Business and Trade Committee

Call for Input on Potential Powers to Protect the UK from Adverse Economic Pressure

Formal Response of the Business and Trade Select Committee | 16 June 2026

Background: HMG Call for Input

Adverse economic pressure refers to the threat or use of economic measures by a state against another. The aim of adverse economic pressure is to obtain or to prevent a change in law, policy, or action.

Economic pressure is not always 'adverse' in nature. A judgement of 'adversity' therefore considers the *intent* of a particular measure along with the measure itself.[1]

The Government believes that there may be a case for new domestic powers to protect against acts of adverse economic pressure.

The Government has a range of legislative tools to help police the nation's trade and investment. The key legislative measures include:

- the Import of Goods (Control) Order 1954
- the Enterprise Act 2002
- the Export Control Act 2002
- the Taxation (Cross-border Trade) Act 2018
- the Sanctions and Anti-Money Laundering Act 2018
- the National Security and Investment Act 2021
- the Procurement Act 2023.

This legislation however does not provide the Government with the full suite of powers needed to safeguard the UK from the weaponisation of economic interdependence now used regularly by China and others.

The Committee believes that new powers are needed to ***deter*** acts of adverse economic pressure and, in the event of conflict, allow the UK to enact time-limited response measures against the offending state. These new powers are not a substitute for existing tools such as diplomacy or dispute settlement and as such new measures should be reserved for severe cases and used as a last resort.

[1] Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026, Box A

Introduction

The Business and Trade Committee welcomes the opportunity to respond to this call for input (CFI). The Committee scrutinises the UK's economic security framework closely. Our most recent report on the subject, *Toward a New Doctrine for Economic Security* (November 2025), argued for precisely this consultation. Our reasoning was simple:

- The UK now faces an escalating range of threats which are unlikely to present alone, but together.
- Our competitors are resorting to the weaponisation of economic interdependence more frequently.
- As a relatively small open trading economy, the UK is vulnerable to pressure unless we have the ability to respond at speed, across the full range of our assets, and ideally, in concert with allies.[2]

In preparing this response, the Committee has drawn on a range of evidence gathered through its work, including: the findings of its November 2025 report; evidence received through the Committee's trade policy inquiries; discussions held during visits to Japan, Washington DC and Brussels, including with European Commission officials on the EU's Anti-Coercion Instrument; and emerging findings from the Committee's ongoing inquiries into China and the UK Economy, and Critical Minerals.

[2] Business and Trade Committee, *Toward a new doctrine for economic security*, HC 835, 24 November 2025, paras 194-199

Question 1: The Case for New Powers

In your view, would it be useful for the government to take powers to respond to acts of adverse economic pressure against the UK? Indicate the level to which you agree or disagree and the rationale for your view.

The Committee strongly agrees that the Government should take powers to respond to acts of adverse economic pressure against the UK, where safeguarding the UK's interests requires it, on the basis of justified grounds set out in legislation.

The Committee concluded in its report *Toward a New Doctrine for Economic Security*, that the range of threats now faced by the UK requires a new framework to adequately protect the UK from coercion.[3]

Economic coercion has become an increasingly common instrument of statecraft, used by state actors to extract policy concessions below the threshold of military conflict. The MERICS think-tank identifies a range of coercive methods including export controls and tariffs, and documented 123 cases between 2010 and 2022. The use of these tools has increased significantly in recent years.[4] Amongst our allies, China imposed significant economic restrictions on Lithuania following the naming of the Taiwanese representative office in Vilnius and on Australia after Canberra called for an independent inquiry into the origins of Covid-19.[5] A set of expanded examples is provided in Appendix 1.

The threat to the UK of these measures is not hypothetical: we are a proven target. Following the UK's decision to restrict Huawei's involvement in the UK's 5G network, Chinese state media called explicitly for retaliation that should be "public and painful". The Chinese foreign ministry warned that "any decisions and actions must come at a cost" and advised Chinese enterprises to weigh the political risks of operating in the UK.[6]

In particular, our work has highlighted the acute risk import dependence of the UK, on Chinese supply chains. The OECD has found that across its members,

> import concentration is on the rise, as countries are increasingly sourcing products from fewer suppliers than is globally possible. The number of cases of suboptimal diversification is 50% higher in the 2020s than it was in the late 1990s.[7]

The same report argues that the UK, along with Canada, France, and Germany are the economies most exposed to international supply chain shocks (see chart below), and that the most important (non-domestic) source of such shocks is China.

