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Towards a Secure World

# Weaponized Interdependence: Trade, Energy, and Finance as Security Tools in 2025

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## Introduction

In this era of globalization and deepening geopolitical competition, traditional ideas of hard power and military force are no longer the primary mechanisms for states to pursue strategic advantages. After the cold war, globalization started booming and it was celebrated as pacifying force that created mutual economic dependencies and deterrence against conflict. For decades, the global consensus, championed by liberal institutionalists was that economic integration served as a "guarantor of peace."[2] Countries that trade together do not go to war because the cost of severing those ties would be mutually harmful. However, by the mid-2020s, it has given rise to a paradox: interdependence itself has become a tool of coercion and strategic pressure. That phenomenon is quite widely conceptualized in International Relations as weaponized interdependence.

Weaponized interdependence refers to how central nodes in global economic networks, whether in trade, finance, or energy, can be exploited by powerful states to extract information, enforce compliance, or deny access. It effectively turns globalization into a domain of geopolitical leverage. In 2025, we can see this tactic intensified amid US-China rivalry, Russia's war in Ukraine, and Middle East tensions and more. This commentary explores the theory and practice

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[2] "Globalisation in Transition, from Interdependence to Geopolitical Rivalry: Analysing the Results of the 2025 Edition of the Elcano Global Presence Index." 2025. Elcano Royal Institute. May 26, 2025. https://www.realinstitutoelcano.org/en/analyses/globalisation-in-transition-from-interdependence-to-geopolitical-rivalry/.

of weaponized interdependence across three critical domains- trade, finance, and energy. and also analyzes their implications for global security and future international order.

Image: UN Dispatch

## Theoretical Roots of Weaponized Interdependence

Henry Farrell and Abraham Newman introduced the concept of weaponized interdependence first in 2019 in an article[3]. They portrayed interdependence not as a pacifying force but as a structural enabler of coercion through network asymmetries. The traditional liberal view of interdependence is rooted in 20$^{th}$ century's international political economy. It posits that, economic linkages among nations promote peace, cooperation and mutual benefit. Interdependence reduces incentives for conflict, creates shared gains and puts states in a situation of reciprocal obligations. However, Farrell & Newman's framework criticizes liberal institutionalism's oversight of power hierarchies,

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[3] Farrell, Henry, and Abraham L. Newman. 2019. "Weaponized Interdependence: How Global Economic Networks Shape State Coercion." International Security 44 (1): 42–79. https://doi.org/10.1162/isec_a_00351 .

positing that efficiency-driven centralization creates enduring vulnerabilities. They argued that, Interdependence is rarely symmetrical and often creates structural asymmetries.

