007, p. 543). He defines "coalition-building with like-

minded states" as middle power diplomacy, a tactic that allows them to have a significant impact on issues like environmental policy, arms control, and peacekeeping operations (2007, p. 548). Their activism sets them apart from smaller governments, which frequently lack the resources and political inclination to take part in such projects.

The delicate effort of balancing between nationalism and internationalism is a further noteworthy characteristic he talks about. While keeping close ties with major powers, he observes that intermediate powers frequently take autonomous stances on foreign policy (2007, p. 542). As an example, Australian foreign policy has traditionally been centered on striking a healthy equilibrium amidst alliance obligations to the United States and regional participation in the Asia-Pacific (p. 546). By maintaining this strategic dualism, mid-countries are able to keep their security guarantees from larger partners as well as their credibility in multilateral forums.

Parallel to this, Parlar Dal (2018) emphasizes the multifaceted and context-specific characteristics of middle power traits, contending that a mix of material, behavioral, along with ideational traits form the core of their identity. She argues that multiple traditions of academia in global politics are reflected in the functional, positional, and behavioral methods that are frequently used to characterize intermediate countries (Parlar Dal, 2018, p. 4).

According to Parlar Dal, the multilateralist stance of the middle countries comprises one of their primary traits. She contends that middle powers typically seek multilateral remedies to international issues, using institutional engagements and diplomatic alliances to exercise impact exceeding their financial means (2018, p. 12). Their inclination to rely on international institutions, global governance systems, and strategic partnerships to accomplish their goals stems from their lack of unilateral strength. She points out that in the

past, middle powers have been crucial in establishing international trade agreements and promoting structural changes in multilateral agencies (p. 13).

The following normative devotion to global governance is an additional distinctive trait.

Middle powers often serve as norm entrepreneurs, promoting democracy, human rights, the rule of law, and free markets, according to Parlar Dal (p. 3). Regardless of their fiscal constraints, they are able to assert influence in international affairs because of their normative approach, which frequently provides them with credibility. She does, however, note that this commitment is occasionally rhetorical rather than substantive because middle powers may find it difficult to carry out their moral goals because of geopolitical limitations (p. 13).

This review has charted the development of research on middle-power behavior, geoeconomics, and economic statecraft, demonstrating the way each field has improved our knowledge of how states use—or are confined by—economic tools to achieve strategic objectives. Nevertheless, the literature is still disjointed. While geoeconomics research frequently views middle powers as passive objects rather than independent agents, economic statecraft studies continue to favor great-power instances and place a strong emphasis on the efficacy of sanctions. On the other hand, middle-power analysis continues to rely on ambiguous typologies that mask differences in policy preferences. What is lacking is a comprehensive framework that links the various middle-power reactions to the type of economic pressure which is put on them, placing those responses within internal political abilities (state autonomy, legitimacy) and structural barriers (interdependence, supply-chain hierarchies).

This thesis aims to address that gap. By theorizing a continuum of target-state reactions and strategies—accommodation, engagement, diversification, and resistance— and applying it to

carefully selected cases where middle-power are at the center of focus, the project aims to describe why and how these states recalibrate their economic and diplomatic portfolios in response to outside economic pressure. In doing so, it happens to build a bridge between the concern of economic statecraft literature with instruments of influence and the middle-power literature's emphasis on agency, thereby contributing a more varied account of power asymmetries in the global political economy and elucidating the circumstances in which economic hardship reshapes international positions.



CHAPTER 3

THEORETICAL FRAMEWORK

1. Introduction to Theoretical Framework

Great powers are no longer the only ones with economic influence. Although powerful countries can still influence the economic landscape through restrictions on exports, incentives, and penalties, a growing body of research indicates that nations beneath the great powers can also use similar tools to influence their respective sectors and spheres.

Nevertheless, we still don't fully grasp how middle powers, those that fall somewhere among powerful nations and smaller states, react to economic pressures. The idea of economic statecraft, which Baldwin (1985) popularized, has been extensively researched in relation to great-power strategies. The peculiar conduct of nations that lack the comforts of vast material dominance and must instead negotiate, reject, or ingeniously get around demands from bigger countries has received much fewer spotlights.

To capture the patterned heterogeneity in how middle powers navigate external pressure, this study adopts George and Bennett's (2005) typological-theory-building strategy. Typological analysis begins by mapping a comprehensive "property-space" (George & Bennett, 2005, p.15) that arrays all plausible configurations of the thesis's core explanatory factors, compliance-cost thresholds, domestic pay-offs, and institutional opportunities, into analytically distinct types. For each type, the approach specifies a contingent causal pathway,

generating explicit expectations about the circumstances under which Accommodation, Engagement, Diversification, or Resistance should prevail (George & Bennett, 2005). By iterating between cross-case comparison and within-case pattern tracing, the method mitigates omitted-variable bias and the inferential pitfalls associated with relying on a single comparative logic. This design also embraces equifinality, which recognizes that different combinations of pressures can yield similar outcomes, while offering a transparent rationale for case selection and theory testing that strengthens the explanatory leverage of the framework.

In the means of addressing the gap in the literature, I propose a novel theoretical framework that adopts the methodological backbone of typological theory-building. The framework aims to capture the diverse range of strategies middle powers deploy within their responses to economic statecraft. Traditional studies have tended to concentrate on simple binary results: do target states cooperate, or do they resist? Nevertheless, evidence from recent developments suggest that middle powers utilize a more flexible set of strategies, ranging from minimizing reliance by looking for new commercial partners to limitedly fulfilling requests of major powers in a limited way. With the goal of lessening the impacts of coercive measures, some actively alter international institutions; others make attempts to create and enhance critical sectors that might lessen vulnerabilities in the future. These reactions that are multifaceted in nature, indicate a strategic calculus influenced by alliance politics, regional dynamics, and domestic pressures, defying the conventional approach of compliance-versus-defiance frameworks.

By developing this theoretical framework, I hope to embrace the functionality premise of power being neither purely material nor purely relational, but rather appears in the interaction

of organizational, ideational, military, and financial capabilities as well as the ways in which nations use these capabilities in continually altering scenarios. In particular, middle powers portray a state of flexibility in balancing both political and commercial aims. The mentioned countries work to mitigate the risks, aiming to leverage commercial networks and forging broader coalitions to insulate themselves against punitive measures. As a result, we happen to observe a wide spectrum of possibilities rather than a binary path, in their behavior.

Throughout this thesis, I try to establish a conceptual framework that will systematically specify the range of reactions, pinpoint the strategic and institutional circumstances that precipitate them, and suggest how these instruments may confront or even modify the inherently oppressive clout of major powers. In this section, I extend on Armijo and Katada's (2014) three-part spectrum of financial statecraft—defensive versus offensive, bilateral versus systemic, and financial versus monetary—to better understand how middle powers respond when faced with economic pressure. Expanding on previous scholarly attempts to map economic statecraft logics, I aim to classify middle-power reactions into four categories of behavioral pathways, over three factors, to achieve and observe twelve outcomes that can be seen in Table 1.

	Cost-Benefit (1)	Autonomy & Agency (2)	Structural Constraints (3)
Accommodation (A)	Continuum of Costs and Benefits	Selective Concessions	Institutional Lock-In
Engagement (E)	Active Partnership Fostering Protection & Rewards	Regional Influence through “Sub-Hegemonic Agency”	Leveraging the Sender’s Structure
Diversification (D)	Reducing Asymmetric Exposure	Enhancing Strategic Flexibility	Building Institutional Contingency
Resistance (R)	Cost-Compliance Threshold	Domestic Pay-Off Predominates External Penalties	Externalization of Costs

Table 1: Mechanisms Across Thematic Dimensions of Middle Power Responses to Economic Statecraft

As it is evident within the table, I propose that there are four different ways that middle powers can react to great-power economic statecraft, and the following sections gradually expand on this paradigm in a step-by-step fashion. The definitions of the main middle power responses, Accommodation, Engagement, Diversification, and Resistance, and then the exploration of the mechanism of causality that leads states to prefer one path over the other can be observed within the upcoming part. In addition to advancing our knowledge of economic coercion and its effects, this approach seeks to highlight how middle powers function as active participants and co-shapers in global economic statecraft, instead of fulfilling the roles of passive bystanders.

2. Variety of Responses

2.1 Accommodation

Accommodation, in the context of economic statecraft, refers to a target state's decision to partially align its policies with the demands or expectations of the sender state, minimizing friction and avoiding more punitive responses without completely surrendering strategic autonomy. In contrast to strategies like deterrence—where a state attempts to prevent adverse action by threatening repercussions—or economic diplomacy—where states engage in positive-sum bargaining for mutual benefits—accommodation pivots on the need to stave off deeper conflict while accepting some degree of external influence. This orientation is also distinct from outright coercion (where one actor directly forces another's compliance through severe punitive measures) because it rests on the target's voluntary, if reluctant, adjustment, rather than on the aggressor's unilaterally enforced conditions.

The conceptual underpinnings of accommodation draw on the work of scholars who have explored the spectrum of state responses to international economic pressure. Albert O.

Hirschman's (1980) early insights on how dependence that originate from economic relationships might be imbalanced, and David A. Baldwin's (1985) conventional demonstration of economic statecraft suggest that target states, especially those who are in a deficient position of obtaining a top-tier power, often calibrate their responses to retain key domestic interests. Within IPE approaches to trade negotiations, financial flows, and sanctions have frequently highlighted the binary of compliance versus resistance (Blanchard & Ripsman, 2008); however, empirical evidence indicates more varied and subtle maneuvers. Against this backdrop, Accommodation emerges as a discrete category, characterized by deliberate partial concessions that appease conflict and prevent a spiraling escalation.

Accommodation operates under three outcomes:

A-1) Continuum of Costs and Benefits

The target state weighs the severity of potential punishments (e.g., sanctions, exclusion from critical networks) against the concessions demanded by the enforcing power.

Should the anticipated costs of non-compliance prove too high, the target might deem a partial surrender of autonomy as acceptable.

A-2) Selective Concessions

Even as it concedes, the accommodating state typically aims to maintain some control over strategic sectors, industries, or diplomatic prerogatives. This might manifest itself in the acceptance of export restrictions on non-essential goods while safeguarding high-value or sensitive industries (e.g., technology, defense).

A-3) Institutional Lock-In

Middle powers are a part of treaty-based, supply-chain and financial infrastructures whose key nodes are controlled by, or reliant upon, the sender states and their allies. Infringing such nodes would eventually trigger automatic market, license and financing restrictions that outweigh the momentary repercussions at stake.