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3 Business and Trade Committee, Toward a new doctrine for economic security, Eleventh Report of Session 2024-26, HC 835, 24 November 2025, 198

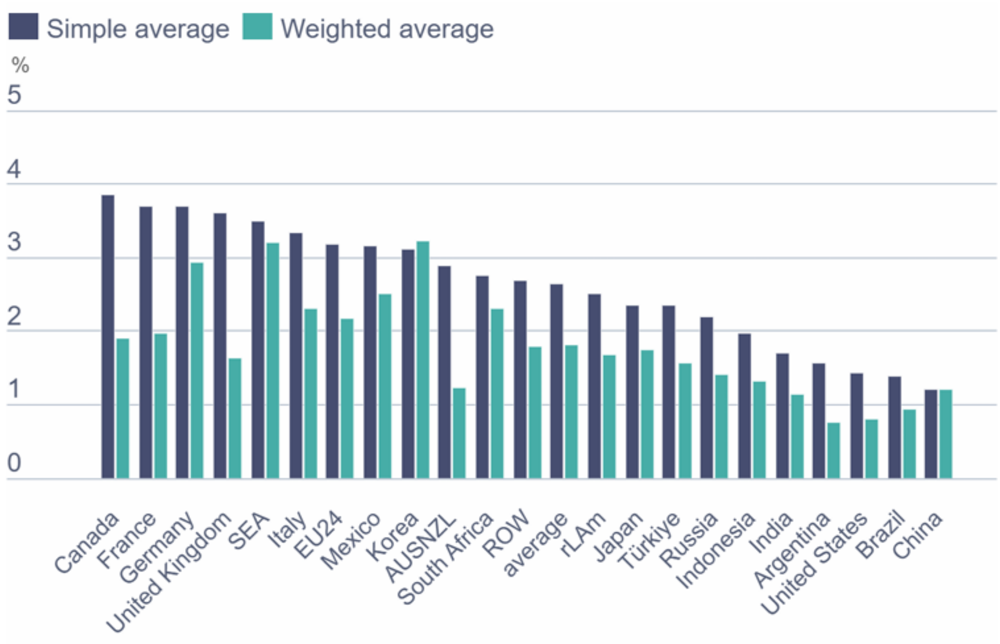
4 Fasten your seatbelts: How to manage China's economic coercion, MERICS, August 2022

5 Flint Global, *Strength in Numbers: How can Europe most effectively balance economic security with openness to trade and investment?*, April 2023

6 Fasten your seatbelts: How to manage China's economic coercion, MERICS, August 2022

7 OECD Supply Chain Resilience Review, June 2025

“Maximum exposure” * to 1% sector and country-specific production shocks



Note: *These figures show “maximum exposure” for a given country which experiences consequences of 1% production shocks occurring randomly in other parts of the global economy. Maximum exposure is first calculated at the country-sector level as the sum of all the simulated negative output changes to the affected sector that can result from the whole range of positive and negative 1% production shocks in other countries and sectors. For presentation in this figure, it is then averaged across all sectors for each country. A 3% impact would mean, for example, that production could be reduced by 3% if all shocks capable of reducing a country's sectoral output occurred simultaneously. Values of output at the starting point of the simulation are used as weights to produce weighted averages.
rLAm=other Latin American countries not included individually; ROW=rest of world.
Source: Arriola, Kowalski and van Tongeren (2024[2]) using OECD METRO model simulations.

(Source: OECD Supply Chain Resilience Review, June 2025)

For example, the table below shows the UK’s projected demand and import dependence for four critical minerals used in battery production in 2030.

