

US Economic Statecraft, Asian Economic Diplomacy: Goeconomic Theory and Empirics

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Abstract

When Great Powers weaponise economic interdependence to advance geopolitical objectives, how should other nations respond? Traditional analysis hypothesises alignment or generalised hedging or some combination in between. In extreme situations, those restricted options might indeed be the only ones available. In more normal circumstances, however, choices need not be so stark. This paper suggests that in response to Great Power economic statecraft, nations use strategies of acquiescence, adaptation, aggregation, or resistance (3A+ for short). By operationalising their conceptual bases and developing a database of goeconomic response dynamics, this paper establishes 3A+ significance in (1) strategic differentiation; (2) dynamic complementarity; and (3) Great Power elasticity.

JEL: F13, F15, F42, F50, F51, F52, F53, F55, O57, Y10

Keywords: acquiesce, adapt, aggregate, economic diplomacy, economic security, economic statecraft, goeconomics, Great Power, Third Nation, resilience, resist, small state

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1 Introduction

The US Inflation Reduction Act (IRA) was signed into law in August 2022 at a time of escalating US-China geopolitical rivalry and rising economic statecraft. The IRA put teeth to industrial policy in the world's leading economy and set off reactions in nations around the world.

South Korea proactively sought alliance with Japan and the EU to contest, in a coordinated way, the Act's discriminatory measures on electric-vehicle (EV) tax credits and North American final-assembly restrictions. Separately, South Korea raised a sequence of official objections to US EV subsidies through its own Parliamentary resolutions, high-level bilateral meetings with the US, direct Presidential intervention, and legal discourse via KORUS (the South Korea-US Free Trade Agreement) and WTO. It lobbied to apply the Section 45W legal loophole to restore pre-IRA priced access to South Korea-manufactured EVs. In October 2023 Australia expanded its domestic critical-minerals financing, strengthening its supply capacities in a space created by the IRA's clean-energy subsidies, battery-sourcing initiatives, and related supply-chain targeting.

(In this same time, Indonesia went even further, petitioning for its own access to US industrial-policy inducements. This falls outside the taxonomy that will be built below and provide an important example that shows the non-exhaustiveness of that taxonomy.)

In October that year, outside IRA, the US Bureau of Industry and Security announced restrictions to limit China's access to advanced semiconductors and chipmaking equipment. Japan joined the US and the Netherlands in January 2023 in a trilateral agreement to align on those restrictions: Dutch and Japanese firms would be prevented from backfilling the market with high-tech manufacturing tools. However, while Japan accommodated US strategic objectives, it also distanced itself from the language and regulatory details in the US BIS's approach. The Asian nation made clear its framing of restrictions was destination-neutral (not China-targeted); its rules were grounded in international obligations as a global technology owner against foreign military applications, not based on a US-led geopolitical or economic campaign; and its approach deviated from the US's explicitly aggressive and extraterritorial stance on citizen restrictions and re-export controls.

How widespread are such responses to US actions of economic state-

craft? In the postwar era the US has for decades been the Great Power at the center of a unipolar world order: Does the US always get its way? Will it continue to get its way for the foreseeable future? Is it only larger nations, especially other Great Powers or perhaps Middle Powers, who push back against US economic statecraft? Or do small states do so as well? If we call Third Nations those that are not on the frontline of geopolitical competition—they can be small states or Middle Powers—do their geo-economic strategies always fall in the usual international-relations categories of align, bandwagon, balance, or more generally hedge?

Economic statecraft is commonly understood to mean the use of economic instruments to achieve geopolitical goals. When practised by Great Power such as the US, some observers feel it is “a means of working the US’s geopolitical will in the world” (Blackwill and Harris, 2016). Since Third Nations are not Great Powers and so don’t by themselves affect global outcomes the way Great Powers can, it might be useful to call their version of economic statecraft something different. This paper uses the term **economic diplomacy** when it refers to Third Nations’ using economic tools to advance or protect their strategic interests. In this language, if a Third Nation uses economic means to align, bandwagon, balance, or hedge, that is an instance of economic diplomacy.

This paper adopts a maintained hypothesis that observable responses to US economic statecraft step outside conventional descriptions. Alignment through hedging are Third Nation strategies that are defined relative to the positioning of the Great Powers: bandwagoning means standing by the leading candidate; balancing means going to the other Great Power. On the other hand, policies like the ones described earlier do not primarily situate themselves relative to the Great Powers. Australia’s self-improvement program on critical minerals certainly takes advantage of America’s industrial policy, but is a national policy that raises resilience and is sensible regardless of what Great Powers happen be doing at the time.

This paper follows the examples described and suggests that Third Nation economic diplomacy is not about alignment or hedging. Instead, strategies used in economic diplomacy fall primarily in four categories: Acquiescence (Japan’s January 2023 trilateral agreement); Adaptation (Australia’s critical-minerals financing); Aggregation (South Korea seeking out and coordinating with Japan and the EU); and Resistance (South Korea’s 2022-2023 actions in response to US EV subsidies). Call this collection of

strategies 3A+.

At a theoretical level the categories analytically distinguishable; Section 3 provides a model that clarifies how. In application, their use is not exclusive. Strategic responses shade across boundaries. South Korea both aggregated and resisted, the latter in its coordination with Japan and the EU as well as in its official and unofficial actions. Strikingly, Japan acquiesced on the spirit of America's BIS actions but at the same time resisted on China targeting: put differently, Japan accommodated while exercising regulatory autonomy.

Moreover, time horizons differ across 3A+. When applied, acquiescence and resistance operate right away, but adaptation and aggregation build resilience for the future so that Great Power actions, subsequently, have reduced impact. The 3A+ strategies can work in tandem: acquiescence and resistance might create breathing space for adaptation and aggregation plans to be put in place and to take effect. The model will show how these different features can be captured theoretically.

The most important question to ask about 3A+ is, how much of real-world Third Nation strategies fall within its strategic span? Does 3A+ describe most of the observed national responses to economic statecraft? Are the four examples described earlier simply coincidental outliers? The Indonesia case on industrial-policy inducements earlier described already shows 3A+ is incomplete, but the empirical question remains, just how dense are such counter-examples? A different issue: If conceptually 3A+ strategies can work in tandem, in practice are they nonetheless deployed only in isolation? Are 3A+ complementarities leveraged and implementable by Third Nations?