Within a continuum of responses to economic statecraft, accommodation can be considered as the least intense specifically because it stops short of overt challenge. The target state does not have an intention of deploying retaliatory measures, escalate the conflict through global organizations, or deliberately diversify economic partners in ways designed to undermine the coercer's leverage. Instead, it seeks stability along with short-term harm reduction. This makes sense in scenarios where structural conditions—such as participation in the World Trade Organization (WTO), heavy trade dependency, or vital geopolitical alliances—formulate high risks for overt defiance. When the cost-benefit calculus indicates that resistance or more assertive strategies could provoke serious economic damage that is deemed to be unendurable (Hufbauer, Schott and Elliot, 2000), or erode critical diplomatic ties, accommodation becomes rational.

Importantly, structural factors influence the likelihood of this choice. Countries that rely heavily on the coercing power's market—through exports, technology licensing, or inward investment—will face stronger incentives to comply since the effectiveness of the measures will increase accordingly (Shambaugh, 1996, p.583). Similarly, membership in international institutions that the coercer effectively controls can magnify pressure. Conversely, if alternative markets or institution-based protections are lacking, the calculus tilts further toward accommodation. Thus, this response is neither purely voluntary nor purely coerced—

it arises at the juncture of system-level constraints and the target state's own domestic vulnerabilities.

2.2 Engagement

Engagement, as theorized here, signifies a more proactive and strategically aligned response compared to simple Accommodation. Rather than merely adapting to external pressure and meeting the requirements of minimal compliance, the target state aims to actively adopt and promote the economic strategies, norms, or regulatory standards of the sender state.

Occasionally, this strategy may involve mirroring the tactics of the sender state, such as adopting similar sanction regimes or trade policies, and thereby reinforcing the sender's agenda in the target state's own region or policy environment. The result is a unique form of what we might term 'functional alignment' or 'reflective engagement,' wherein the target uses, even amplifies, the sender's policies to advance its own economic, political, or security interests.

This approach contrasts with the more reactive stance of Accommodation, where concessions primarily aim to operate without endorsing or propagating the sender's toolkit to minimize friction, or in other words "bandwagon for profit" (Schweller, 1994, p.74). It also diverges from strategies of Resistance or Diversification, in which the target openly challenges or undercuts the sender's initiatives. Instead, engagement is a form of sub-hegemonic agency: the target state harnesses the sender's economic blueprint or regulatory framework, gains a measure of standing or credibility for doing so, and sometimes projects that framework further afield—effectively becoming a local facilitator or "proxy enforcer" of the sender's policy.

Engagement operates under three outcomes:

E-1) Active Partnership Fostering Protection & Rewards

Secondly, the target state happens to expect tangible gains from cooperative enforcement: avoiding secondary sanctions, achieving special concessions over trade, or gaining a seat at institutional forums where the sender's norms are codified. By becoming an active partner—rather than a hesitant bystander—the target aims to secure not only short-term reprieve from the enforcements but also privileged ties in investment, technology, or diplomatic collaboration.

E-2) Regional Influence through “Sub-Hegemonic Agency”

In adopting and implementing the sender's standards (say, adopting identical export controls or sanctioning third parties that violate certain trade rules), the target efficiently acts as an agent of the stronger state's agenda, but in so doing, it can also script influence among the neighboring states.

E-3) Leveraging the Sender's Structure

The first outcome is that the sender's economic rules and instruments—whether sanction regimes, trade frameworks, or technological standards—are already potent and system-shaping. The target state sees this structure as an opportunity to upgrade its own strategic standing by tapping into the sender's networks and amplifying those policies in its own sphere of influence.

This engagement logic draws on multiple strands of IR scholarship. It happens to resonate with theories of soft power diffusion (Nye, 2004), wherein states internalize and further spread the norms of dominant actors to secure reputational or institutional benefits. Another related concept can be deemed as secondary sanction dynamics (Drezner, 2015), where states

comply with and extend punitive measures initially imposed by major powers in order to avoid isolation or escalation themselves and maintain prized outcomes like exempted market access. Through adopting and mirroring these policies, the target state also could consolidate influence over how such measures are interpreted and enforced on the regional level, along with gaining leverage or recognition in the process.

Crucially, engagement unfolds within asymmetrical relationships, reflecting existing the subordination of actors within global power hierarchies (Ikenberry, 2011). The sender wields extensive power—economic, institutional, or technological—enabling it to set standards that others adopt or replicate. The target state, while not equal to the sender, seizes opportunities within those asymmetries. Thus, the target is not passively bowing to pressure; it is co-producing the emerging economic architecture, albeit under the umbrella of the sender's overarching framework.

2.3 Diversification

Diversification represents a deliberate effort by the target state to broaden its economic, technological, and diplomatic ties to reduce vulnerability (Keohane & Nye, 2011) to external pressure. Positioned beyond either defiance or straightforward compliance, Diversification does not position itself as inherently confrontational; rather, it is a forward-looking strategy aimed at reconstructing dependencies and enlarging autonomy. Unlike straightforward retaliation, which may trigger a rapid escalation, Diversification aims to recalibrate the target's economic and strategic alignments, thereby de-risking exposure to a single major power. In the broader behavioral spectrum, diversification can evolve from a state's recognition that overt resistance may prove too costly or unsustainable; accordingly, a

methodical shift in partners, supply chains, or institutional attachments emerges as a prudent alternative to challenging the sender's power head-on.

Diversification operates under three outcomes:

D-1) Reducing Asymmetric Exposure

By recalibrating import sources, export markets, and financial channels, the target ensures that no single power can unilaterally inflict severe damage to its economy through diminishing vulnerability (Keohane & Nye, 2011, p.12,). This long-term planning often involves forging free trade agreements with alternative blocs, negotiating currency swap lines with multiple partners, or encouraging foreign direct investment (FDI) from varied sources.

D-2) Enhancing Strategic Flexibility

Through infrastructure pluralism—investing in multiple energy pipelines, digital networks, or logistical routes—the target state preserves room for maneuver. If tension with the sender escalates, the target can pivot more easily to alternate systems or routes, mitigating the impact of economic coercion.

D-3) Building Institutional Contingency

Beyond trade deals, diversification frequently includes establishing or reinforcing parallel institutional frameworks. For example, participation in multiple regional organizations or cooperative development banks can limit the target's reliance on a single institutional setting, especially if that institution is heavily influenced by the sender.

From an economic security perspective, diversification parallels the logic of resilience politics, wherein states deliberately fortify themselves against systemic shocks, or “coping

with a change of state” (Bourbeau, 2015, p374), by distributing risk. By building alternative trade corridors, adopting multiple technology standards, or forming new regional partnerships, a state can diminish the leverage a single actor holds over its critical sectors. Dependency theory also offers an angle through which to view why states whose security or development are unduly dependent on a dominant partner may prioritize diversification. These states decide to reposition themselves by balancing and depending on various sources of commodities, such as wealth, technology, or investments as opposed to leaving the global order (Galtung, 1971, p90).

Related concepts like supply chain realignment or partner substitution underscore how diversifying economic relationships can weaken the coercive capacity of a single sender. To the extent that the target’s aim is to retain the benefits of major-power ties without succumbing entirely to their dictates, diversification reflects a nuanced form of strategic autonomy (Howorth, 2018). It thereby departs from decoupling or resistance, which often implies a more abrupt severance and can carry pronounced short-term economic consequences. Instead, diversification keeps the target state in the sender’s orbit but strives to avoid detrimental overdependence.

Certain enabling factors shape when and how states adopt diversification. Middle powers that have robust regional networks or possess valuable resources (e.g., energy, advanced technology sectors) often find it easier to attract alternative partners. Domestic pressures—such as strong export-oriented industries wary of supply disruptions—can also prompt governments to explore new alliances or sign reciprocal trade pacts. On the structural level, moments of geopolitical fragmentation or technological bifurcation (Farrell & Newman,

2019) open windows of opportunity for states to carve out new alignments, especially if major powers are busy negotiating rival spheres of influence.

2.4 Resistance

Resistance, as conceptualized here, happens to represent a consciously politicized and defiant reaction to economic coercion. Rather than quietly evading compliance or pursuing alternative with alternative partners, the target state aims to publicly challenge the legitimacy or moral authority of the sender's policy tools—whether they are sanctions, conditional lending, or restrictive trade measures and controls. Through sharp political messaging, symbolic gestures, and substantive policy decisions (e.g., unilateral termination of agreements, refusal to meet loan conditions), the target attempts to reassert control over its national economy and asserts its sovereign prerogatives. Resistance stands apart from previously mentioned strategies that are considered to be much milder, like accommodation or engagement because it actively disrupts or denounces the sender's mechanisms, yet it remains less escalatory than outright decoupling or retaliation, which might entail sanctions in reciprocal fashion or military brinkmanship.

Resistance operates under three outcomes:

R-1) Cost-Compliance Threshold

The predicted costs associated with defiance (sanctions, market exclusion, litigation) are thought to be less than the anticipated cumulative costs for complying (such as austerity, lost tariff revenue, restricted industrial policy, and domestic reputational reaction). The state naturally selects opposition when that disparity is wide enough or when compliance is deemed strategically or financially unsustainable.

R-2) Domestic Pay-Off Predominates External Penalties

In order to offset external economic consequences, leaders believe that defiance would result in observable political or financial benefits, such as increased in-favor ratings, competitive advantages in elections, windfall rents from renationalized assets, or more budgeting flexibility. Stated differently, the internal benefits of defiance outweigh—or gradually alleviate—the externally driven financial costs.

R-3) Externalization of Costs

Lastly, the state estimates that it can externalize or split a sizable portion of resistance-related expenses by (i) using alternative funding sources or non-sender markets, (ii) shifting the costs of adjustment onto national constituencies with lesser political influence, or (iii) imposing mutual uncertainty costs on the sender's side (such as disruptions in supply or legal obstacles). The technique becomes a lot more feasible if the overall financial cost of resistance is reasonable due to the credibility of these countering measures.

Middle powers, regardless of whether they had a colonial past, often become resistant when they recognize coercive economic tools as manifestations of an expanded hierarchical system that favors the interests of dominating powers. Scholars studying post-colonial political economy have notably pointed out how exploitative legacies can exacerbate these attitudes (Frank, 1979; Murphy, 2015), although the same reasoning holds true for nations whose complaints are rooted in current disparities in power rather than colonial inadequacies. The belief that compliance would uphold an unfair cost- benefit ratio and put the target in a subordinate role within international markets or financial governance is what ties these instances together. A resistant state aims to upset those imbalances by publicly challenging sanctions, conditional lending, or trade restrictions, delivering a message both home and

abroad that the potential risks of defiance are now greater than the anticipated losses from compliance.