Mineral	Demand in 2030 (tonnes)[8]	Domestic production in 2030 (in tonnes)[9]	Import dependence	Primary producer
Lithium	113,400 (45 times current levels)	12,000	**90%**	**Australia (mining)** **China (refining)**
Graphite	137,800 (15 times current levels)	0	**100%**	**China**
Cobalt	76,610 (12 times current levels)	0	**100%**	**DRC (mining)** **China (refining)**
Nickel	416,100 (8 times current levels)	39,000	**90%**	**Indonesia**

[8] Department for Business and Trade, Critical minerals technical annex, 23 January 2026
[9] Benchmark Mineral Intelligence (CRM0057)

The UK is not alone in facing these potential chokeholds. The table below from the Institute for Public Policy Research shows the global concentration of mining for critical minerals in 2024:[10]

	Copper	Lithium	Nickel	Cobalt	Graphite	REE	Manganese	Phosphate
Chile	24.0%	19.2%						
DRC	12.6%			62.0%				
Peru	11.5%							
China	8.0%	22.4%	3.4%	2.5%	85.5%	59.2%	3.9%	45.8%
Russia	4.8%		4.9%	2.5%	1.6%			5.8%
Indonesia	4.7%		63.3%	18.1%				
Australia		35.3%	2.6%	1.9%		4.2%	14.1%	1.0%
Argentina		5.1%						
Zimbabwe		9.0%						
Canada		2.4%	3.0%		0.6%			
Philippines			8.9%	0.9%				
Madagascar					4.0%			
Mozambique					2.1%			
Myanmar						16.9%		
US						9.9%		8.3%
South Africa							37.3%	0.9%
Gabon							23.2%	
Morocco								12.5%
Rest of the world	34.3%	6.7%	13.9%	11.5%	6.2%	9.8%	21.5%	25.7%

Our inquiry on China and the UK economy has highlighted the degree of import dependence in a range of other sectors, including:

- Antibiotics: As of 2025, the UK was dependent on China for 95% of chloramphenicol (used to treat eye and ear infections), 56% of streptomycins (used to treat tuberculosis) and 51% of tetracyclines (used to treat chlamydia and H-pylori).[11]

- Semiconductor devices: The UK developed a 58% strategic dependency on China for semiconductor devices by 2025 from having no strategic dependency in 2020 and 2015.[12]

[10] Institute for Public Policy Research, Resilient by design: building secure clean energy supply chains, January 2026. This graph focuses on the raw materials required for various decarbonisation technologies.
[11] Henry Jackson Society (CHI0032)
[12] Henry Jackson Society (CHI0032)

- AI: UK exposure to AI supply-chain disruption is concentrated in the import channel, with limited domestic production to cushion against supply interruptions.[13]

Whilst the above concerns relate to direct imports from China, Make UK argues that manufacturers' supply risk "lies just as much in distant upstream concentration as it does in final business-to-business imports".[14] Indeed, a report by Chatham House argued that while UK trade with China is lower than its trade with the EU and USA, "the data obscure significant upstream supply-chain dependencies on China" and that China has the capacity to "leverage the above vulnerabilities coercively".[15]

There is little publicly available granular analysis of the UK's second and third tier supply chain dependencies, although a 2024 report by the Bank of England concluded that,

> In 2020 the UK's major foreign GSC [global supply chain] look-through exposure was to China, which was the top supplier to 53% of UK manufacturing sectors. […] Comparing the face-value and look-through bars across panels for year 2020 reveals that the UK has a large hidden exposure [i.e. Tiers 2, 3, and beyond] with China, and that this predominantly comes through Chinese inputs embedded in intermediates sourced from the US.[16]

Mapping these upstream dependencies and the vulnerabilities they create for the UK should be a matter of priority for HMG.

The existing legislative framework, including the Taxation (Cross-border Trade) Act 2018, the Sanctions and Anti-Money Laundering Act 2018 and the National Security and Investment Act 2021 provide partial and uncoordinated cover.[17] Taken together, these instruments do not yet constitute a coherent, calibrated response mechanism for acts of adverse economic pressure. The absence of such a mechanism is itself a strategic vulnerability: it signals to potential coercers that the costs of targeting the UK are low.