Finally, how does a Great Power respond to 3A+ strategies? One view—that associated with Thucydides-derived Realism—is that Great Powers don't, in turn, react to mere economic diplomacy: to paraphrase, "Great Powers do what they will. The rest of us suffer what we must." This paper hypothesises that Great Power elasticity need not be zero, a priori, but instead has to be empirically confirmed.

In its conceptual parts, including in the model of Section 3, the paper refers to the actor that appears alongside the Great Power as Third Nation. The empirical work, however, focuses on the observed policies of a specific group of nations in East Asia and the Pacific, namely ASEAN together with India, South Korea, Japan, and Australia. There the paper calls the actor

Asian nation, a terminology that appears also in the title of the paper.

Empirical evidence on Asian nations presented in Section 4 provides answers to these questions: The space spanned by 3+ strategies is not exhaustive, but remarkably complete relative to observed real-world actions. The fraction is small of observed Third Nation responses that cannot be attributed to 3A+ categories. Moreover, it is possible to distinguish empirically across 3A+ strategies, i.e., Third Nation economic diplomacy is strategically differentiated. The four examples described earlier already show combinations of 3A+ strategies in use. The empirical evidence will show that this is not atypical but neither is it the norm. Third World economic diplomacy shows dynamic complementarity.

Finally, does a Great Power react to Third World strategic responses to actions of economic statecraft that they themselves triggered? The empirical evidence does not support a strong answer on this, but dynamic co-movement is notable in the data.

The rest of this paper is organised as follows. Section 2 briefly describes related literature, and clarifies how the current work differs. The technical literature on geoeconomics is rapidly growing, but it remains one that implicitly views the problem from a traditional Thucydides-Mill-Bickerdicke perspective. How can the Great Power optimise its economic statecraft, how can tariffs be optimally set to maximise benefit to the Great Power, how do economic inefficiencies in the Great Power help inform settings for its geoeconomic instruments? The perspective in this paper, by contrast, is from the other corner: when a Great Power undertakes economics statecraft, how can Third Nations respond to keep themselves safe?

Section 3 provides an analytical model of a continuous-time Markov differential game where the 3A+ categories can be explicitly distinguished and shown to have different effects. Section 4 describes the empirical implementation of the 3A+ strategies. It develops a new database of geoeconomic trigger-response dynamics to allow empirical calibration of strategic differentiation, dynamic complementarity, and Great Power elasticity. The database is put together by combined LLM-human textual analysis of official government documents on and news accounts of US geoeconomic triggers and Asian national responses over the time period 2017-2026. Section 5 concludes.

An Appendix, Section 6, contains further details of the conceptualisation analysis of the model of Section 3 and the empirical investigation

reported in Section 4.

2 Related Literature

This paper considers the geoeconomic problem from the perspective not of a Great Power but of a Third Nation.¹ This emphasis importantly differentiates this initiative from the literature recently emerging on economics and geopolitics. In that geoeconomics literature, the focus is on what hegemons or candidate hegemons do, with smaller or other states modelled in the background as only passively responding.² That research constitutes insightful modern extensions of the classical Mills-Bickerdike optimum tariff problem, which seeks the optimum import tariff that a large economy can impose given that its actions affect the terms of trade.

What this insightful and important research leaves out of primary focus is what other nations do. This omission is consistent with a view that it is Great Powers that determine systemic outcomes; other nations simply agree or suffer consequences. The most that Third Nations can achieve is to align one way or another (i.e., to bandwagon or balance), or more generally hedge by positioning themselves somehow in relation to the Great Powers. Either way, a Great Power is not swayed by the actions of lesser states.

Such an approach also motivates that line of research that asks if, say, Third Nations trade or engage more with others who align the same way that they do relative to Great Powers. Hence, researchers might ask if trade and investment are fragmenting along geopolitical lines, i.e., occur more freely between nations in a “US-led democracies” camp, say, as opposed to across different spheres of influence. Or, they might study how

¹Because this paper concerns how Third Nations relate to Great Powers, the analysis here and in related literature takes as given the size distribution across small states and large nations. The important contributions of Alesina and Spolaore (1997) and related work, on the other hand, ask how that size distribution comes about. That work, thus, seeks to explain the size distribution of nations from deeper reasons; in contrast, this paper and related literature take that size distribution as given and ask about its consequences.

²That important and growing literature includes Becko, Grossman, and Helpman (2025), Carvalho, Monte, and Ornelas (2025), Clayton, Maggiori, and Schreger (2026a,b), and Mattoo, Ruta, and Staiger (2025). One exception is Clayton, Maggiori, and Schreger (2026b), which has smaller states reacting but only in a very limited way as the focus—again, as with the others named here—is on what Great Powers do.

conformity is emerging across domains of interaction even beyond economic ties, in perhaps political-diplomatic and military-security engagement, cultural-political affinity (soft power), and inter-state messaging and communications. Work such as Gopinath, Gourinchas, Presbitero, and Topalova (2025) and Khong and Liow (2025) insightfully explore hypotheses of alignment and conformity along those dimensions.

This paper, in contrast, contributes to that analysis that does not treat Third Nations as passive when faced with Great Powers drawing up geopolitical barriers. Instead, the hypothesis considered in this paper is that Third Nations deploy a rich portfolio of geoeconomic coping strategies, including resisting Great Power polarisation and building their own coalitions outside boundaries favoured by Great Powers. In doing this, Third Nations seek to build resilience against Great Power actions. This paper thus provides economic analysis that better fits the deep pluralism, multiplexity, and G-minus frameworks of Acharya (2026), Buzan (2023), and Quah (2026b) than a geoeconomics that accepts Great Power polarisation.³

3 A Simple Analytical Model

While the verbal natural-language descriptions of 3A+ strategies are compact, by themselves they don't allow formal analysis or empirical investigation. This section provides a simple analytical model to sharpen the concepts of acquiescence, adaptation, aggregation, and resistance. In doing so, the model also formalises the Great Power's actions through a value functional equation for power; and Third Nation resilience and economic security.

For ease of reference, this modelling section will hereafter refer to the Great Power as GP, and Third Nation as TN.