The notion of economic sovereignty can be deemed as closely related to these arguments, wherein states seek the autonomy to determine their own development paths, resource allocations, and regulatory frameworks (Quiggin, 2001). By refusing or overturning the conditions offered by the sender state, the target reaffirms its prerogative to set policies without external interference, publicly reprimanding the idea that an outside actor could dictate its course. In this sense, resistance also taps into the literature on norm contestation, which is the process of not just defying a particular international norm yet additionally acting as a means for critical discourse that influences political results (Wiener, 2014). This can be observed as aiming to undermine the normative legitimacy of sanctions or conditions imposed by large financial institutions, trade blocs, or hegemonic states.

3. Overview & Connection to Empirical Section

The four-step spectrum articulated in this chapter—accommodation, engagement, resistance, and diversification—maps a continuum of strategic responses to economic statecraft, arrayed by rising levels of policy autonomy, assertiveness, and divergence from the sender's preferred outcomes. Accommodation and engagement occupy the cooperative flank: both seek to preserve access to critical markets or political goodwill, yet engagement does so more proactively by internalizing and amplifying selected elements of the sender's regime. Resistance and diversification, by contrast, mark the autonomy-seeking flank. Resistance openly contests the sender's leverage when the domestic or fiscal costs of compliance grow intolerable; diversification quietly restructures dependencies through new partners,

supply-chain realignment, or institutional redundancy, thereby hedging against future coercion.

Although presented linearly, the spectrum should not be read as a one-way escalatory ladder. States—especially middle powers operating under tight fiscal and geopolitical constraints—can move fluidly along it as external pressures intensify or recede, domestic coalitions shift, and alternative opportunity structures emerge. A government that initially accommodates may pivot to diversification once new financing options appear, or a resisting state may revert to engagement if the expected penalties of continued defiance exceed projected gains.

The conceptual utility of this framework lies in capturing this gradational logic: it avoids the warped binary of compliance versus defiance and instead underscores the calibrated choices states co-opt to balance sovereignty, prosperity, and security in an asymmetric international economy. In the empirical chapter that follows, this spectrum will serve as a diagnostic tool for tracing how real-world actors' sequence, combine, or abandon these strategies in response to evolving economic coercion. An exhaustive manual scan of sanctions, export-control notices, WTO filings, and trade-press archives (2008-2024) yielded 63 potential episodes. Applying transparent filters for response type, regional and sectoral diversity, and documentary depth narrowed the universe to the eight cases analyzed in Chapter IV. Only cases that meet at least two-third of these requirements will be examined in-depth in the next chapter, where each instance will be carefully evaluated in relation to the assumed assumptions of its phase.

CHAPTER 4

EMPIRICAL ANALYSIS

The claim that middle powers operate as either passive rule-takers or active rulebreakers might be convincing in principle, nevertheless the observable instances that we come across in contemporary world politics points to a different direction. Reiterating ideal types by a strictly logical approach runs the risk of collapsing when faced with complex historical sequences, overlapping oppressive tools, and altering internal politics. On the other hand, a haphazardly eclectic empiricism might drown analytical power in case-specific obscurity. By creating an empirical investigation that is both flexible enough to capture the adaptability that middle powers frequently display and rigorous enough to refute fundamental claims, this chapter aims to strike a balance.

The preceding chapter had advanced a four-stepped spectrum, Accommodation, Engagement, Diversification, Resistance, to elucidate how middle powers recalibrate policy when confronted with economic oppression. Each case is positioned in the typological map according to its cost, incentive, and coalition profile; empirical episode analyses confirm or revises that placement, refining the map rather than forcing evidence to fit pre-set categories. Further, the theoretical framework breaks with the conventional dichotomy of compliance-versus-defiance by indicating that states inhabit a sliding scale of autonomy and agency, reshaping their external posture as costs, coalitions, and opportunity structures occur.

Having specified the logics that underpin each behavioral path, the task now is to determine whether those logics transcend the boundaries of analytical conceptualization. This empirical chapter therefore asks a straightforward but demanding question: Do real-world middle powers shift along the theoretical spectrum, and if so, under what circumstances and with what outcomes?

1. Accommodation

1.1 South Africa – U.S. Trade Pressure and AGOA Poultry Dispute

In 2015, the United States leveraged the renewal of the African Growth and Opportunity Act (AGOA) to coerce South Africa into opening its market to American meat exports.

Washington delivered an ultimatum tying the elimination of long-standing import restrictions, particularly a 15-year ban and anti-dumping taxes on U.S. poultry, to South Africa's AGOA advantages (USTR, 2015; Reuters, 2016). In November 2015, President Obama informed Congress that duty-free access for South African agricultural products would be suspended within 60 days unless Pretoria decided to eliminate the mentioned barriers. The threat had teeth: losing AGOA would cost South Africa up to \$1.7 billion in annual exports revenues, affecting the most vital sectors like citrus, wine, and automobiles (Reuters, 2015). Facing a March 15, 2016, deadline for suspension, South Africa had to choose between enduring severe economic stress or making concessions (Schneidman, 2016).

Pretoria chose limited compliance, maintaining its wider trade restrictions while providing a ring-fenced compromise in the poultry industry. Trade Minister Rob Davies declared in January 2016 that South Africa would instantly waive anti-dumping tariffs on 65,000 metric tons of U.S. "bone-in" chicken imports yearly (Endsor, 2015), a quota established in previous

negotiations. In order to preserve South Africa's current tariffs as well as health regulations beyond the quota, this opening was meticulously limited to only apply to specific poultry cuts and amounts. Beyond what was required to meet U.S. requests, no more extensive policy changes were implemented on beef, pork, or other sensitive commodities. Pretoria partially complied with the new limit when the first shipments of American chicken leg halves arrived in South African ports in February 2016 (DTI, 2016). Importantly, these concessions were selective; they were intended to protect South Africa's broader economic interests and avoid political reaction by ring-fencing the effect to a specific sector and providing the United States with an actual advantage of market entry for poultry (Schneidman 2016; Ismail, 2017).

The resolution of the dispute was facilitated by institutional and legal mechanisms that 'locked in' minimal adjustment and imposed a strict timetable. The U.S. ultimatum came via an "out-of-cycle review" (HSF, 2015) mandated by Congress in the AGOA Extension & Enhancement Act of 2015, an institutional process that made compliance verification automatic. This created a clear deadline and criteria for South Africa: prove U.S. poultry access by March 2016 or forfeit AGOA benefits. South Africa, in turn, implemented the concession through formal regulatory steps that institutionalized the limits of its compliance. By late 2015, it signed a veterinary protocol lifting the avian influenza ban on U.S. poultry, and in early 2016 it created a special tariff rebate item to enable the 65,000-ton quota for U.S. chicken imports (HSF, 2015). These legal measures 'locked in' the poultry opening without altering other trade commitments. The timetable pressure was intense but finite: once U.S. chicken hit South African shelves, which it did by Q1 2016, USTR confirmed that South Africa had met the benchmarks, and Obama revoked the suspension order before it took effect.

This episode epitomizes the Accommodation strategy of a middle power under economic pain and coercion. Confronted with a powerful imposer (the U.S.) and the undeniably high costs of defiance, South Africa calculated that a partial, face-saving compliance was preferable to a concrete resistance, satisfying condition of a cost–benefit continuum (A-1) for limited compliance. Indeed, analysts noted that losing AGOA access could have “derailed many crucial sectors” (HSF, 2015) of South Africa’s economy, giving the coerced country very little choice but to yield on at least one front. However, rather than capitulating wholesale, South Africa managed to negotiate a selective concession deal (A-2) focused narrowly on poultry. By “paying” with a poultry concession, South Africa preserved its core interests, by continuing to protect its domestic poultry industry with quotas and kept other trade barriers intact, while appeasing key American stakeholders, mainly U.S. chicken producers.

Through institutional means rather than escalating conflict, the U.S. poultry lobby acquired market access, while South Africa avoided the most drastic loss of trade advantages. The result was a well-balanced settlement. Notably, South Africa pursued stabilization and harm mitigation rather than tariff retaliation or litigation at the WTO. As one observer put it, Pretoria essentially provided a “payment for preferences” to remain in Washington’s good graces (Ismail 2017, p.530), a textbook case of Accommodation where the target state yields enough to satisfy the coercer, but on terms that contain the scope of change. The sequential, rule-based process ensured that South Africa’s adjustment remained minimal and targeted, bounded by institutional lock-in (A-3) towards AGOA. South Africa’s measured acquiescence, under a tight deadline and within a legal framework, thus fulfilled three key criteria of Accommodation: a cost-benefit calculus, constrained concession to mitigate huge

economic costs, and an institutionalized solution that locked in only minimal adjustments to its policies (Schneidman 2016; HSF 2015).

1.2 South Korea –THAAD Dispute and Chinese Economic Coercion

During 2016–17, South Korea, a medium power allied with the United States, encountered significant economic pressure from China following its decision to deploy the American THAAD missile defense system on its territory. Beijing viewed THAAD’s radar as a threat and responded with informal sanctions, to which Seoul ultimately responded with offering partial, ring-fenced concessions to ease Chinese pressure while maintaining its fundamental security ruling. China enforced unofficial economic sanctions after Seoul announced the installation of THAAD in July 2016 (Yeo, 2023).

Among these were harsh restrictions on group travel to South Korea, an embargo on exports of Korean pop culture, meaning the hallyu content ban, and disciplinary examinations of South Korean companies that were operating in China (Lee, 2017). Notably, the Lotte Group, which supplied THAAD with land, suffered an estimated 2.5 trillion won (up to US\$2.2 billion) in losses when 87 of its 112 shops in China were forced to shut down under regulatory pretexts (Jung, 2017; Lee, 2017). Although there was no formal edict or WTO file created, Beijing never formally acknowledged these acts, but their effects were evident: they decreased South Korea's earnings from consumer products, entertainment, and tourism.