The UK's closest partners are moving in a clear direction. In 2023, the EU adopted its Anti-Coercion Instrument.[18] Because the UK lacks equivalent instruments we are now a softer target than our allies, and a less useful partner when collective responses are being designed. As the Committee set out in *Toward a New Doctrine for Economic Security*, effective economic security requires the UK to "deter coercion and malign influence through credible countermeasures" and to "dovetail the UK's efforts with allies to build

[13] Jun Du, Professor of Economics at Aston Business School, et al. (CHI0052)
[14] Make UK (CHI0054)
[15] Chatham House, *What the UK must get right in its China strategy: Resilience, flexibility and autonomy as core principles for engagement*, July 2025
[16] Bank of England, *A portrait of the UK's global supply chain exposure*, September 2024
[17] The Taxation (Cross-border Trade) Act 2018 establishes the framework for the UK's customs regime and trade defence approach, including delegated powers to change customs duties. The Sanctions and Anti-Money Laundering Act 2018 permits the imposition of economic and trade sanctions for national security and foreign policy purposes. The National Security and Investment Act 2021 provides a stand-alone framework for scrutiny of and intervention in acquisitions and investments on national security grounds.
[18] Protecting against coercion; see also Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023, Annex I

collective strength and resilience." A dedicated response instrument is necessary to deliver both.

The current international context makes careful design essential – but does not weaken the case. The United States is simultaneously the UK's largest single trading partner and, under the current administration, a source of economic pressure through the imposition and threats of broad tariff measures. The General Terms of the UK-US Economic Prosperity Deal, published in May 2025, commit both countries to strengthening cooperation on economic security. The Government must consider carefully how new powers would interact with the EPD negotiations and in particular whether the existence of such powers would complicate or strengthen the UK's negotiating position with the United States. The Committee's view is that a credible instrument, clearly framed as a last resort and subject to robust checks and balances, would strengthen rather than undermine the UK's position by demonstrating that the UK is a credible partner in economic security matters.

The reputational stakes reinforce the conclusion. At a moment when the Government is seeking to deepen the UK-EU relationship and reinforce transatlantic ties, there is a risk that we are perceived as the least-equipped member of the Western economic security alliance – the weak link in the chain – that undermines rather than reinforces the collective security of NATO, EU and Five Eyes allies.

Question 2: Scope of Potential Measures

In your view, if you or your organisation were affected by adverse economic pressure, what measures should the UK government have at its disposal to respond? Consider the broad areas listed in paragraphs 16 and 17 in your answer.

The Committee supports the broad scope of potential measures set out in paragraphs 16 and 17 of the *Call for Input.* These propose that the Government should have powers to act across trade in goods, procurement, intellectual property, investment, and trade in services, including the ability to deploy measures in a different sector to that being targeted by the coercive act.[19] Such measures could include restrictions on the export or import of certain goods or services, or on investment flows to or from the pressuring state.

The basic argument is that the UK needs to be able to:

- Possess tools that are flexible enough to allow us to act in concert with allies; and
- Use counter-measures which target our asymmetric strengths, in particular assets which may be indispensable to our adversaries.

The case for this breadth rests on four grounds:

1. Coercion can be applied through many different vectors, so the instrument must be able to respond across all of them. To be effective, the instrument must be capable of responding across the full range of vectors through which coercion can be applied; trade in goods and services, procurement, intellectual property and investment alike.
2. Cross-sector reach is what generates deterrence, because it allows the UK to respond where the coercing state is most exposed. A coercing state will typically select the vector that maximises the pain inflicted on its target while minimising the cost to itself. To maximise deterrence, a response instrument must be able to apply countervailing pressure at the point where the coercing state is most exposed - which may not be the same sector in which the original act was applied. This is why the power to act in a different sector from the one targeted is essential rather than incidental.
3. This is precisely the asymmetric capability that UK doctrine already argues for. The 2025 National Security Strategy sets out, as the purpose of Pillar 3, the goal of "reducing our dependence on others, including the ability of adversaries to coerce or manipulate us". It further commits the Government to "channel our particular national strengths into asymmetric strategies", defined as "utilising unique or cutting-edge capabilities to bolster our alliances and give us an advantage over adversaries and competitors". A response instrument with cross-sector reach delivers exactly this: the ability to respond on ground of the UK's choosing - including diplomatic and economic measures - rather than ground chosen by the coercing state.