Consider a GP operating in an international economy together with many smaller TNs. Under a conventional rules-based international system it would be normal to model the many TNs as price-takers and norm-

³In the same vein Le, Liu, and Banh (2026) provide econometric analysis of ASEAN's counter-tariff responses to US tariff escalation. Although their methodology and framing are quite different from those in this paper, they too find that counterpart nations take a pragmatic portfolio approach of "strengthening domestic industries while broadening export markets and deepening engagement with Washington" or what, in the current paper, would be described as adaptation, aggregation, and acquiescence.

followers. However, the international economy is no longer one where norms and rules apply without question. The landscape is much more tentative. So the GP faces the TN as if the latter has agency. It does so in parallel with how it faces all the other TNs, acknowledging that each TN might seek to strengthen resilience by working together with other TNs. The analysis does not formalize that last explicitly except through the impact on TN resilience through forming coalitions. The end result of coalition-formation will appear in the model, but not the process itself of coalition formation. In this game, therefore, all other TNs are left implicit in an unmodelled background.

The GP seeks to maximise power generally. In its dealings with TNs, specifically, the Great Power views them as objects of coercion, from which it accumulates power.

Because the focus is economic statecraft, the model abstracts away from details (of the kind, e.g., in Clayton, Maggiori, and Schreger (2026a)) and simply assumes directly that GP policy π seeks to coerce TNs and thereby improve its position of global dominance.

Denote GP coercion at time t as $\pi(t)$. Suppose that the TN responds, using whatever strategies might be available to it, and ends up accommodating only fraction $\rho(t)$ of those coercion demands. (In the model ρ might be negative or exceed 1, so strictly speaking it is not a fraction. Conceptually, however, it is easier to think of ρ as being between 0 and 1 to fit the term “accommodate”.) From the combined coercion and accommodation, GP enjoys the power incremental flow

$$p = p(\rho \times \pi), \quad p' > 0. \quad (1)$$

Call Z the stock of outstanding coercion demands. It evolves over time as the resolution equation:

$$\dot{Z} = (1 - \rho)\pi - \delta_Z Z, \quad (2)$$

where $\delta_Z > 0$ is the rate at which the stock of outstanding coercions depreciates over time (the GP forgets or moves on). When ρ is chosen to be 0, the full set of current coercion adds to the increment in the stock Z . When $\rho = 1$, there is full accommodation so that resolution on present coercion is complete, i.e., $(1 - \rho)\pi = 0$ in equation (2). Alternatively, if the outstanding stock of demands is positive, TN might choose $\rho > 1$ in an

effort to draw down the stock of coercion the GP has over it. Or, whether because TN does not have the capacity to meet all current demands or chooses to do so only partially, $\rho \in (0, 1)$, and the stock of outstanding coercion demands rises.

How is accommodation ρ determined? At time t TN sets values for acquiescence $\alpha_q(t)$, adaptation $\alpha_d(t)$, aggregation $\alpha_g(t)$, and resistance $\xi(t)$. Call this vector

$$\sigma(t) = \begin{pmatrix} \alpha_q(t), \alpha_d(t), \alpha_g(t), \xi(t) \end{pmatrix} \quad (3)$$

$$\alpha_q \geq 0, \alpha_d \geq 0, \alpha_g \geq 0, \xi \geq 0$$

TN's **strategic response**. In it the sub-list of acquiesce and resist (α_q, ξ) comprises responses intended to have immediate effects. Thus, assume accommodation ρ in the resolution equation (2) has

$$\rho = \rho(\alpha_q, \xi), \quad \text{with} \quad \rho_q = \frac{\partial \rho}{\partial \alpha_q} > 0; \rho_\xi = \frac{\partial \rho}{\partial \xi} < 0, \text{ and} \quad (4)$$

$$\text{for fixed } \xi \quad \rho(\alpha_q, \xi) \rightarrow 1 \text{ as } \alpha_q \rightarrow \infty$$

i.e., acquiescence leads to greater accommodation of GP's demands while resistance implies less, and that for fixed resistance, accommodation becomes complete as acquiescence rises. The sub-list of adapt and aggregate (α_d, α_g) are strategies to build resilience over time, with adapt working on domestic and aggregate on foreign factors:

$$\begin{aligned} \dot{K}_d &= \alpha_d - \delta_d K_d \\ \dot{K}_g &= \alpha_g - \delta_g K_g \\ K &= (K_d, K_g). \end{aligned} \quad (5)$$

Resilience has two elements, one built from domestic adaptation, the other from foreign aggregation, i.e., working together and coordinating with TN partners.

From these, TN draws a flow of economic **security protection**:

$$y = y(K, \alpha_q, \xi), \quad y_K = \frac{\partial y}{\partial K} > 0, y_q = \frac{\partial y}{\partial \alpha_q} \leq 0, y_\xi = \frac{\partial y}{\partial \xi} > 0. \quad (6)$$

Greater resilience and resistance imply higher security while greater acquiescence lowers security or at least does not raise it. Conflict with GP,

however, inflicts on TN a cost, varying with TN resilience, acquiescence, and resistance, and GP coercion:

$$f = f(K, \alpha_q, \xi; \pi), \quad f_K = \frac{\partial f}{\partial K} < 0, \quad f_q = \frac{\partial f}{\partial \alpha_q} > 0, \quad f_\xi = \frac{\partial f}{\partial \xi} < 0. \quad (7)$$

Conflict costs fall with resilience and resistance but rise with acquiescence.

Assume the interaction between GP and individual TN is a continuous-time Markov differential game. The state of the system is resilience together with the stock of outstanding coercion demands (K, Z) .

When GP exercises economic statecraft through coercion, the power it accumulates is the present discounted value or forward integral of power incremental flow (1). Equation (8) the differential form of this present discounted value integral evaluated at the GP optimum and expressed as a Bellman-Hamilton-Jacobi equation:

$$\begin{aligned} \gamma W(K, Z) = \sup_{\pi} \left\{ p(\rho \times \pi) - c(\pi) + W_d \dot{K}_d + W_g \dot{K}_g + W_Z \dot{Z} \right\} \\ W_d = \frac{\partial W}{\partial K_d}, \quad W_g = \frac{\partial W}{\partial K_g}, \quad W_Z = \frac{\partial W}{\partial Z}. \end{aligned} \quad (8)$$

Discounted at rate $\gamma > 0$, power is how much, net of costs c and evaluated at the optimal setting for coercion, the GP's coercion policies attract a flow of incremental power p , taking into account the capital gains and losses resulting from TN building resilience against GP coercion and from the change in the stock of outstanding coercive demands.