On October 30, 2017, Foreign Minister Kang Kyung-Wha had publicly announced South Korea’s “Three No’s” policy, no to additional THAAD batteries, no to integrating with a US-led regional missile defense system, and no to trilateral military alliance with the US and Japan (Lee, 2017). Crucially, Seoul did not agree to remove the single THAAD battery already deployed on its territory, nor to damage its alliance with US; it merely promised not

to go any further in ways that China had feared. Briefly, the concessions were tightly ring-fenced around the missile-defense issue, South Korea essentially reassured a status quo it was likely to maintain anyway, e.g., Seoul historically hesitated to expand missile defense or formal ties with Japan. By confining its compliance to these specific areas, South Korea minimized impact on its broader strategic autonomy, yielding just enough to placate Beijing's concerns without capitulating on fundamental interests upon their national security (Abrahamian & Son, 2017)

This calibrated response strategy quickly paid off in soothing China's coercive intentions. Beijing halted its retaliation once Seoul's Three No's were in place: Chinese state media declared relations to be "back on track," and the authorities quietly lifted the bans, for instance, Chinese tour agencies happened to resume group trips to Korea (Yonhap News, 2017). By extending a bilateral currency swap with South Korea and reestablishing commercial ties, China affirmed the return of regular economic cooperation. Importantly, there was no change in South Korea's primary safety stance. As a result of Moon's promises, which were more of a symbolic bow to China than a strategic reversal, THAAD remained stationed, and Seoul maintained its relationship with the United States (Lee 2017). Seoul's public promises gave Chinese President Xi a diplomatic victory, but the South Korean administration managed to withstand the sanctions' anticipated a drag "equivalent to 0.5 per cent of nominal GDP" (Yeo, 2023, p.284) without giving up important interests. This reciprocal face-saving agreement demonstrated how accommodation operates: the target state consciously makes some compromises in order to limit the conflict and avoid extra penalties. To prevent greater economic damage, South Korea allowed some foreign influence over its policies (fulfilling Chinese requests in part, if not entirely) but performed so without "escalating intensification" or complete cooperation.

South Korea's handling of the THAAD standoff fits the Accommodation pattern on multiple counts. First, Seoul's decision was driven by a cost-benefit continuum(A-1): as Chinese sanctions started to bite harder, the marginal cost of holding out, such as losing tourism, exports, investment confidence, began to outweigh the benefit of a hard-line stance, prompting limited compliance, but only to the extent necessary to relieve pressure and stem the damage, short of completely overturning the THAAD deployment. Beijing's unofficial sanctions, which included a ban on Korean popular culture exports, limits on Chinese package tours, and regulatory scrutiny of Lotte's retail network configuration, quickly caused losses of around 2 trillion won and cut Seoul's predicted GDP growth by about half a percentage unit. The cost-benefit analysis was conducted by South Korean policymakers in response to this significant and quickly compounded shock.

Second, the concessions were selective and tightly bounded (A-2): by offering China specific security-related assurances and nothing beyond, South Korea ring-fenced the adjustment to prevent broader capitulation. Seoul's response, however, never devolved into a sweeping surrender. The October 2017 "Three No's" pledge—no trilateral coalition with Washington or Tokyo, no integration into a region-wide U.S. missile shield, and no further THAAD launchers—was meticulously delimited. By refusing to dismantle the battery already on Korean soil and by leaving the Mutual Defense Treaty with the United States untouched, the Moon administration preserved its ability to deter North Korean missiles and to retain maximum autonomy over future force posture. These concessions were carefully calibrated to address China's core grievance, like radar and alliance fears, while preserving South Korea's strategic autonomy in all other domains.

When considered collectively, the episode shows how a middle power can use well- balanced accommodation to thwart outside pressure while maintaining its strategic core. The U.S.- ROK alliance and the THAAD battery remained intact despite Seoul's restricted, status-quo- oriented vow, which quickly stopped Chinese pressure, restored tourist flows, and gained amplification of the currency-swap line. Consequently, the THAAD case provides a textbook example of accommodation's twin imperative by achieving two of the goals: avoiding a downward spiral in economic harm (A-1) and making strategically limited concessions (A-2).

2. Engagement

2.1 The Netherlands – U.S. Chip-Export Coercion

In 2018, the United States chose to exert pressure on the Dutch government to prevent the transfer of advanced semiconductor technologies to China after a Dutch company, ASML, was granted permission to sell an EUV lithography machine to SMIC in China. In an effort to persuade the Netherlands to stop the sale, U.S. officials, including Secretary of State Mike Pompeo, shared intelligence and brought up the matter at the White House (Sterling et al., 2020). Washington issued a warning that Western security interests would be jeopardized if China were to acquire ASML's advanced semiconductor technology. By mid-2019, the Dutch government refused to renew ASML's export license, stopping the \$150 million machine from being sent, proving the effectiveness of an unofficial but fierce lobbying campaign (Sterling et al., 2020).

Gradually using its technological superiority to force, or threat, partners to cooperate, the United States later increased its export restrictions on chipmaking technology (Khan, 2020). As an example of engagement, the Netherlands sided with the United States through active

cooperation and rule acceptance rather than overtly engaging in open disobedience. Even as they followed Washington's lead, Dutch authorities insisted on a "multilateral" approach to export controls and collaborated with the United States to find a cooperative solution (Schreinemacher, 2023). Subtly preventing ASML's most sophisticated tools from entering the Chinese market, the Dutch government agreed to impose new restrictions on exports of semiconductor machinery to China by 2023, joining Japan in doing so (van der Putten, 2023).

Dutch Trade Minister Liesje Schreinemacher declared "additional export control measures" on advanced semiconductor equipment in March 2023, citing national security concerns as justification (van der Putten, 2023). Crucially, by necessitating licensing for sales to China and encompassing the same high-end lithography equipment, these regulations closely resembled those of the United States. To ensure security, the minister Schreinemacher's official letter (2023) to Parliament stressed that the Netherlands would broaden its export control regime and that it had conferred with "international partners ". This showed a formal adoption of the coercer's manual: despite being presented as a sovereign decision, Dutch policy underwent changes to conform to U.S.-led regulations.

The engagement produced a coordinated regulatory regime. The Dutch worked within U.S.-led frameworks like the Wassenaar Arrangement on dual-use technology controls and engaged in a trilateral process with the U.S. and Japan (culminating in a January 2023 agreement) to harmonize rules (Okano-Heijmans, Gomes & Kono, 2023, p.99). In June 2023 the Netherlands publicly detailed new export license requirements for the most advanced, and some second-tier, lithography machines, effectively co-creating a broader coalition to contain China's tech access. A Reuters report in 2024 noted that despite Dutch hesitance to

appear merely following orders, according to the observations “it will continue to align with Washington on export restrictions”, for instance, by denying Chinese service requests for older ASML machines (Sterling, 2024) Diplomatic agreements strengthened this convergence; for example, Washington's 2022 chip sanctions were applied in a way that sheltered Dutch companies because of the United States' confidence in Dutch engagement, expecting the Netherlands to voluntarily not harm U.S. industries.

The Netherlands' response to U.S. coercion over chip-export controls to China exemplifies the Engagement strategy outlined in the theoretical framework, fulfilling two out of the three specified outcomes: fostering rewards through active partnership (E-1) and leveraging the structure of the sender state (E-3). Even while the case partially makes sense according to the premise of sub-hegemonic agency (E-2), the evidence that is currently available points to a more unintended or secondary regional impact, which is not enough to show that peers are strategically orchestrating their influence.

The Dutch government's actions are intended to promote rewards through active partnership (E-1), that signifies a change from receptive alignment to engaged partnership. This is done in the hope of receiving coverage and specific benefits. The Netherlands discreetly stopped ASML's exports of EUV machines to China in 2019 following vigorous lobbying by U.S. authorities; this was prior to Washington formally expanded export rules relating to chips in 2022. This proactive adherence maintained ASML's exclusive position in the U.S. semiconductor industry while also protecting Dutch companies from possible subsequent punishments. Additionally, the Netherlands' participation in the trilateral working group between the United States, Japan, and the Netherlands shows how the country was able to have an impact on establishing an agenda and carve out potential in the creation of an

entirely new export-control regime. The utilitarian logic ingrained in the outcome E-1, wherein the goal fosters collaboration in order to gain material and reputational benefits, is reflected in the rewards, which range from immunity from penalties to involvement in privileged regulatory settings.

The instance also satisfies the principle of leveraging the sender's structure (E-3), according to which the targeted state enhances its own tactical and regulatory capacities by utilizing the sender's pre-existing structures. The Netherlands embraced important elements of Washington's export-control framework, such as similar license requirements and end-user limits, rather than opposing U.S. regulations. Through this partnership, Dutch authorities were able to obtain information and best practices that would have been exceedingly costly to build alone by integrating into U.S.-led risk assessment and verification processes. Additionally, ASML's incorporation into the U.S. tech-finance system was reinforced, ensuring the maintenance of beneficial business partnerships and establishing mutual reliance. Thus, the Dutch case illustrates how a middle power could use an existing hegemonic framework to improve its own enforceable status and economic posture.

Nevertheless, the evidence supporting the use of involvement to exercise regional or "sub-hegemonic" influence (E-2) is somewhat weaker. There happens to be minimal evidence that the Netherlands deliberately structured or disseminated these standards with strategic aim, even though Dutch alignment may have produced demonstration effects like Germany's internal discussion on export restraints and Japan's counterpart limitations. The regional consequences are still more dispersed and uncertain, lacking the proactive norm entrepreneurship anticipated under E-2, in contrast to E-1 and E-3, where the material and structural benefits to the Netherlands are much clearer and measurable.

2.2 Mexico – U.S Tariff Threat Through Migration Cooperation

In May 2019, U.S. President Donald Trump abruptly threatened to impose sweeping tariffs on all Mexican imports, starting at 5% and escalating up to 25%, unless Mexico took action to curb northbound migration (Miroff, Sieff&Sheridan, 2019; Selee, 2019). This coercive trade measure tied Trump's two priority issues, immigration and trade, by using economic pain as leverage to force policy change in Mexico (Sheridan, 2019). The tariff ultimatum confronted Mexico, a medium-sized G20 economy heavily dependent on U.S. trade, with a dire choice: either suffer severe economic damage or accede to U.S. demands on immigration control.

President Trump's tariff threat was an explicit act of economic coercion. This threat sought to coerce Mexico into stemming the surge of Central American asylum seekers reaching the U.S. southern border. It came on the heels of record migrant apprehensions and Trump's frustration with what he called Mexico "doing nothing" for migration (Selee, 2019). The coercive lever, tariffs on approximately \$350 billions of trade, aimed to force Mexico's hand by endangering its export-dependent economy, where about 80% of Mexican exports go to the U.S (Sheridan, 2019). Mexican President Andrés Manuel López Obrador (AMLO) quickly recognized the threat as "coercive tariffs" and vowed to respond with efforts of dialogue, not escalation.