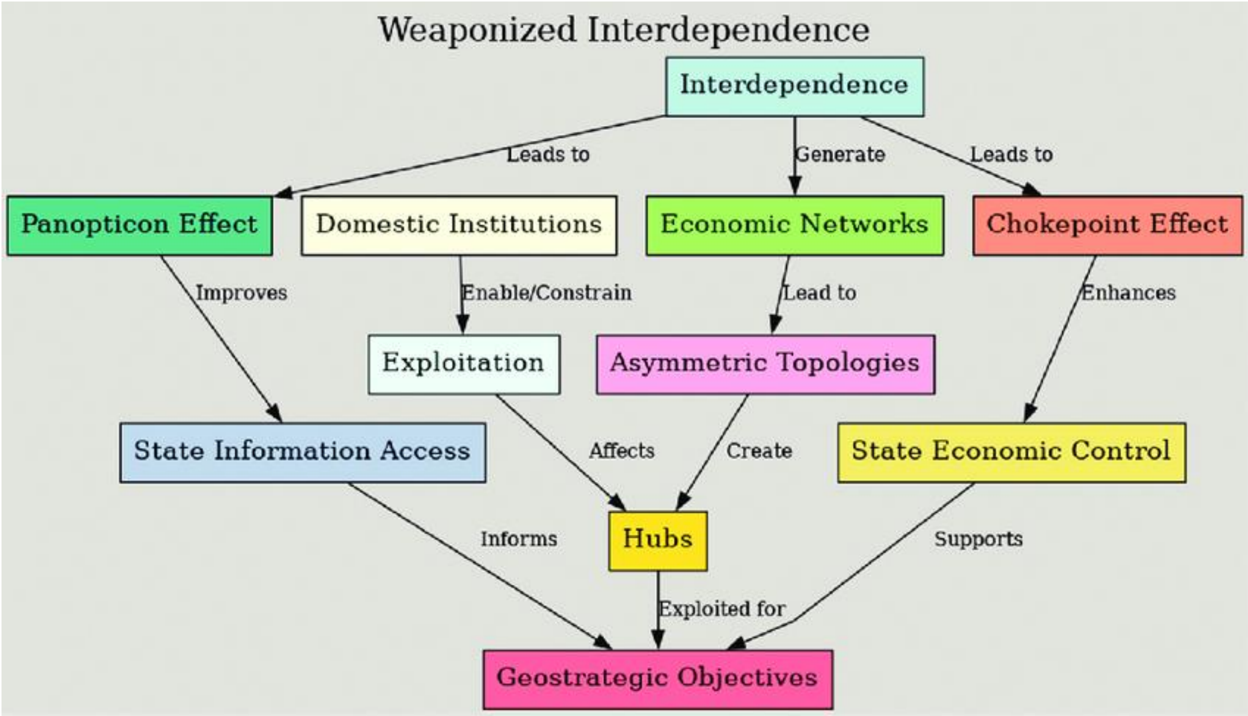


Image: Dwayne Woods/ResearchGate

Their research identified two mechanisms that can describe this scenario very well. One is the Panopticon effect, based on the famous analysis of Michel Foucault, where he explored the relationship between 1.) systems of social control and people in a disciplinary situation and, 2.) the power-knowledge concept. In his view, power and knowledge comes from observing others. It marked the transition to a disciplinary power, with every movement supervised and all events recorded[4]. States with control over information can monitor and extract intelligence from other actors' communication or financial transactions. When only certain people or groups of people control knowledge, oppression is a possibility. Another one is the Chokepoint Effect. It's the opposite of the Panopticon. Rather than getting information flows, states can deny or restrict access to critical network infrastructures, imposing costs on targets through embargoes, sanctions, export

[4] Mason, Moya K. 2022. "Foucault and His Panopticon - Power, Knowledge, Jeremy Bentham, Surveillance, Smart Mobs, Protests, Cooperation, Philosopher." Www.moyak.com. 2022. https://www.moyak.com/papers/michel-foucault-power.html .

controls, or denial of market access. These mechanisms reveal how “interdependence” which once seen as symmetrical, can become a two-tiered structure of leverage and vulnerability.

## Trade Weaponization Dynamics

In this age of great-power competition, global trade networks remain the backbone of international economic activity. But they have increasingly become arenas of geopolitical competition. In 2025, trade has moved well beyond from tariff jockeying to the strategic shaping of supply chains, export controls, and partnership realignments. In 2025, US-China rivalry intensified, with Trump imposing 10% universal tariffs in January, escalating to 145% on select imports by April, targeting trade deficits and fentanyl precursors. China countered with 84-125% retaliatory tariffs, rare earth export curbs, and entity listings against US tech firms like Qualcomm[5]. These tariffs, export controls on critical technologies (such as semiconductors), and restrictions on dual-use inputs have fragmented previously integrated supply chains. Strategic sectors like advanced microchips, rare earth elements, and biotechnology are no longer governed solely by comparative advantage but by national security imperatives. Global companies face what scholars describe as a shift from liberal commercial norms to security-driven governance where economic ties are weaponized to constrain rivals’ technological progress.