Correspondingly, TN's economic security is the present discounted value or forward integral of security flow (6) net of conflict cost (7). Equation (9) is the differential form of this present discounted value integral evaluated at the TN optimum and expressed as a Bellman-Hamilton-Jacobi equation:

$$\begin{aligned} \gamma S(K, Z) = \sup_{\sigma} \left\{ y(K, \alpha_q, \xi) - f(K, \alpha_q, \xi; \pi) + S_d \dot{K}_d + S_g \dot{K}_g + S_Z \dot{Z} \right\} \\ S_d = \frac{\partial S}{\partial K_d}, \quad S_g = \frac{\partial S}{\partial K_g}, \quad S_Z = \frac{\partial S}{\partial Z}. \end{aligned} \quad (9)$$

At an interior equilibrium the first-order conditions for GP and TN

respectively are:

$$\rho \times p' + (1 - \rho)W_Z = c' \quad (10)$$

$$y_q - f_q = S_Z \pi \rho_q \quad (11)$$

$$-f_d + S_d = 0 \quad (12)$$

$$-f_g + S_g = 0 \quad (13)$$

$$y_\xi - f_\xi = S_Z \pi \rho_\xi. \quad (14)$$

Three TN features are important in the equilibrium characterisation (10)–(14). First, from the first-order conditions (11) and (14), the immediate-response acquiesce and resist strategies (α_q, ξ) balance not just current security and costs but take into account those strategies' effects on the stock of unresolved coercion, taking as given how GP is applying coercion. Second, the immediate impacts of these strategies act in opposite directions on accommodation (4) and on current security (6). Thus, they can be used in a coordinated way to stabilise security immediately and the coercion backlog dynamically, while keeping conflict costs under control. Third, the longer-term impact TN responses (α_d, α_g) balance immediate conflict costs against future resilience. Since α_d operates domestically—industrial policy, fiscal reform, human capital strengthening—while α_g externally—plurilateral arrangements, trade groupings, cross-country transportation and other infrastructure, cooperation topologies—they can be used in parallel, subject to cost considerations f .

4 Empirical Findings

Section 3 shows how, geoeconomic analysis need not be restricted to only GP economic statecraft, but instead can be extended usefully to understand TN strategic responses. What is the empirical evidence, however, on forms of TN economic diplomacy actually practised?

To sharpen the empirical investigation, this paper now switches to Asian nations as representative Third Nations. The model hypothesises that Asian nations draw on a 3A+ repertoire of acquiesce, adapt, aggregate, and resist. Acquiescence is the set of strategies that change the bargain with GP through conceding on a specific axis of contention. (Not used in the current analysis, alignment (e.g., Khong and Liow, 2025) suggests when acquiescence is broad-based and permanent rather than issue-specific.) Resistance

is the opposite of acquiescence: it comprises TN strategies that contest the GP’s action, demand, or authority. TN’s adapt when they build domestic structures that reduce vulnerability to present or future pressure. TN’s aggregate when they cooperate with other states to expand external options and thus, again, lowers the TN’s vulnerability. Both adaptation and aggregation build resilience.

The model of Section 3 formalised how TN’s use these strategies to increase their economic security, there described as a present discounted value of security flows. Putting together this description of strategies, however, allows conceptualisation of economic security in five distinct dimensions:

1. market access and pathways to economic prosperity;
2. low vulnerability to natural-event shocks and foreign state coercion;
3. policy autonomy;
4. expanded opportunities for cross-national cooperation;
5. minimised unnecessary confrontation with Great Powers.

The first empirical question then is, in Asian nations’ actual actions how many fall outside the 3A+ characterisation? Table 1 and Fig. 1 show that over 2017–2025 3A+ strategies cover 88 percent of observed Asian nation responses to US economic statecraft. In total 43 such strategic responses were identified and verified across independent AI and human checks for conformity with the coding convention. In this sample, acquiescence and resistance occurred to equal amounts. Explicit aggregation was relatively rare but together with adaption, resilience-building amounted to about half the number of acquiescence or resistance actions.

Table 1: Strategic repertoire: recorded Third-Nation responses

Strategy	Events	Share (%)
Acquiescence	16	37.2
Adaptation	5	11.6
Aggregation	2	4.7
Resistance	16	37.2
OTHER	5	11.6

Exploratory response-first and trigger-first discovery sample, N=43 events.

Non-exclusive strategies; shares do not sum to 100.

(This empirically-based description and the others to follow come from applying verbal explanation of 3A+ strategies, economic security, resilience,