Rather than retaliating or seeking alternative partners, Mexico immediately pivoted to a strategy of Engagement. President López Obrador dispatched his Foreign Minister, Marcelo Ebrard, to Washington within hours, signaling a willingness to negotiate and cooperate under pressure. AMLO publicly refused to "respond with desperation" and instead emphasized

partnership: “Mexico will respond with prudence... and push for dialogue” (Al Jazeera, 2019). This set the tone for a diplomatic resolution rather than a trade war.

Over several intense days of negotiation, Mexican officials co-opted the U.S. demands into a workable bilateral plan. On June 7, 2019, the two governments released a U.S.– Mexico Joint Declaration outlining Mexico’s commitments in exchange for tariff suspension. Mexico agreed and promised to deploy 6,000 troops of its new National Guard to reinforce its southern border (Guatemala) and key migration routes (Withers, 2019). Within weeks, thousands of Mexican security forces were interdicting migrants, dramatically reducing U.S.-bound flows. In addition to increasing migrant detentions and deportations, Mexican police scaled up their arrests and dismantled human smuggling networks. Indeed, the June 7 Joint Declaration committed Mexico to “unprecedented steps to increase enforcement to curb irregular migration” (Selee, 2019) In practice, Mexico’s immigration enforcement surged, June 2019 saw a 66% year-on-year jump in migrant apprehensions after the deal.

Mexico agreed to expand the U.S. Migrant Protection Protocols (MPP), a program forcing asylum seekers to await U.S. immigration hearings in Mexican territory. Under the June deal, Mexico accepted busloads of Central American asylum-seekers returned from the U.S. each day. This effectively institutionalized a burden-sharing arrangement: Mexico would host more refugees and provide work permits, healthcare, and education for those awaiting U.S. decisions.

Mexico proactively partnered with the coercer to secure relief and benefits (E-1). By doing the ‘dirty work’ of immigration enforcement that the U.S. wanted, Mexico gained protection from devastating tariffs. In essence, Mexico co-opted U.S. rules and priorities as its own: it reframed the issue as a joint problem and took on a U.S.-endorsed role (border enforcer) in

exchange for economic security. The rewards were tangible, aside from the tariff suspension, the U.S. reaffirmed its commitment to the new USMCA trade deal and promised development funds for Mexico's southern states. Mexico's assistance received praise by top U.S. authorities, enhancing diplomatic ties. Because of this 'active partnership,' Mexico was spared immediate economic damage and even gained recognition from the United States as a vital ally in maintaining regional peace. The partnership was formalized by a joint declaration and later celebrated during a state visit, where both governments hailed a "shared future of prosperity, security and harmony" under USMCA (Alper and Mason, 2020), a stark turnaround made possible by engagement.

In responding to U.S. pressure, Mexico asserted a form of sub-hegemonic agency (E-2) in the region by taking leadership in managing Central American migration. Essentially, Mexico stepped into a regional gatekeeper role on behalf of the U.S. It negotiated cooperation from Guatemala, Honduras and El Salvador to intercept migrant caravans, and it launched the Comprehensive Development Plan for Central America (with the UN) to address root causes, aligning with U.S. strategic goals while boosting its own regional clout. By institutionalizing stricter border controls and asylum processing in Mexican territory, Mexico became the U.S.'s de facto buffer state. This elevated Mexico's influence over regional migration dynamics, a hallmark of sub-hegemonic behavior: Mexico was effectively exercising power in its neighborhood in service of, and with guidance from, the hegemon's objectives. The joint measures forced Mexico to deepen ties with its neighbors, e.g. coordinating enforcement with Guatemala, investing in Honduras and El Salvador's development, thus increasing Mexico's regional leadership profile. In sum, Mexico leveraged the situation to embed itself as a pivotal actor in regional security governance, even as it was co-opted into the U.S. strategy.

Mexico's engagement also took advantage of the coercer's own institutional and political structure to mitigate pressure. First, Mexico worked within the U.S. policy process, it engaged U.S. executive branch officials directly, while implicitly counting on U.S. domestic constraints, such as business lobbies and Congress, to amplify Mexico's message that tariffs would hurt both economies. Indeed, Trump's tariff gambit faced loud opposition from U.S. lawmakers and industry, which Mexico subtly encouraged by highlighting mutual economic damage. This leveraged the political structures of the sender state (E-3), like Congress's trade oversight, to bolster Mexico's case for a cooperative solution. Second, Mexico adhered to international trade norms, like NAFTA/USMCA commitments, which framed Trump's tariffs as an extraordinary breach; by signaling it would uphold trade rules and only reluctantly concede on immigration, Mexico positioned itself as a responsible actor, increasing pressure on the U.S. to compromise. Finally, by institutionalizing the outcome in a bilateral framework with review clauses, rather than a one-off concession, Mexico ensured it could hold the U.S. accountable to its promises, for instance. if migrant numbers dropped, tariffs should remain off. In essence, Mexico leveraged the U.S.'s preference for formal agreements and verification, using a structured deal to lock in cooperation and avoid arbitrary new demands. This savvy use of the sender's rule-based approach and political checks exemplifies E-3.

Mexico mirrored U.S. coercive migration controls by adopting and enforcing similar policies onto third-country migrants, primarily from Central America, through militarized border enforcement, visa restrictions, and acceptance of asylum seekers under U.S. protocols. This instance fulfilled all three outcomes into its domestic legal and administrative systems under an Engagement strategy.

3. Diversification

3.1 Australia– Diversifying Trade in Response to Chinese Coercion

After Australia spearheaded demands in 2020 for an independent investigation into the origins of COVID-19, China responded with extensive trade restrictions. With Beijing's heavy tariffs and import restrictions on Australian barley, wine, beef, coal, timber, cotton, and seafood between May and November 2020, the shipment of these products to China fell to “nearly zero” (Edmonstone, 2024). A hazardous asymmetry resulted from China being Australia's biggest trading partner at that period, almost 33% of the exports (Edmonstone, 2024). In order to lessen its sensitivity to this economic pressure, Australia adopted a purposeful diversification policy.

Affected sectors actively looked for alternate clients in Europe, Asia, and the Middle East. Vietnam became Australia's second-largest importer of cotton by 2022 as the cotton sector formed new alliances in Vietnam, Indonesia, and Thailand with federal assistance (Edmonstone, 2024). Australian coal quickly found markets in South Korea, Japan, India, and even Europe after China banned coal imports. China's proportion of Australian coal exports dropped from 20% to 9% by 2023. While wine exporters boosted sales to Southeast Asia (such as Singapore and Malaysia) to somewhat offset a 30% decline in total wine exports, barley growers sold to Middle Eastern consumers, even at reduced prices (Edmonstone, 2024).

Canberra expanded its choices by speeding up trade talks with foreign economies. Notably, in 2022, the Australia–India Economic Cooperation and Trade Agreement was signed, offering "opportunities for trade diversification" and gaining access to India's 1.4- billion-dollar market (DFAT, 2022). Through programs like the trilateral Supply Chain Resilience

Initiative with Japan and India (started in 2021), Australia also strengthened its relationships with similar-minded allies in an effort to lessen its reliance on Chinese supply networks (Kim, 2021).

Diversification initiatives were actively endorsed by the Australian government. Grants totaling A\$198 million were allocated to assist exporters in expanding into new markets (Edmonstone, 2024). In order to demonstrate that institutional channels were available as a backup, Canberra also sought legal action by contesting China's tariffs at the World Trade Organization (WTO). Australian politicians stuck to their policy position during the impasse, and no visible political concessions were made because of Beijing's coercive policies (Europe Asia Foundation, 2021).

Results from the diversification strategy were evident. China's share of Australia's total exports decreased from one-third in 2019 to roughly 27% in 2022, indicating a noticeable reduction in asymmetric reliance (D-1) on the sender. Important commodities discovered substitute markets, denying Beijing its hegemonic purchasing power. It is an initial premise that a state under immense pressure can replace the coercer with other markets or allies. The fact that many exporters swiftly found new customers in Southeast Asia, South Asia, and Europe is substantially supported by Australia's experience. The cotton and coal sectors support the idea that there are alternatives in a multipolar global economy by demonstrating how trade flows can be redirected when there is global demand. But wine and lobster exporters' challenges (caused by excess and narrow market limitations) show that other options would not be as profitable or readily adequate. Assuming an available market abroad is a prerequisite for diversification; this is true for interchangeable commodities but not as much for luxurious or specialized products.

Australian exporters mitigated the coercive effect by enhancing a strategic flexibility (D- 2), via shifting to other markets and continuing to generate income. Canberra was able to maintain its stances without facing economic collapse thanks to this flexibility; analysts observed that Australia "did not bend" and rather took advantage of "brighter export opportunities" in alternate markets (Europe Asia Foundation, 2021). Analysts referred to the effort as a "spectacular failure" that strengthened Australia's determination, as China's penalties finally failed to compel an adjustment in policies.

Safety nets were established by Australia's purposeful use of collaborations and organizations in the means of achieving institutional contingency (D-3). The WTO case, although subsequently suspended due to a diplomatic thaw, along with new trade agreements with India, the UK, and through CPTPP, provided alternative frameworks to maintain commerce. Further, Australia received diplomatic cover from multilateral initiatives (such as the Quad's supply chain cooperation) and G7 solidarity against economic intimidation, suggesting that diversification tactics are most effective when implemented within a network of collaborators and supportive institutions. This supports the idea that middle powers depend on larger frameworks to strengthen their position rather than diversifying on their own. Collaborative frameworks such as the trilateral supply-chain initiative have further formalized support for diversification. These measures guaranteed that Australia had established mechanisms and allied coordination to rely upon throughout the economic siege.

A crucial disclaimer has been highlighted by the Australian example, which fulfilled all three assumptions: diversification strategy had decreased susceptibility during the crisis. This emphasized that the effectiveness of diversification methods depends on a persistent

commitment to diversifying even when challenges subside, in addition to initial presumptions of accessibility and elasticity.

3.2 Japan - China's 2010 Export Ban on Rare Earth Elements (REEs)

The catalyst for Japan's profound shift in critical mineral policy was the 2010 Senkaku/Diaoyu Islands dispute, which quickly escalated into a rare earth trade embargo (Schmid, 2019). The crisis began in September 2010 when a Chinese fishing trawler, operating in disputed territorial waters near the Senkaku Islands, refused directives from the Japanese Coast Guard (JCG) to leave the area. The trawler subsequently rammed two JCG vessels, leading to the detention of its 15-man crew and captain by the JCG.