[19] Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026

4. It also brings the UK into line with its closest partners. Including these measures would align the UK with the EU's Anti-Coercion Instrument, whose response measures span goods, services, foreign direct investment, financial markets, public procurement, intellectual property rights and export controls.[20]

[20] The ACI's response measures cover trade in goods, services, foreign direct investment, financial markets, public procurement, trade-related aspects of intellectual property rights, and export controls. European Commission, Protecting against coercion; see also Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023, Annex I

Question 3: Factors to Consider in Use of Powers

Are there any factors the UK government should consider when using these powers, if the decision were taken to introduce them?

In its report *Toward a New Doctrine for Economic Security*, the Committee identified six strategic principles for economic security: the 'Six Ds'.[21] Drawing on the principles of **Diagnose**, **Deter** and **Dovetail**, the Committee identifies the following seven factors which should be considered when using these powers against adverse economic pressure.

1. **Attribution:** Adverse economic pressure can be "conducted through obscure routes", as recognised in the CFI, and may be difficult to identify. So, Government must be able to distinguish between a legitimate exercise of domestic policy and a measure designed to extract a UK policy concession.[22] Many states will seek plausible deniability.[23] Equally, the instrument must be capable of assessing cumulative low-level coercion, which can inflict serious harm over time and across sectors even where no single act crosses an obvious threshold.

2. **Diplomacy:** Economic countermeasures can trigger significant escalation and lasting damage to bilateral relationships. We agree that diplomatic routes should be exhausted before powers are activated.[24] The Government should maintain explicit off-ramps for de-escalation if the coercing state takes remedial steps. However, where diplomatic or dispute proceedings can take 18 months or more to conclude, the Government should be able to activate powers in parallel with ongoing diplomatic efforts where the scale of coercion warrants it.

3. **Likelihood of efficacy:** The decision to use new powers must consider potential responses by the pressuring state.[25] The Government must assess whether, due to the UK macroeconomic size, proposed measures are capable of changing the coercing state's behaviour. Against similar mid-sized actors, direct deterrence is achievable. Against large-economy coercers, even a proportionate response to coercion may lead to escalation.

4. **Impact on the UK economy:** Economic countermeasures often impose costs on the country deploying the measures as well as the target. The UK must be particularly clear-

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21 The Committee previously identified the following principles: **Diagnose** emerging risks early, using shared intelligence across sectors; **Develop** domestic capability in key industries; **Diversify** critical supply chains, energy sources and technology inputs; **Defend** against hostile state and non-state actors in markets and cyberspace; **Deter** coercion and malign influence through credible countermeasures; and **Dovetail** the UK's efforts with allies to build collective strength and resilience. Business and Trade Committee, *Toward a New Doctrine for Economic Security*, Eleventh Report of Session 2024–26, HC 835, 24 November 2025

22 Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026

23 Strength in Numbers, How can Europe most effectively balance economic security with openness to trade and investment?", Case Study 3 - China/Lithuania, Flint Global, April 2023

24 Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026, para.20(a)

25 Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026, para. 17

eyed about its exposure in services. Restrictions on the provision of the UK's legal, financial, or insurance services to customers abroad can undermine the perception of the UK as a stable, open, rules-based jurisdiction. The experience of the UK's ban on the export of legal and accounting services to Russia following the 2022 invasion of Ukraine is instructive: the measure was legitimate in intent but created significant practical difficulties for businesses seeking to divest from Russian operations, requiring time-consuming exemption processes.[26] The Government should, where time permits, be required to conduct rapid impact assessments before deploying any countermeasures.

5. **Credibility of enforcement:** The credibility of any UK countermeasures to adverse economic pressure will depend on the effectiveness of enforcement. The lack of a visible track record of enforcement action in relation to UK trade sanctions shows there is room for improvement.[27] The Government should therefore ensure sufficient resources and capabilities are made available to a designated enforcement authority with effective penalties for breaches of measures. When designing the system, the Government should carefully consider how decisions taken may be enforced and challenged including by judicial review.

6. International co-ordination: The Committee reiterates the importance of working with international partners, including with the EU and through the G7. In cases where our allies are also encountering pressure, the sanctions response to Russia's 2022 invasion of Ukraine demonstrated that like-minded states acting together can impose costs that no single country could achieve alone, and that coordination itself carries deterrence value beyond the economic impact of individual measures.[28]

7. **Compliance with international obligations:** The Committee agrees with the CFI that any powers must be exercised in accordance with the UK's international legal obligations, including WTO commitments.[29] Equally we recognise that the failures of WTO reform and the continued use of adverse economic pressure by certain states means that new non-WTO tools are now essential.