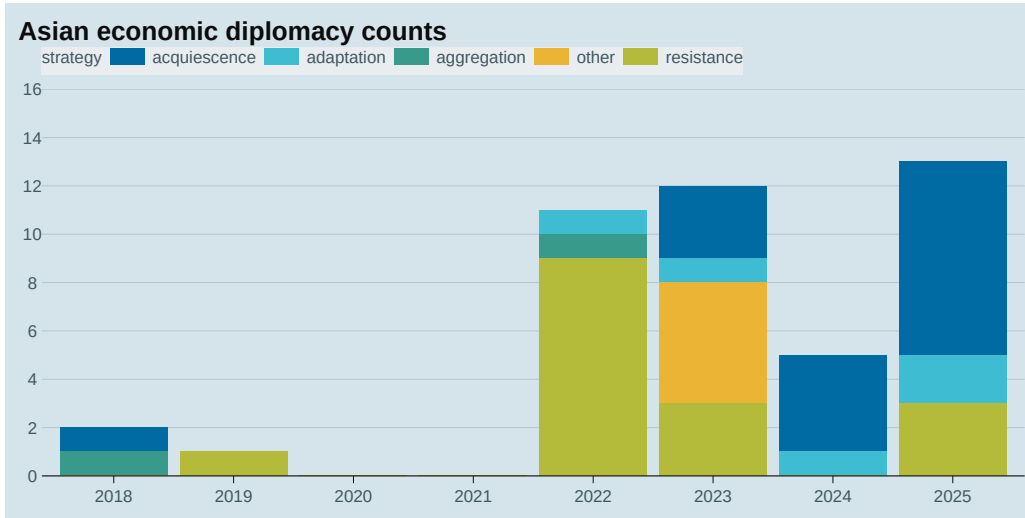


Figure 1: Asian economic diplomacy counts

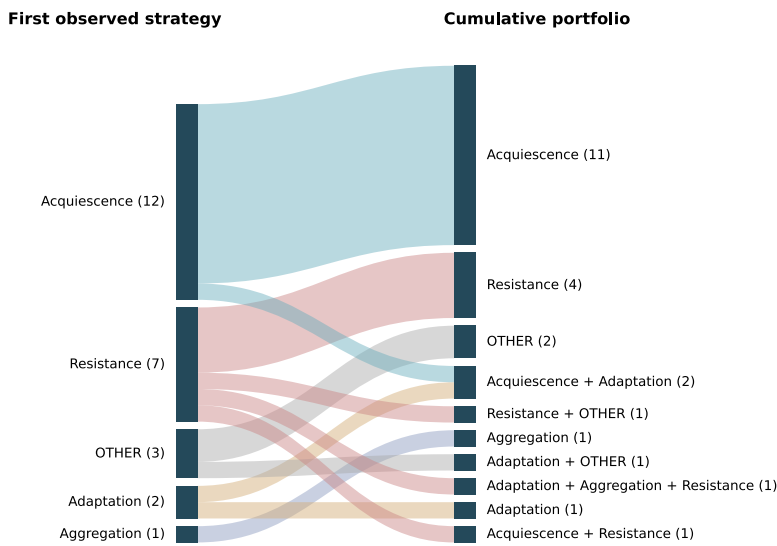
and US economic statecraft directed at foreign nations in order to scrutinise official US and Asian nation government documents, together with national news outlets both in English and local languages. The descriptions reported in the Appendix, Section 6, allow both human and AI research assistants to code events, trigger actions, and strategic responses from over 150 webpages in English, Japan, Korean, and Indonesian. The result is not just a single timeline of events, but a linked database across US trigger actions, Asian nation strategic responses, textual analyses, targets, and exposures.)

Figure 1 shows considerable variation across the mix of 3A+ strategies over time. In the Biden administration, resistance dominated. This strategic response remained observable in the second Trump administration, but it is the sharp increase in acquiescence that is striking.

Table 1 and Figure 1 establish **strategic differentiation**: nations did not mostly just acquiesce but varied their strategic responses over time; 3A+ covered not all but a significant fraction of those strategic responses; and within the 3A+ grouping, strategic responses across categories were meaningfully distinguished.

Of the 43 observed responses, 25 country-trigger groupings were identified for tracking over time. Figure 2 presents their dynamics, from the initial first-observed response through the cumulative range of strategy combinations. For example, seven trajectories began initially as simply re-

Asian economic diplomacy: Initial and follow-on strategies



Country-trigger-episode grouping (n=25); some flows are unchanged. Not evidence of causal strategy transitions.

Figure 2: Asian economic diplomacy: Initial and follow-on strategies

sistance. Over the course of the sample, four remained as just that but one brought in a non-3A+ response, another combined resistance with acquiescence, yet a third added to resistance both acquiescence and resilience-building adaptation (as suggested would be possible by the equilibrium conditions in equations 10–14 of the model in Section 3). The data, therefore, highlight dynamic complementarity in Asian strategic responses.

Table 2: Observed strategies by primary US instrument

Instrument	Events	acquiescence	adaptation	aggregation	resistance	other
Industrial Policy	19	0	2	1	12	5
Technology Controls	8	6	2	0	0	0
Trade Policy	16	10	1	1	4	0
Financial Sanctions	0	0	0	0	0	0

Zeros denote no events in the current discovered sample, not zero underlying incidence.

In the empirical investigation, US economic statecraft that affected Asian nations were identified to take one of four forms: industrial policy; technology controls; trade policy; and financial sanctions. Not all industrial policy affects Asian nations directly or even peripherally, but some do: the 2022 Inflation Reduction Act and the CHIPS and Science Act count among the latter. Tables 2 In the sample the US applied industrial policy and trade policy in about equal number. Asian nation response to the first was nearly always to resist, to the second, similarly, to acquiesce. Some of this might of course be due to the difference in temperament across US administrations exercising either industrial or trade policy (mostly Biden vs mostly Trump). It is also reasonable, however, to hypothesise that the difference arises from how industrial policy is both discriminatory and an instruction to improve oneself longer-term and work harder in the short term, while trade policy is a power move that disrupts the short-term equilibrium. Indeed, the Appendix documents how industrial policy typically comes with inducement whereas trade policy typically is a threat or a restriction.

Table 2 shows no explicitly documented Asian nation responses to US financial sanctions. The reason is that, unlike for other triggers, financial sanctions often operate through private financial intermediaries, and thus are not detectable in nation-level searches conducted in the current paper.

Table 3 confirms that as Asian nations explored a wide range of strategic responses, America did not reply with only grim or vengeful reactions. But

Table 3: Table 4. Recorded US dispositions

US movement	Events
Not Applicable	6
Relaxes	4
Unclear	33
Unchanged	0
Tightens	0
Mixed	0

Tier 1 screening incomplete; shared settlements can generate repeated event-level labels.

then neither did the US simply give in. These co-movements do not, of course, establish causality along either TACO or revenge lines, but instead display Great Power elasticity.

To expand on this idea, Figure 3 develops in greater detail the timeline of Asian nation responses to a specific GP trigger, that of the US Inflation Reduction Act of 2022. Asian nations responded dynamically with a rich portfolio of 3A+ strategies.

Finally, all this information can be brought to bear to extract interesting textual descriptions from the linked database. Moving away from analytical clarity shows how within 3A+ groupings, nuances emerge.

Indonesia’s nickel examples showed industrial policy operating through both pressure and opportunity. This points to how, more generally, America’s IRA and CHIPS Act generated Resistance to discriminatory conditions. But at the same time they also induced governments to seek access to subsidies, tax credits, and preferential arrangements. Indonesia’s critical-minerals initiatives remain instructive as access-seeking cases, but so too a number of Japan’s. South Korea’s use of Section 45 on leasing (rather than purchasing) foreign manufactured EVs is another case in point. Both acquiescence and resilience—and subtle nuances between them—get drawn into play. Japan’s IRA response combined acceptance of the policy objective with opposition to its discriminatory design. That nation’s November 2022 submission endorsed resilient EV supply chains while objecting to eligibility conditions that disadvantaged Japanese producers.