China's abrupt export halt in 2010 made Japan understand that its significant reliance on Chinese rare earth supplies was a strategic weakness (Bowie, 2024). China stopped supplying rare earth elements (REEs), which are essential substances that power high- tech commodities, to Japan in September 2010 as a form of economic pressure in response to a maritime disagreement took place over the small islands (Kaneko, 2012). Since Japan at the time had imported 90% of its rare earths from China (Terazawa, 2023), the sanctions caused a rapid supply issue resulting in price increases. Tokyo decided to diversify aggressively in order to lessen its susceptibility in this oppressive environment.

With a budget of about ¥100 billion (about \$1.2 billion) by October 2010, the Japanese government quickly put together a comprehensive relief and resilience package to secure alternate goods and technology (Terazawa, 2023). It was a multifaceted campaign. In order to reduce China's share to roughly 50% within a year, Japan first sourced rare earths through new suppliers, then began negotiating agreements to import thousands of tons of rare earth oxides from states like Australia, India, and Kazakhstan (Kaneko, 2012).

To increase supply routes, Japan also reactivated dormant mines and made investments in foreign mining operations, such as funding Australia's Lynas Corporation (Bowie, 2024). In addition, industries were encouraged to decrease and recycle their use of rare earth elements by creating more effective technologies and alternative materials in order to increase their strategic flexibility. Lastly, Japan established institutional contingencies by storing strategic reserves of rare earths and, in conjunction with the U.S. and EU, lodged a WTO case in 2012 to contest China's export limitations (Yang, 2022).

The measures used for diversification yielded positive results. In just a few years, Japan significantly diminished its asymmetric reliance (D-1) on Chinese rare earths, decreasing the country's share of supply from 90% to approximately 60% during the mid-2010s. Days after China lifted its embargo, the Japan Organization for Metals and Energy Security (JOGMEC) facilitated a \$250 million deal between Japanese conglomerate Sojitz and Lynas (Seth, 2024), providing crucial equity and loans that were instrumental in saving Lynas from financial collapse. This partnership proved highly successful: Lynas now produces 12% of the global rare earth oxides and provides a third of Japan's overall rare earth supply, involving 90% of its light rare earths (Seth, 2024). Japan has continued to deepen this partnership, signing new deals with Lynas in 2023 to secure heavy rare earths, acknowledging its continued reliance on Beijing for these specific elements. The pillars of Japan's strategy (alternative sourcing, stockpiles, recycling, and innovation) are observed to be ongoing.

This durability was evident when new supply shocks emerged: for instance, as China tightened exports of other critical minerals in 2023, Japan already had diversification frameworks to respond. The continued investment in resilient supply chains and the absence of renewed vulnerability indicate that Japan's diversification was not a temporary patch, it

became a lasting component of national economic strategy well beyond the initial crisis. These shifts were not merely declaratory, but they also corresponded to concrete import statistics and contractual commitments, demonstrating a deliberate repositioning of Japan's supply portfolio away from Chinese dominance. Japan has improved its strategic flexibility (D-2) to withstand any potential future supply coercion by obtaining a variety of sources and alternatives in technology.

Beyond sourcing diversity, Japan invested in technological substitutes and circular- economy measures to reduce its overall rare earth consumption. Government-backed R&D grants spurred firms to develop alternative magnets and to improve recycling capabilities, cutting national rare earth use by nearly 50 percent from pre-crisis levels. This “dual-track” policy (Bakshi, 2025), meaning of securing innovation domestically while continuing to build bridges abroad, meant that, in a subsequent diplomatic dispute, Japan could pivot seamlessly: it tapped its stockpile, diverted orders to non-Chinese suppliers, and deployed recycled material without significant industrial disruption. Japan's infrastructural heterogeneity and resource-efficiency investments gave it substantial operational flexibility under distress, as evidenced by the fact that companies and supply chains did not report any significant production halts in practice.

More recently, Japan has extended these efforts, securing new deals for heavy rare earths from Lynas and engaging in a significant Japan-France cooperation project (Caremag, SAS), where Iwatani Corporation and JOGMEC are investing in a French refining plant that is anticipated to supply 20% of Japan's future heavy rare earth demand (METI, 2025). These actions directly illustrate a deliberate effort to diversify supply chains and reduce the risk of unilateral economic pressure from a single source.

Lastly, Japan complemented market-level adjustments with formal safeguards through achieving institutional contingencies (D-3). The government instructed JOGMEC to establish a strategic reserve, stockpiling hundreds of tons of critical rare earth oxides to buffer short-term disruptions. Concurrently, Japan joined with the United States and European Union in a WTO complaint that successfully compelled China to rescind its export quotas. Later, Japan became a key participant in multilateral initiatives like the Mineral Security Partnership (MSP), or the International Energy Agency (IEA), embedding its diversification efforts within a broader network of like-minded democracies and continuously promoting safe and diverse essential mineral supply networks. These institutional measures created legal and diplomatic backstops, ensuring that should China or any single actor again threaten exports, Japan would have both a domestic contingency reserve and multilateral recourse to uphold supply.

In summary, this scenario produced all three results: Japan utilized institutional contingency, enhanced its strategic flexibility, and investigated ways to minimize its asymmetrical exposure to China. Since Japan lessened its reliance on the pressuring force and increased its economic options to lessen subsequent pressure, it is evident that this reaction to coercion qualifies as a method of Diversification.

4. Resistance

4.1 Brazil - Resistance to Western Pressure on Fertilizer Imports

Brazil's government and industry recognized early that fertilizer is a vital input for national food security. The Minister of Agriculture and others repeatedly stressed that fertilizers are akin to food: they are not easily substitutable and should not be targeted by sanctions (Samora, 2022). In March 2022, Brazil convened a coalition with five South American

neighbors (Argentina, Bolivia, Chile, Paraguay, Uruguay) to propose at the UN's FAO that fertilizers be exempted from sanctions (Samora, 2022). They argued that restricting fertilizer trade would drive global food inflation and undermine food security. As reported by Reuters, Brazil depended on imports for approximately 85% of the fertilizer needed to support its grain production, with over one-fifth of those supplies, up to 9 million tonnes, originating from Russia in 2021 (Samora, 2022). These facts made Brazil's position clear: cutting off Russian fertilizers would risk crippling domestic agriculture.

President Jair Bolsonaro echoed this calculus. At a late-February 2022 press conference, he announced Brazil would remain neutral on the Russia-Ukraine war and refused to condemn President Putin. Bolsonaro emphasized his opposition to any sanctions that may adversely affect Brazil, notably referencing Russian fertilizers as essential for the nation's substantial farming sector (Stargardter, 2022). This comment had directly linked Brazil's foreign policy stance to the vitality of the domestic need for fertilizers. Bolsonaro made it clear that if outside pressure to stop using Russian fertilizers endangered its farmers, Brazil would fail to comply.

Despite Western sanctions and calls for solidarity with Ukraine, empirical data show Brazil's fertilizer imports from Russia increased sharply in 2022. Preliminary shipping records (seen by Reuters) documented a large backlog of Russian fertilizer headed to Brazil. For example, by mid-April 2022 at least 24 vessels carrying approximately 678,000 tonnes of Russian fertilizer were en route to Brazilian ports (Mano, 2022). Of these ships, 11 departed Russian ports after the February 24 invasion date (Mano, 2022), demonstrating that trade persisted even as sanctions took effect. The cargoes were mainly potassium chloride (potash), the single most-imported fertilizer in Brazil, used to boost yields of soy and corn.

Official trade data confirm the surge. In the first quarter of 2022, Brazil's imports of fertilizers and raw nutrient materials jumped 24.6% year-on-year to 9.795 million tonnes, driven largely by a 41.8% rise in potassium chloride imports, to 3.080 million tonnes (Mano, 2022). The top importers of KCl in that period were international companies, such as Mosaic and Yara, as well as Fertilizantes Tocantins, partly owned by Russia's Eurochem (Mano, 2022). These figures show that Brazil expanded its purchases of key inputs precisely when Western sanctions threatened supply. One Reuters analysis concluded that these volumes indicated how Brazil continued to purchase despite rising prices and the potential disruption of "sales from companies in Russia and Belarus" due to the war (Mano, 2022). In practical terms, Brazilian farmers were securing their fertilizer needs so that the 2022 planting season would not be derailed by an input shortage.

By mid-2022 the trend was unmistakable. According to Brazilian government data reported via various channels, in the first seven months of 2022 Russia became Brazil's fifth-largest supplier overall, up from eleventh in 2021, as exports from Russia to Brazil nearly doubled in value (MercoPress, 2022; Tarasenko, 2022). The total value of imports from Russia jumped from US\$2.6 billion between January to July in 2021, to US\$5.1 billion from January to July in 2022 (MercoPress, 2022). Diplomats attributed this increase to two factors: higher fuel prices (which inflated the value of diesel and gas imports) and Brazil's decision to bring forward fertilizer purchases from Russia to guarantee supplies. In fact, Brazil accelerated fertilizer shipments pre-emptively amid fears that later sanctions might block the transport or financing of Russian cargoes. The result was dramatic: MercoPress (2022) notes that Brazil's imports of Russian fertilizer climbed 127% between July 2021 and July 2022.

In responding to the coercive measures from the West, Brazil is observed to be clearly resisting because of the excessively high repercussions of cost-compliance calculation (R-1). In Brazil's case, the domestic cost of forgoing Russian fertilizer is indicated to be very high. Agribusiness accounts for roughly 25% of GDP, and 48% of exports (Russo & Roder Figueira, 2023; Grifol Ysamat, 2023) so productivity depends critically on fertilizer inputs. Analysts warned that delays in fertilizer shipments were already "impact[ing] productivity expectations for the next harvest" (Russo & Roder Figueira, 2023, p.2) as early as March 2022. Equally stark, Reuters noted that a severe shortage would imperil Brazil's summer grain season. In Bolsonaro's own words, Brazilian farmers could not tolerate sanctions that threatened "negative repercussions" for agriculture (Stargardt, 2022). Essentially, the cost of compliance, empty fields, crop losses, and food inflation, would have been catastrophic. This begot a threshold no sanctions regime could cross. As an internal Brazilian analysis pointed out, stopping Russian imports would "see food security in Brazil, and eventually the world, be threatened," (Russo & Roder Figueira, 2023, p.3) making such an act compliance unacceptable. By this logic, Brazil clearly satisfied the outcome of R-1: the burden of full compliance with Western sanctions was too great, so Brazil chose to resist.