26 George Riddell, 'Trade Strategy?', *Most Favoured Nation* (Substack), 17 April 2026.

27 Business and Trade Sub-Committee on Economic Security, Arms and Export Controls, Letter to the Minister of State for Trade relating to the enforcement of UK trade sanctions, 13 March 2026

28 Chatham House, *Understanding and improving sanctions today*, July 2025.

29 Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026, para. 20(d)

Question 4: Threshold for Use

In what scenarios do you think an act or threat of adverse economic pressure would be severe enough to justify the Government using these proposed powers?

New powers must be designed to maintain the UK's position as a stable and open place to do business. Their use must minimise unnecessary costs to UK businesses, citizens, and the economy.[30] The factors identified in the Committee's response to Question 3 - escalation risk, impact on the UK economy and reputational risk, and the risk of failure - make clear that the new powers should not be deployed lightly.

The EU's Anti-Coercion Instrument provides a useful analytical framework for deployment of countervailing measures, requiring:

- evaluation of the intensity, severity, frequency, duration, breadth, and magnitude of the third-country measure; and
- whether the third country is engaging in a pattern of interference, and the extent to which the measure encroaches on sovereignty.[31]

The Committee recommends the UK adopt a similar framework, adapted to the UK's specific circumstances as a mid-sized, open, trade-intensive economy with a particularly large services sector and a significant dependence on the perception of institutional reliability. In our case, magnitude of harm should be assessed through economic assessment such as the value of trade or investment affected, the businesses and workers exposed and the indirect impact on wider supply chains. However, such assessments should also include harms to the UK's politics and/or society that are not strictly economic.[32] This may include an assessment of the strategic importance of the sector targeted.

The Government must publish this framework. Transparency itself contributes to deterrence. Government should not however publish precise trigger thresholds, to prevent coercing states from calibrating their actions to fall just below the point of activation.

The Committee recognises that applying this framework to the full range of cases, including less acute but sustained coercive pressure, requires detailed analytical work that goes beyond the scope of this response.

30 Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026

31 Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023, Article 3(2).

32 Examples could include the impact of restrictions on medical supplies or services on UK public health or the impact on people's wellbeing and livelihoods caused by a sudden hike in consumer prices. Impact of sanctions | OHCHR

Question 5: Additional Principles

Are there any additional principles to those set out in paragraph 20 that should guide how the powers are used?

The Committee endorses the four principles set out in paragraph 20 of the CFI, diplomacy first, proportionality, severe harm threshold, and compliance with international obligations.

Question 6: Checks and Balances

Would proposed checks and balances contribute to providing sufficient scrutiny ahead of any new powers being used?

The government is considering the following checks and balances to ensure any powers are adequately scrutinised, as set out in paragraph 21:[33]

- a high threshold for use,
- parliamentary scrutiny through secondary legislation, and
- stakeholder consultation.

However, the Committee recommends the following five additions:

1. **Parliamentary approval.** The Committee agrees that powers should be implemented through secondary legislation. The Sanctions and Anti-Money Laundering Act 2018 (SAMLA) provides a useful model: many regulations are made immediately but cease to have effect after 28 days unless approved by both Houses, balancing speed of activation with parliamentary accountability.[34] The made affirmative procedure creates the opportunity for Parliament to debate the merits of any activation decision, including the Government's assessment of the coercive act and the proportionality of the proposed response, and strengthens democratic legitimacy. The Committee recommends this as the minimum procedure for any new instrument.

If the countermeasures restricting trade with a country acting coercively contain any exemptions, as for example UK sanctions do under SAMLA, the nature and scope of such exemptions should be articulated wherever possible in the legal text of the countermeasures itself. This would prevent the Government being able to defang any countermeasures without parliamentary approval, as we have seen for example with the recent UK trade sanctions on products made from refined Russian oil.[35]

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33 Department for Business and Trade, Call for input on potential powers to protect the UK from adverse economic pressure, 9 April 2026

34 Sanctions and Anti-Money Laundering Act 2018, s.55.

35 HC Deb 20 May 2026, vol 786, cols 547–558 (Chris Bryant, Minister for Trade). General trade licences permitting the import of diesel and jet fuel made from Russian oil, effectively exempting those products from the new sanctions regime, were issued by the Department for Business and Trade without parliamentary scrutiny.