Malaysia’s Ministry of Investment, Trade and Industry stated on 06 March 2025 that it would explore cooperation with other AI-chip-producing countries to reduce dependence on US technology. Such a responses fits

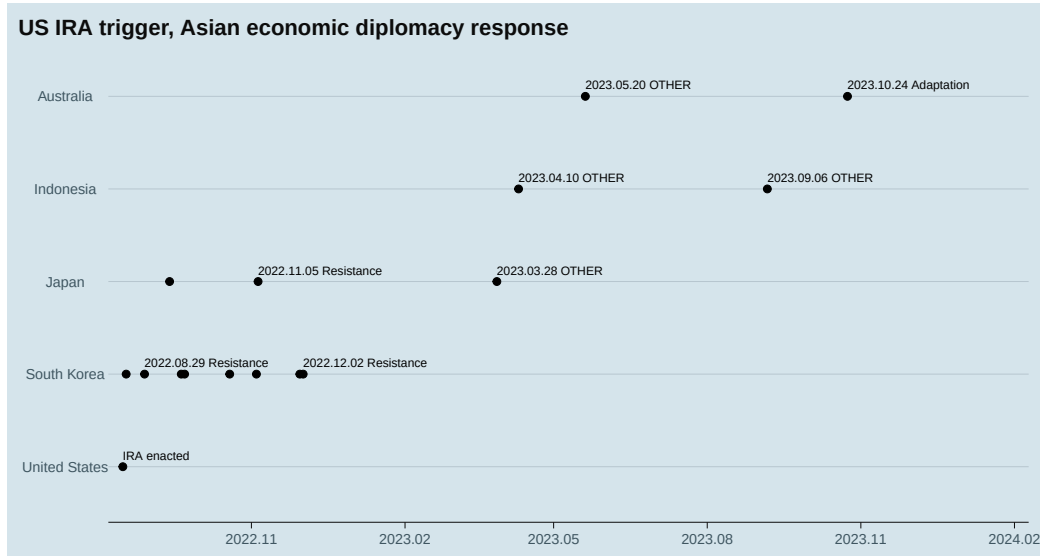


Figure 3: US 2022 IRA trigger, Asian economic diplomacy response

between immediate accommodation and longer-term diversification.

5 Conclusions

This paper has analysed the strategies of Third Nations (small states and Middle Powers) in response to Great Power actions. It has provided an analytical formalisation where responses in 3A+ strategies—acquiescence, adaptation, aggregation, and resistance—are meaningfully distinguished. In the model Third Nations seek economic security in response to Great Power economic statecraft. They do so by building resilience for the longer term as well as undertaking short-term acquiescence and resistance.

The model allows sufficient detail to allow human and AI coding for 3A+ strategic responses in official government reports and news media narrative. Over 2017–2025, US initiated 10 clusters of trigger actions to which Asian nations responded with a variety of 3A+ strategies, amounting to close to 90% of the total actions they undertook. Acquiescence and resistance occurred in equal amounts, although their mix has varied over time, with acquiescence accelerating in the second Trump administration. Resilience building actions account for about half of either acquiescence or resistance. Rich portfolios of 3A+ strategies can be seen to be dynamically put together

over the historical arc of Asian nations' responses.

In this sample the US has exercised industrial policy and trade policy in roughly equal measure. Asian nation's responses across these different triggers have been strikingly different. For industrial policy, resistance is by far the most common; for trade policy, acquiescence. Resilience-building measures are far less typically observed in response to either.

In summary, Asian nations deploy 3A+ strategies in ways that show strategic differentiation and dynamic complementarity, with joint trajectories suggesting, in addition, Great Power elasticity.

This work has developed a linked database of US economic statecraft trigger, Asian nation strategic responses, and counter-response. Combinations of Third Nation strategic responses constitute a dynamic portfolio—an economic diplomacy—to protect against US economic statecraft.

6 Appendix

The text of the paper provides a natural-language description of 3A+ and an analytical model where acquiescence, adaptation, aggregation, and resistance is precisely formulated. Taking the two of these to data requires further development.

In the author's iterative refinements with ChatGPT, the process converged to the following descriptions sufficient to allow resolution over government documents and news accounts and analysis.

In this Appendix, reference is made to a **G-minus** system. This concept is not used in the text, but it refers to an international system where institutions and behaviour remain functional when Great Powers are not excluded but, at the same time, are also not required (Quah, 2026a,b,c).

6.1 Acquiescence α_q

Definition

A state makes a visible concession, accommodation, or commitment on the specific axis of a named Great-Power geoeconomic demand or contention, without directly contesting that demand as part of the same action.

Acquiescence may be rhetorical, procedural, regulatory, or substantive. It can involve a relatively inexpensive symbolic concession or a costly change in economic policy. Its immediate objective is to reduce friction, secure relief from threatened or existing restrictions, preserve access to markets or technologies, or avoid escalation.

Acquiescence does not necessarily imply political alignment, agreement with the Great Power's objectives, or abandonment of the Third Nation's longer-term interests. It may instead be a tactical means of preserving policy space while the state pursues Adaptation or Aggregation elsewhere.

Observable forms

- **Purchase or investment commitments:** Agreeing to purchase specified quantities of US energy, agricultural products, aircraft, or other goods, or committing investment to the United States in response to trade demands.

- **Tariff and market-access concessions:** Reducing tariffs, eliminating non-tariff barriers, expanding import quotas, or granting preferential treatment requested by Washington.
- **Regulatory accommodation:** Revising intellectual-property, labour, digital-trade, investment, or other regulations to address identified US concerns.
- **Currency-policy commitments:** Agreeing to exchange-rate reviews, greater foreign-exchange transparency, or commitments concerning competitive devaluation.
- **Enforcement cooperation:** Strengthening rules-of-origin verification, transshipment inspections, export-control enforcement, or other measures in response to specific US demands.
- **Procedural or symbolic concessions:** Agreeing to consultations, reviews, monitoring, reporting, or negotiating frameworks that directly address the Great Power's stated contention.

Signal language

"Agreed to," "pledged to," "committed to," "offered concessions," "will increase purchases of," "will reduce tariffs," "committed to review," "accepted conditions," "undertook reforms," "agreed to strengthen enforcement," "in exchange for tariff relief."

These expressions are search indicators, not sufficient evidence of Acquiescence by themselves.

Coding rules

Code Acquiescence = 1 when there is verifiable evidence of an identifiable government or regulatory commitment or action addressing a specific, documented Great-Power demand.

The coding requires three elements:

1. **Identifiable contention:** A named US measure, demand, threat, investigation, or negotiating condition.
2. **Responsive concession:** An observable commitment or change on that same axis of contention.
3. **Accommodation rather than direct opposition:** The action seeks to accommodate the demand rather than reject or counter it.

The concession need not succeed in securing US relief. Acquiescence describes the Third Nation's behaviour, not the Great Power's subsequent response.