In Brazil's case, the government framed continued imports as serving vital domestic interests that trumped external disapprovals (R-2). President Bolsonaro and ministers emphasized that continuing to procure Russian fertilizer ensured stable crop yields and mitigated inflation. Bolsonaro explicitly linked sanctions to fertilizer access, saying that by not aligning with sanctions he was able to get access to fertilizers which happened to be a key input for Brazil's vast agricultural sector (The Poultry Site, 2022). Likewise, Agriculture Minister Tereza Cristina Dias publicly argued to global audiences that fertilizers should be exempt from sanctions, indicating that global food inflation as "something that should worry all countries"

(Samora, 2022). Domestically, Brazil also moved to reduce fertilizer prices by diversifying suppliers, sending a delegation to Canada's Nutrien, the world's largest potash producer, and by later approving Russian diesel purchases to cut fuel costs.

All these measures reflect that the payoff of securing domestic food and farm output took priority. Any reputational cost with the US/EU was deemed acceptable in comparison. In effect, the gains to Brazil's economy from avoiding a fertilizer shortage clearly outweighed the diplomatic penalties for defiance. The press reports underscore this calculation: even with allies' criticism or Ukraine's appeals, Bolsonaro did not respond to requests to join sanctions, maintaining Brazil's own course. This exemplifies R-2, where domestic payoff predominates external pressure.

While the outcomes of cost-compliance threshold (R-1) and domestic pay-offs predominating external penalties (R-2) are most apparent, elements of externalization of costs (R-3) also appear. For example, Brazil actively sought to shift the burden of the sanctions. Instead of shouldering transport and financing hurdles itself, Brazilian firms arranged deals using foreign subsidiaries of Russian companies, whose payments were routed through banks not subject to Western sanctions. This effectively externalized some sanction-related costs to third parties. On the political front, Brazil advocated a multilateral solution (via FAO) to exempt fertilizers globally, thereby spreading the cost of any disruption among all trading partners rather than Brazil alone. Brazil also accelerated purchases early, pushing Russian exporters to absorb shipping disruptions in mid-2022. In these ways, Brazil reduced its own exposure to the sanctions regime. This episode illustrates how an emerging economy can successfully resist external economic pressure when domestic payoff dominates, in line with the R-1 and R-2 outcomes of the resistance framework.

4.2 Türkiye - U.S. Coercion over the S-400 Purchase

Türkiye's 2017 agreement to buy Russia's S-400 air-defense system triggered a major U.S.–Türkiye rift. Ankara proceeded with delivery, with the first S-400 components arriving in July 2019 (Karako, 2019), despite explicit U.S. warnings. Washington responded by coercive means: cutting Türkiye's participation in the F-35 fighter program, threatening sanctions, and ultimately imposing CAATSA sanctions in late 2020 (Reuters, 2020). This case examines how Türkiye defied these measures and satisfied key outcomes of the resistance framework.

After Türkiye announced its S-400 deal in late 2017, U.S. policymakers warned of grave consequences. In April 2019 Vice President Pence publicly warned Türkiye that it “must choose” between remaining a NATO ally or risking that partnership by deploying the Russian system (Reuters, 2019a). In response, Ankara offered counter-threats: Türkiye's vice president retorted that Washington should decide “to remain Türkiye's ally or risk our friendship” by undermining Türkiye's defense (Reuters, 2019a). In practical terms, the U.S. halted delivery of F-35 equipment and in mid-2019 removed Türkiye from the F-35 program (Reuters, 2019b). President Trump also delayed selling Türkiye U.S. Patriot missiles, despite earlier Patriot offers, and publicly downplayed any Patriot delivery under the Obama administration (Karako, 2019). Finally, under CAATSA (the 2017 sanctions law), the U.S. placed sanctions on Türkiye's Presidency of Defense Industries (SSB) and its head in December 2020 (Oprihory, 2020). These targeted actions suspended Türkiye's participation in F-35 production and blocked further U.S. jet sales, though they avoided direct punishment of Türkiye's broader economy.

Turkish leader openly treated the S-400 deal as a strategic imperative. President Erdoğan repeatedly framed it as essential to national defense and sovereignty. For example, when

deliveries began, Erdoğan stressed that by buying the S-400 “Türkiye is not preparing for war” however instead “trying to guarantee its peace and national security” (AA, 2019). He emphasized that the S-400 contract, that was signed in late 2017, happened to be “the most important agreement in Türkiye’s history” because it would make Türkiye a “partner in production” rather than merely an export market (AA, 2019). In his view, this deal advanced Türkiye’s defense-industry autonomy and deterrence capabilities. Erdoğan also viewed the S-400 as a hedge against threats at home: foreign analysts note his concern for regime survival after the 2016 coup attempt, making independent air defenses more attractive (Rounds, 2020).

The U.S. coercive measures ultimately imposed on Turkey turned out to be relatively limited in scope, less than needed to force compliance (R-1). Economist Demir, head of Turkey’s SSB, immediately downplayed the damage of the U.S. sanctions, noting they focused only on the defense procurement bureaucracy and amounted to at most a few billion dollars, about 5% of U.S.-Turkey bilateral trade (Butler and Evans, 2020). He observed that existing contracts, including certain parts for F-35s being produced in Turkey, were not canceled and that military procurement would continue. After the sanctions were announced, the Turkish lira actually stabilized, indicating markets were not thrown into panic (Butler and Evans, 2020). In other words, U.S. coercion fell below Turkey’s threshold of pain.

This calculation is reinforced by Turkey’s behavior: it did accelerate payments and took delivery of the S-400s despite threats. Erdoğan publicly asserted that Turkey “paid \$1.4 billion” for F-35 jets and demanded either delivery or reimbursement (Reuters, 2021) signaling he expected to recoup financial losses rather than capitulate, though this statement came in 2021. Earlier, as deliveries began, Erdoğan had already dismissed the U.S. warning

by announcing payments would continue. Analysts on both sides concluded that the F-35 embargo was a failed coercive tactic: “As a measure to coerce Turkey into abandoning the S-400, the F-35 suspension has failed. The missile systems have already arrived in Turkey, and there’s no going back” (Rounds, 2020). In practice, Turkey’s compliance threshold was higher than the U.S. costs it imposed. The U.S. never blocked broader economic ties, and even after sanctions Ankara continued some military purchases: notably, negotiations over F-16 upgrades and purchases proceeded in parallel.

Thus, the domestic payoffs from acquiring the S-400, meaning enhanced security and political stature, were judged to outweigh any U.S. reprisals (R-2). Turkish officials explicitly broadcasted that message. Erdoğan scorned the U.S. position as “very wrong” when asked about talks with the U.S., and affirmed that “we finished the S-400 process and our payments continue” (Reuters, 2019b). In July 2019, he stated that penalties or exclusion from the F-35 “is out of the question” given that Turkey is not covered by CAATSA, ruling any U.S. sanctions initiatives strictly as “out of the question.” (AA, 2019). In short, caveing to U.S. demands was politically costly domestically, whereas proceeding with the S-400 was rewarded with nationalist prestige.

As one analyst noted, because the S-400 has been developed to strike down American-designed aircraft, and Erdoğan’s top priority is always his own political survival, he seeks it “for the exact reason the United States does not want Turkey to have it” (Karako, 2019). The domestic political payoff of independence thereby outweighed threats of foreign punishment. Indeed, polling and election results around that time underscore the sensitivity: Turkey’s ruling AKP lost major cities in 2019 mayoral elections after years of economic turmoil partly linked to U.S. pressure, e.g., the Brunson affair, yet Erdoğan’s position on the S-400

remained unchanged. In effect, the Turkish government calculated that the political cost of reversing course would be higher at home than accepting the external penalties.

Turkey also took steps to push back against U.S. pressure rather than bear all of it. For example, it asserted any type of sanctions would be “met in kind” (AA, 2019), implying retaliatory measures if necessary. This rhetoric signaled that U.S. penalties would not be one-sided. Turkey’s earlier response to U.S. sanctions in 2018, imposing high tariffs on American cars, alcohol, and tobacco in retaliation for U.S. sanctions, shows a pattern of externalizing costs (R-3) onto U.S. economic interests (Kirby, 2018). While that 2018 tariff episode was not specifically about the S-400, it illustrates Turkish tactics of levying counter-costs. In the S-400 case, Turkey promoted greater self-reliance in defense procurement: Erdoğan often said that under the S-400 deal, Turkey would become a manufacturer of technology, not just a buyer. By developing indigenous missile manufacturing, through partnerships with Russia or domestic firms like ASELSAN, Turkey effectively shifted development costs internally and reduced future dependence on U.S. systems. In these ways, Turkey sought to externalize the burdens of coercion, either by making the U.S. pay politically for its own actions or by internalizing defense production to hedge against external pressures.

The case thus meets the criteria for two outcomes R-1 and R-2: sanctions were kept below the compliance threshold and Turkey prioritized internal payoffs, such as national security, sovereignty, and regime strength, over foreign pressure. Although more subtly, in line with the resistance framework, the episode also saw Turkey externalize some degree of costs through diplomatic and industrial means, suggesting R-3.

5. Concluding Remarks

The comparative evidence gathered from the four response modes, Accommodation, Engagement, Diversification, and Resistance, demonstrates neither a linear progression of disobedience nor a binary distinction between submission or breakage. Instead, middle-power strategies emerge as situational calibrations along a continuum of agency, conditioned by the interaction of material cost thresholds, domestic political payoffs, and the menu of institutional and coalition-building options open to decision-makers. South Africa and South Korea illustrated how limited concessions can alleviate intense pressure while maintaining flexibility for future actions, whereas the Netherlands and Mexico transformed coercive challenges into opportunities for collaborative agenda-setting, securing side-payments and regulatory influence in the course of things. Contrarily, Australia and Japan viewed coercion as a tool for structural hedging. Their ability to reroute trade and secure other supply chains highlights the fact that diversification works best when it is front-loaded with state assistance and embedded within plurilateral frameworks. Finally, Brazil and Turkey represent the extreme end of the spectrum, where the balance shifts firmly in favor of self-preservation; in this case, the target state actively transfers or externalizes the burden of sanctions, and the political and economic benefits of defiance exceed the reputational expenses associated with divergence.