2. **Intelligence:** Where activation depends on classified intelligence or diplomatic reporting that cannot be published, Parliament as a whole cannot scrutinise the full evidential basis. Provision for confidential information-sharing with a designated parliamentary oversight body should therefore be made in the legislation.

3. **Post-activation review.** The Government should be required to report to Parliament on whether measures achieved their intended effect. This supports accountability and builds the evidence base for future use of the powers.

4. **Consultation design.** The Committee welcomes the Government's stated intention to consult stakeholders on proposed measures before they are taken. Where the Government must act urgently, stakeholder consultation should be implemented at the mandatory review stage rather than foregone entirely.

5. Availability of redress for affected sectors. The use of countervailing measures will only be taken in the national interest. However, the use of asymmetric measures will often mean that specific sectors may be hurt as part of a strategy for the nation’s good. As such, Government must have the flexibility to rapidly deploy sectoral compensation schemes.

Question 7: Territorial application

If these powers were implemented, are there any specific considerations the Government should take into account when assessing application to England, Scotland, Wales, and Northern Ireland; Crown Dependencies; and British Overseas Territories?

The Committee notes that trade policy is a reserved matter. However, the political and practical case for early and substantive engagement with the devolved administrations is strong. Measures that affect the devolved nations without prior engagement risk creating domestic political difficulties that could complicate the UK's response and undermine the coherence of its position.

Northern Ireland. The Committee draws particular attention to the distinct position of Northern Ireland. Any measures affecting trade in goods must be designed carefully in light of Northern Ireland's trading arrangements under the Windsor Framework. The Government should assess compatibility with these arrangements as a core element of the design process of any new powers.

Question 8: Additional Considerations

Are there any other issues not covered in this document that you think the Government should consider before deciding whether to develop these powers?

Accountability: In a given case, the decision to exercise – or indeed not to exercise – the power to impose countermeasures in response to coercion requires a clear line of accountability from the Government to Parliament. The Committee recommends that decisions on countermeasures should be the responsibility of Ministers in the Department for Business and Trade, given the potential significant ramifications of countermeasures on UK businesses. The Department will necessarily need to coordinate with other

Departments, including the Foreign, Commonwealth and Development Office, to communicate the Government's approach to use of any new powers effectively. The need for close DBT-FCDO coordination is demonstrated vividly by the recent debacle surrounding the imposition of, and exemptions to, new UK trade sanctions on Russian oil and gas, where the policy was not clearly articulated nor communicated effectively to key allies in Europe.[36]

Terminology. The Committee notes that the CFI uses the term "adverse economic pressure" rather than "economic coercion". The Committee recommends that the Government adopt the term "economic coercion" in any legislation or policy framework that follows. This would align the UK's language with that of its closest partners, including the EU's Anti-Coercion Instrument, and would support the Dovetail principle of building collective strength and resilience with allies. Consistent terminology matters for coordination: a shared lexicon makes it easier to identify coercive acts jointly, share intelligence, and build coalitional responses. Divergent terminology risks causing confusion and obfuscation, thereby impeding co-ordination with UK allies.

Resourcing and analytical capability. Proportionate, evidence-based policymaking in this area is demanding: attribution assessments, sectoral impact analysis, and the analytical frameworks needed to design proportionate countermeasures cannot be built at the point of coercion – they must be developed in advance. A state considering coercive action against the UK is less likely to proceed if it believes the UK has the institutional capacity to identify, attribute, and respond rapidly. Underinvesting in this capability reduces deterrence before a single measure is deployed. If the Government decides to take these powers, it should set out how it intends to resource the attribution, design, and review functions required, and what preparatory analytical work will be undertaken before the powers are brought into use.

The need for a wider economic security framework. New anti-coercion powers, however well designed, cannot substitute for the broader economic security reforms recommended in *Toward a New Doctrine for Economic Security*. Powers to respond to adverse economic pressure are a last resort. The more fundamental task is to reduce the UK's vulnerabilities to coercion in the first place, through the full programme of Diagnose, Develop, Diversify, Defend, Deter and Dovetail reforms the Committee has recommended.