A concession may be announced before implementation. Record the commitment when announced, and separately record implementation if it constitutes a substantively distinct action.

Acquiescence can coexist with Adaptation and Aggregation. A government may concede tariff access to Washington while restructuring domestic industries and negotiating alternative trade arrangements with other countries.

Exclusions and borderline cases

1. Negotiation without concession. Entering negotiations, requesting tariff relief, or expressing willingness to discuss US concerns is not sufficient unless the state makes an identifiable accommodation or commitment.

2. General diplomatic goodwill. Statements about friendship, partnership, or the importance of bilateral trade do not qualify without a connection to a specific demand.

3. Domestic reform without a named demand. A regulatory reform undertaken independently to improve competitiveness or resilience is more appropriately classified as Adaptation.

4. Compliance with international obligations. Implementation of an adverse WTO ruling is not automatically Acquiescence to US economic statecraft. Code Acquiescence when the evidence establishes a specific responsive concession to US pressure; otherwise record the legal-compliance mechanism separately.

5. Simultaneous concession and resistance. A policy package may contain both. Where possible, separate substantively distinct actions and code each appropriately. If the same indivisible action contains both accommodation and explicit opposition, document both and permit multiple coding rather than forcing a single interpretation.

6. Costliness is not decisive. A small symbolic concession and a substantial investment commitment can both constitute Acquiescence. Their economic significance should be assessed separately from classification.

6.2 Adaptation α_d

Definition

A state undertakes domestic economic, institutional, or regulatory restructuring to reduce its vulnerability to present or future Great-Power geoeconomic pressure.

Adaptation changes the Third Nation's own capabilities, production structure, institutions, or economic dependencies rather than seeking directly to change the Great Power's contested policy. Its immediate objective is to preserve economic performance, increase resilience, reduce exposure to coercion, or improve the state's ability to withstand subsequent disruptions.

Adaptation may be prompted by a specific US action or by the broader expectation that geoeconomic restrictions will recur. It does not require an identifiable US concession or a subsequent change in US policy.

Adaptation is principally a domestic strategy. It differs from Aggregation because it does not require coordinated action with another state.

Observable forms

- **Industrial restructuring:** Subsidies, tax incentives, industrial-policy programmes, or restructuring assistance intended to strengthen domestic production capabilities.
- **Supply-chain diversification:** Policies encouraging alternative suppliers, domestic sourcing, additional production locations, or reduced dependence on vulnerable inputs.
- **Export-market diversification:** Government programmes helping domestic firms develop markets beyond the United States or other concentrated export destinations.
- **Domestic capability-building:** Investments in semiconductor production, technology, infrastructure, skills, research, or other capabilities that reduce strategic dependence.
- **Stockpiling and strategic reserves:** Government programmes to accumulate critical materials, energy supplies, or other inputs exposed to geopolitical disruption.
- **Financial resilience:** Domestic financial-market development, regulatory adjustments, reserve-management changes, or payment-system

investments intended to reduce exposure to external financial restrictions.

- **Institutional preparedness:** Establishing domestic task forces, monitoring mechanisms, contingency arrangements, or regulatory capacities to anticipate and manage geoeconomic disruptions.

Signal language

“Reduce reliance on,” “de-risk,” “build resilience,” “diversify away from,” “reshoring,” “nearshoring,” “stockpile,” “strengthen domestic capacity,” “support affected industries,” “reduce exposure,” “develop alternative markets,” “increase self-sufficiency,” “prepare for future disruptions.”

Again, these are search indicators rather than sufficient evidence.

Coding rules

Code Adaptation = 1 when there is verifiable evidence of an identifiable domestic government, central-bank, regulatory, or authorised industry-body action intended to reduce economic vulnerability or strengthen resilience in the face of Great-Power geoeconomic pressure.

The coding requires three elements:

1. **Domestic action:** An identifiable policy, programme, institutional reform, or commitment undertaken within the responding state.
2. **Resilience mechanism:** A plausible and documented connection between the action and reduced vulnerability, increased flexibility, or improved capacity to withstand disruption.
3. **Geoeconomic context:** Evidence linking the action to a specific US measure or to a clearly identified class of Great-Power geoeconomic risks.

The action need not be explicitly directed against the United States. Indeed, Adaptation ordinarily seeks to make the state less vulnerable regardless of whether Washington changes its policy.

The action also need not achieve its intended objective within the observation window. Adaptation describes the strategy undertaken, not demonstrated resilience.

Adaptation may coexist with Acquiescence. A government might accept US export-control requirements while separately investing in domestic technological capabilities.

Exclusions and borderline cases

1. **Compliance masquerading as restructuring.** Domestic legal or regulatory changes made principally to satisfy a specific US demand should normally be coded Acquiescence, even if they involve substantial institutional change. Add Adaptation only when the evidence supports an independent resilience-building objective or mechanism.

2. **Ordinary industrial policy.** Subsidies, infrastructure investments, and industrial development programmes are not automatically Adaptation. There must be evidence connecting them to geoeconomic vulnerability or anticipated disruption.

3. **Private commercial decisions.** A firm's independent decision to relocate production, diversify suppliers, or change export markets is not itself Third-Nation economic diplomacy. Include it only when the coding universe permits industry-body responses or when identifiable public policy supports or directs the action.

4. **International coordination.** A jointly established regional supply-chain programme or financial arrangement normally constitutes Aggregation. A separately identifiable domestic restructuring component may additionally qualify as Adaptation.

5. **Retaliatory domestic restrictions.** Measures designed primarily to impose costs on the United States belong under Resistance, not Adaptation. Domestic measures intended primarily to reduce future vulnerability belong under Adaptation.

6. **Emergency relief versus structural resilience.** Temporary compensation to affected firms or workers may qualify when it demonstrably preserves productive capacity or facilitates adjustment. Purely compensatory transfers without an identifiable resilience mechanism should not automatically be coded Adaptation.

7. **Announcements versus implementation.** A credible, specific policy commitment may qualify before implementation. Vague aspirations to become more resilient do not.

6.3 Aggregation α_g

Definition

A state constructs, joins, or strengthens cooperative arrangements with other states to enlarge its external options, aggregate capabilities or influence, and reduce dependence on the participation, permission, or sponsorship of the Great Power whose geoeconomic conduct is at issue.

Aggregation is outward-facing coalition-building. It involves joint or plural action among two or more states, excluding the Great Power whose pressure motivates the response. Participants may be non-Great-Power peers, or may include other Great Powers.