When combined, these examples reinforce the chapter's core argument, which holds that middle powers have a toolbox of adaptations that neither vulnerability nor hegemonic theories can adequately account for. There are three prominent intersecting regularities. First, the importance of cost-compliance levels: governments will either compartmentalize concessions or reject them explicitly if forecasted economic or security losses beyond a nationwide tolerable threshold. Secondly, the crucial role of institutional scaffolding: WTO litigation, rule-based trade agreements, and plurilateral export-control regimes provide both

offensive leverage and defensive covering, enabling targets to internalize their own preferences or lock in little change. Third, proportional power is being replaced by strategic flexibility. The flexibility allows middle powers to transform unequal reliance from a liability into an arbitration tool, whether this is done through the development of alternate suppliers, pro-active norm acceptance, portfolio trade adjustment, or selective market access.

The stage is prepared for the last chapter to elucidate the ramifications of these results for both theory and practice. This concluding chapter will examine how the spectrum model alters existing assumptions regarding economic coercion, its implications for the durability of rules-based trade, and how policymakers can develop counter-strategies that are attuned to domestic limitations while effectively leveraging institutional and market redundancies. The conclusion will examine the circumstances under which middle powers might convert sporadic responses into sustainable strategic positions, therefore influencing the developing framework of international economic governance rather than simply responding to it.

CHAPTER 5

CONCLUSION

This thesis has explored the evolving landscape of global economic statecraft, focusing on the multifaceted responses of middle powers to external economic pressures. Traditionally, the literature on economic statecraft has predominantly concentrated on the actions of major powers and often presented an outcome for target states that obtained a binary nature: compliance or defiance. This rather narrow perspective fails to capture the convoluted and multifaceted strategies that middle powers, positioned amongst rule-making major powers and rule-taking minor states, deploy when confronted with economic coercion. The central puzzle addressed throughout this thesis deemed as a significant gap in comprehending how these crucial actors navigate and recalibrate their economic and diplomatic portfolios in a system where economic instruments are increasingly central to achieve geopolitical goals.

To address this shortcoming, this study introduced a novel theoretical framework, conceptualizing a spectrum of target-state responses: Accommodation, Engagement, Diversification, and Resistance. This framework posits that middle powers do not merely succumb to or resist external pressure but employ a flexible range of strategies to balance their political and commercial objectives, mitigate risks, lever commercial networks, and formulate broader coalitions. The thesis puts forward a core argument that this proposed framework offers a more comprehensive understanding of middle power responses. The

theoretical attempt aims beyond simplistic binaries to reveal a much broader spectrum of possibilities. It emphasizes the functionality of power through not viewing it as purely material or relational, but also as emerging from the interaction of organizational, ideational, military, and financial capabilities. This perspective highlights the flexibility in middle powers' ways of managing dependencies and transforming their potential liabilities into strategic apparatuses.

The methodological approach of, typological theory building provides the dissertation with a rigorous yet flexible scaffold: it captures the full variety of middle-power responses, makes their causal logic explicit, and remains open to revision as new evidence accumulates. By applying the four-stepped spectrum to carefully selected empirical cases, the study aimed to describe the conditions and outcomes under which real-world middle powers shift along this strategic continuum. The analysis was structured to examine instances where middle powers demonstrated characteristics aligned with at least two-third of the required outcomes for each response type, thereby providing a robust empirical basis for the theoretical claims. In this way the thesis delivers what George and Bennett call “generic knowledge” (2005, p.85), diagnostic insights that travel beyond the specific cases studied.

Key concepts underpinned this investigation. I defined Economic Statecraft as the strategic utilization of economic leverage by states to influence the conduct of others, encompassing tools such as sanctions, interventions, restrictions, and incentives. This concept highlights how economic apparatuses have become primary instruments of statecraft, often serving as alternatives to conventional military action in an increasingly interconnected global economy. Building on this, Geoeconomics is the growing employment of economic instruments for strategic geopolitical objectives, asserting the centrality of economic tools in

contemporary statecraft. The thesis also meticulously defined Middle Powers as states that, despite lacking the structural dominance of major powers, possess sufficient economic and diplomatic leverage to exert influence in global affairs on a regional level.

The core contribution of this thesis lies in its bridge-building effort between the economic statecraft literature, with its focus on instruments of influence, and the middle-power literature, with its emphasis on agency. By offering a more varied account of power asymmetries within the global political economy, the research sheds light on the circumstances under which economic hardship can fundamentally reshape international positions. It advances the understanding of economic coercion and its effects by demonstrating how middle powers function as active participants and co-shapers in global economic statecraft, rather than merely passive bystanders. This comprehensive approach enriches both theoretical debates and practical considerations concerning the dynamics of international economic relations.

Limitations

While this thesis offers a significant contribution to understanding middle power responses to economic statecraft, it is important to acknowledge certain limitations that delineate its scope and inform future research. Firstly, the study's focus on a limited number of empirical cases, while allowing for in-depth analysis and the nuanced application of the theoretical framework, inherently restricts the generalizability of its findings. The specific contexts, political economies, and foreign policy orientations of the selected middle powers, while carefully chosen to exemplify the continuum, may not fully capture the vast diversity among all middle powers globally. A broader comparative study across a larger set of countries might reveal additional variables or refine the existing categories of response.

Secondly, the qualitative nature of the empirical analysis, while crucial for illustrating the complexities of accommodation, engagement, diversification, and resistance, means that the causal pathways identified are qualitatively inferred rather than statistically verifiable. Throughout the analysis I adopt a rational-choice lens, treating governments as utility-maximizing actors within institutional constraints, while acknowledging that alternative models might yield different expectations. While the framework provides a robust conceptual tool, quantifying the precise thresholds or conditions that trigger a shift from one response mode to another remains a challenge. The interaction between domestic political abilities and structural barriers, while central to the analysis, is also highly context-dependent and can be difficult to isolate and measure systematically across different cases.

Furthermore, the conceptualization of economic pressure itself, while broad, primarily centers on direct state-to-state coercion. The thesis may not fully account for other forms of economic influence, such as market-driven forces, multilateral economic governance pressures, or the impact of non-state actors, which can also significantly shape middle power behavior. Future research could expand the scope of "economic pressure" to include these broader dynamics, offering an even more comprehensive understanding of middle power vulnerabilities and resilience.

Implications

The findings of this thesis carry several important implications for both theoretical understanding and practical policymaking in international political economy. Theoretically, the development of the Accommodation, Engagement, Diversification, and Resistance continuum significantly refines existing conceptualizations of economic coercion. By moving beyond a binary understanding of success or failure, the framework highlights the various

ways in which target states, particularly middle powers, can strategically adapt to external economic pressure without necessarily conceding to all demands. This nuanced perspective challenges the prevailing notion that economic sanctions or incentives always lead to clear-cut compliance or overt defiance, suggesting instead a more dynamic and adaptive interplay. It underscores the importance of analyzing the specific strategies employed by target states, rather than solely focusing on the sender's intentions or the immediate economic impact of coercive measures. Also, the argument is explicitly conditional on a loosely multipolar distribution of power in which no single state can impose costs in every market simultaneously. Should the system tilt decisively toward unipolarity or bifurcate into rival blocs, the menu of middle-power strategies would also narrow.

Practically, this research offers valuable insights for policymakers in both major and middle powers. For major powers, understanding the full spectrum of middle power responses can lead to more effective and precisely tailored economic statecraft strategies. Recognizing that middle powers possess diverse response mechanisms can help sender states anticipate variegated outcomes and adjust their instruments, accordingly, potentially achieving desired policy changes through engagement or diversification rather than solely through punitive resistance. For middle powers, the framework provides a strategic toolkit for navigating an increasingly geoeconomic world. By highlighting the utility of strategies such as diversification of economic ties, active engagement with global norms, and even calculated accommodation, the thesis empowers these states to develop more resilient and autonomous foreign economic policies. It suggests that strategic flexibility, rather than proportional power, is key to transforming unequal reliance into a tool for arbitration, whether through seeking alternative suppliers, proactive norm acceptance, portfolio trade adjustments, or selective market access.

Moreover, the thesis's emphasis on the interplay between internal political abilities, structural barriers, and institutional scaffolding has significant implications for understanding the durability of rules-based trade. The findings suggest that middle powers can leverage international institutions like the WTO, rule-based trade agreements, and plurilateral export-control regimes not only as defensive coverings but also as offensive levers. These mechanisms provide avenues for middle powers to internalize their preferences, lock in favorable conditions, and even challenge coercive actions within established legal frameworks, thereby reinforcing the international economic order. This highlights the critical role of multilateralism and international law in constraining economic coercion and providing avenues for weaker states to protect their interests.

Future Research

Building upon the foundations laid by this thesis, several avenues for future research emerge, promising to further deepen our understanding of economic statecraft and middle power agency. A primary area for exploration involves a more rigorous empirical investigation of the conditions and triggers that prompt a middle power to shift from one response mode to another within the proposed continuum. This could involve developing a quantitative model to test the influence of specific variables, such as the severity of economic pressure, the nature of domestic political institutions, the strength of external alliances, or the diversification of trade partners, on the likelihood of adopting the four response types. A necessary pre-condition for the large-N tests outlined above is a transparent, machine-readable dataset that codes every observable middle-power encounter with economic coercion since 2000. An original contribution would be to merge open-source sanction lists, export-control notices, and WTO dispute filings with event-data on domestic political

reactions. Longitudinal studies that track middle power responses over extended periods can also provide valuable insights into the dynamic nature of these strategies.

Secondly, future research could expand the theoretical framework to incorporate the role of non-state actors and sub-national entities in shaping middle power responses. Businesses, civil society organizations, and even regional governments often play significant roles in economic decision-making and can influence a state's ability to accommodate, engage, diversify, or resist external pressure. Investigating these multi-layered interactions could provide a more holistic understanding of the internal dynamics that underpin a middle power's strategic choices. Further, exploring the impact of public opinion and national identity on response selection could add another layer of complexity to the model.

Another promising direction may involve observing the effectiveness and long-term consequences of each response type. While this thesis primarily focuses on describing how middle powers respond, future research could both quantitatively and qualitatively assess and elucidate more on the relative success of Accommodation, Engagement, Diversification, and Resistance in achieving a middle power's objectives and mitigating the adverse effects of coercion. This could involve case comparisons where different response styles were adopted in similar circumstances, allowing for a more direct assessment of their consequences.

Finally, the implications of this research for broader international relations theory happen to require further academic investigation. Specifically, delving into how middle powers might transform sporadic, reactive responses into sustainable strategic positions that actively influence the developing framework of international economic governance, rather than merely responding to the existing, can be deemed as a significant area for future scholarly attention. This could involve analyzing instances where middle powers successfully managed

to shape norms, initiated new international economic structures, or formed powerful coalitions to counter great power economic clout. This possible inquiry may obtain a potential of providing a more comprehensive picture of their proactive role in global affairs.



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