[36] Politico.EU, EU complains about 'surprise' UK move to roll back Russia sanctions, 21 May 2026

Annex 1: China s economic coercion in practice

China’s use of economic coercive tools has risen in recent years, particularly following the inception of the second Trump administration and heightened trade tensions with the US. According to analysis by Gary Ng of the Central European Institute of Asian Studies, measures deployed have included export controls, import controls, restrictions on outbound tourism, obstruction of foreign business in China, boycotts, and targeted sanctions.

Lithuania

In 2021, Lithuania withdrew from the 17+1 group and allowed Taiwanese authorities to open a Taiwan Representative Office in Vilnius. In response, **China blocked all imports from and exports to Lithuania.** When this failed to have an effect, due to the small amount of trade between Lithuania and China, Beijing implemented informal secondary sanctions by “warning firms that sourced products from Lithuania that they too could find their commercial relations with China restricted.” These firms included German manufacturer Continental. **Lithuania refused to reverse its position. It strengthened co-operation with Taiwan over semiconductors and lasers.**

Japan

In November 2025, **Japan’s Prime Minister Sanae Takaichi stated that an attempted Chinese invasion of Taiwan would constitute a survival threatening situation**, to which Japan could, under its 2015 security law, respond with military force.

In response, the Chinese Government accused Takaichi of violating the One China principle and of “blatant interference in China’s internal affairs.” It discouraged Chinese citizens from visiting Japan. **The number of Chinese tourists more than halved “from 716,700 in October 2025 to 330,000 in December 2025.”** China also re-imposed an import ban on Japanese seafood and later export controls on dual-use goods and rare earth minerals.

Philip Luck, Director of the Economics Program at the Center for Strategic and International Studies, argues that **China’s measures had a limited impact on Japan’s economy.** Since the Covid pandemic halted travel from China, Chinese tourists had become less important to Japan’s tourist sector, which was buoyed by a weak Yen. Similarly, Japan’s seafood sector had found other markets since China’s imposition of an earlier ban in 2023. Since China first imposed controls on rare earth exports to Japan in 2010, Japan’s reliance on China as a supplier of rare earths decreased from 90 percent in 2010 **to approximately 60–70 percent by 2025**, following years of deliberate supply-chain diversification.

Beijing’s actions, rather than damaging Takaichi, boosted her level of public support; she won a snap election in February 2026, increasing her ruling Liberal Democratic Party’s parliamentary majority. Luck concludes that

> in resilient democracies like Japan, if coercion is recognized for what it is, a naked tool of influence, it frequently produces the opposite effect. It hardens

> public attitudes, makes backing down politically untenable, and shrinks the political space for compromise.

Sheffield Hallam University, UK

China's economic coercion can occur at the institutional level, not just the national level.

In February 2025, **Sheffield Hallam University (SHU) ordered Professor Laura Murphy to cease work on forced labour in supply chains in China**. Six months previously SHU had cancelled a report into Uyghur forced labour in the critical minerals supply chain and returned the grant to the funder, a Netherlands-based foundation, Global Rights Compliance (GRC).

Professor Murphy's solicitors, Leigh Day, state that

> the University had, in response to direct threats from the Chinese "National Security Service," placed restrictions on Murphy's research, removed her work and that of the "Forced Labour Lab" (started by Professor Murphy) from the University website and halted plans to publish a funded research project. The documents indicated that **these decisions were made in the context of the People's Republic of China (PRC) government blocking SHU's website and email addresses** from being accessed within China, and a resulting (or anticipated) decline in business from China for SHU.

The BBC reports that the documents also detailed how SHU staff based in China had been **"threatened by individuals identified as being from China's National Security Service"** and that

> a decision by the university not to publish a final phase of the research on forced labour in China was communicated to the National Security Service... Immediately relations improved and the threat to staff wellbeing appears to be removed.

SHU lifted the ban in October 2025 and apologised to Professor Murphy.[37]

[37] Professor Murphy subsequently provided oral evidence to our inquiry into China and the UK economy, HC 124, 19 May 2026, Qq138-172.