Its immediate objective is to expand policy space through alternative markets, production networks, financial arrangements, institutional cooperation, or collective bargaining capacity.

Aggregation may complement existing US-anchored arrangements rather than replace them. It may involve conventional international-relations balancing, but does not require geopolitical opposition or a common ideology. Cooperation may instead arise because participants find the arrangement individually advantageous.

Aggregation is therefore a possible institutional expression of incentive-compatible, inadvertent cooperation. It can contribute to G-minus order when the resulting arrangement remains functional without the participation of any particular Great Power. **Aggregation, however, is not automatically G-minus.**

Observable forms

- **Trade agreements:** Establishing or expanding regional or plurilateral trade arrangements, including agreements that proceed without US participation.
- **Financial cooperation:** Bilateral or multilateral currency swaps, local-currency settlement frameworks, payment-system interoperability, or regional financial safety nets.
- **Supply-chain partnerships:** Joint arrangements for production, critical materials, logistics, technology, or supply-chain resilience.
- **Institutional coalition-building:** Establishing or strengthening regional organisations, issue-specific coalitions, or coordinated negotiating mech-

anisms.

- **Joint infrastructure and technology programmes:** Cross-border projects involving shared investment, research, standards, digital infrastructure, or industrial capabilities.
- **Collective diplomatic or regulatory action:** Coordinated positions, joint representations, common regulatory approaches, or collective negotiations intended to strengthen participants' influence.
- **Strategic partnerships with other Great Powers:** Cooperation with China, the EU, Japan, India, or other major powers when such cooperation provides an alternative or complement to the US-anchored arrangement under examination.

Signal language

“Regional alternative to,” “without the United States,” “deepen ties among,” “new trade framework,” “currency swap arrangement,” “regional cooperation,” “joint initiative,” “collective response,” “diversify partnerships,” “strengthen regional integration,” “regardless of Washington,” “reduce dependence on a single partner.”

Coding rules

Code Aggregation = 1 when there is verifiable evidence of identifiable joint or plural action among states that creates or strengthens external economic or institutional options in the context of Great-Power geoeconomic pressure.

The coding requires three elements:

1. **Plural participation:** At least two participating states, excluding the Great Power whose pressure is under examination.
2. **Substantive cooperation:** An identifiable joint commitment, institution, agreement, programme, or coordinated action.
3. **Strategic relevance:** Evidence that the arrangement provides an alternative, complement, hedge, or collective response to the economic relationships or institutional dependencies affected by the Great Power's conduct.

Aggregation need not be explicitly anti-US. Nor must the participants describe their actions as hedging. The strategic connection may be estab-

lished through contemporaneous policy statements, documented institutional objectives, or sufficiently strong contextual evidence.

Where the relationship to US economic statecraft is inferred rather than explicitly stated, record the basis for that inference and assign lower classification confidence when appropriate.

A bilateral agreement can constitute Aggregation. Universal or ASEAN-wide participation is unnecessary.

Aggregation may coexist with Acquiescence and Adaptation. A state may make concessions to Washington while developing alternative regional markets and domestic productive capabilities.

Exclusions and borderline cases

1. Routine international cooperation. Signing an agreement or holding a diplomatic meeting does not automatically constitute Aggregation. The arrangement must create or strengthen a relevant external option or collective capability.

2. Cooperation directly with the pressuring Great Power. A bilateral US–Vietnam agreement responding to US demands is not Aggregation when the United States is the Great Power under examination. It may constitute Acquiescence or another modality.

3. Mere diversification of bilateral commercial relationships. Increased private trade with another country is not sufficient. There must be identifiable government or institutional cooperation.

4. Unilateral pursuit of new markets. A domestic export-promotion programme directed at several foreign markets is Adaptation unless it involves substantive coordination with other governments.

5. Pre-existing institutions. Continuing participation in an established regional institution should not generate a new Aggregation event unless there is a substantive expansion, new commitment, or institutional change.

6. Long-gestation agreements. An agreement negotiated over many years should not automatically be attributed to a recent US policy shock simply because its conclusion occurs shortly afterwards. Record the relevant history and distinguish the agreement’s original motivation from any subsequent geoeconomic impetus.

7. Conventional balancing. Joint action intended to counter US influence can qualify as Aggregation, provided it uses identifiable cooperative

arrangements. Mere rhetorical alignment with another Great Power is insufficient.

8. Dependence on another Great Power. Cooperation with China or another Great Power may constitute Aggregation relative to US pressure, but it need not increase overall strategic autonomy. Record separately whether the arrangement replaces one Great-Power dependence with another or creates genuinely diversified options.

9. G-minus is a separate test. An arrangement can qualify as Aggregation even when it depends critically on China's participation, financing, or market access. Whether it remains functional without any particular Great Power is a further empirical question, not a prerequisite for Aggregation.

6.4 Resistance ξ

Definition

A state openly contests, rejects, or seeks to reverse a specific Great-Power geoeconomic action or demand, rather than conceding on the axis of contention, restructuring domestically to accommodate the pressure, or constructing alternative arrangements with other states. Resistance involves an identifiable act of opposition directed at the Great Power's policy, demand, or claimed authority. It may employ legal, diplomatic, economic, or regulatory instruments. Its immediate objective is to defend an existing entitlement, preserve a contested policy, impose costs on the Great Power, or induce the Great Power to withdraw or modify its action.

Observable forms

- Legal contestation: Initiating WTO proceedings, appealing adverse rulings, or formally challenging the legality of US trade restrictions.
- Retaliation: Imposing counter-tariffs, reciprocal restrictions, or other economic penalties explicitly in response to US measures.
- Diplomatic opposition: Publicly rejecting a US demand, formally protesting an action, or announcing refusal to comply.
- Defensive non-compliance: Deliberately maintaining a contested policy despite an explicit US demand to change it.
- Countermeasures: Using economic or regulatory instruments to impose costs on the United States in response to its economic statecraft.

Signal language

“Challenged,” “contested,” “rejected,” “refused,” “retaliated,” “filed a WTO complaint,” “appealed the ruling,” “condemned,” “opposed,” “maintained restrictions despite US objections,” “announced countermeasures.” Coding rules Code Resistance = 1 when there is verifiable evidence of an identifiable government or regulatory action that directly contests a named US geoeconomic measure or demand. Do not require retaliation. Legal proceedings, diplomatic protest, and explicit refusal can qualify independently.

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