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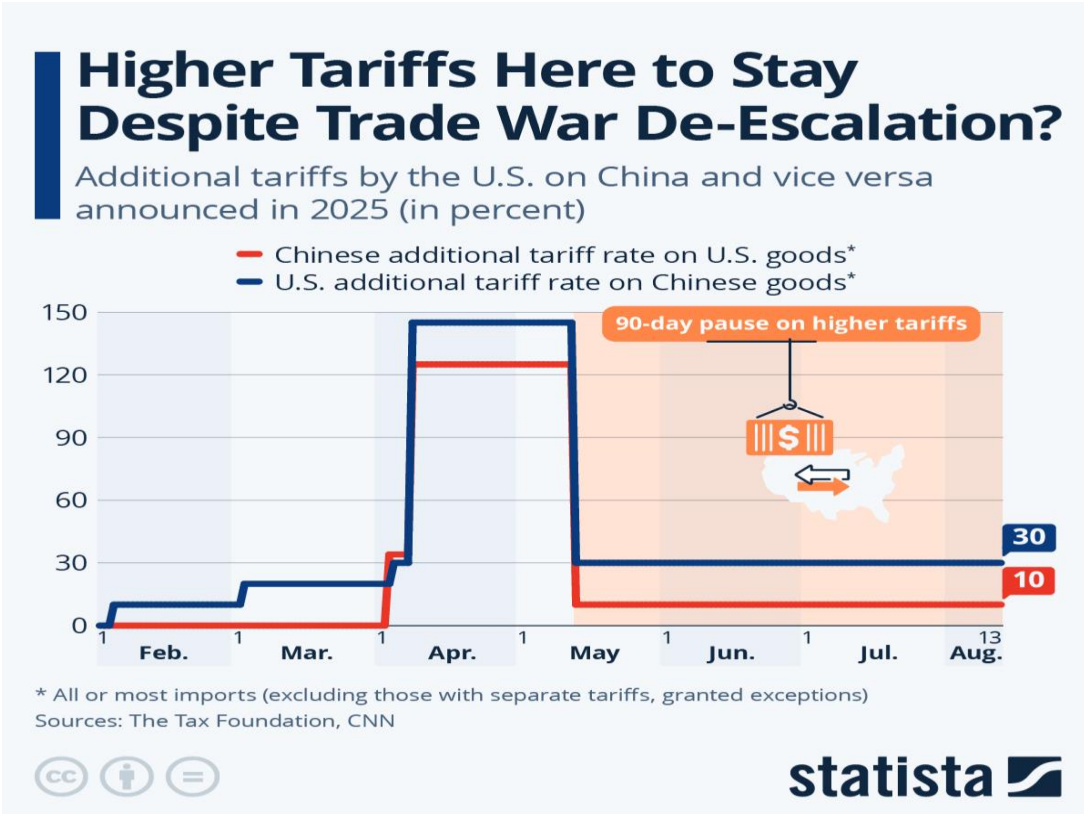
[5] Huld, Arendse. 2025. “Trump’s China Tariffs Raised to 145% - Overview and Trade Implications.” China Briefing News. April 11, 2025. https://www.china-briefing.com/news/trump-raises-tariffs-on-china-to-145-overview-and-trade-implications/.




In 2025, trade is dominated by several intersecting trends:

1) Strategic Export Control: Export controls on high-tech components, especially semiconductors and related manufacturing tools have become normalized. Advanced economies, led by the United States and coordinated allies, have restricted exports to China's high-tech sectors, arguing that such technologies have dual-use capabilities relevant to military and surveillance applications. Many governments justify these restrictions as necessary for preserving strategic advantage.

2) Supply Chain "Friend-Shoring" and Resilience Initiatives: Countries increasingly seek to relocate critical production within trusted networks. The United States and partners such as Japan, South Korea, and Taiwan have formed initiatives like "Semiconductor Alliances" to reduce

reliance on adversarial producers. These initiatives bolster resilience in interdependence, effectively weaponizing supply chain location choices for strategic security.[6]

3) Retaliatory Trade Measures and Risk of Fragmentation: The expansion of tariffs and counter-tariffs has increased possibility of trade weaponization, which may undermine global economic governance and fragment markets into geo-economic blocs. While these moves serve short-term strategic goals, they pose risks of higher costs and inefficiencies which ultimately weaken economic growth and cooperation.

A perfect illustration of trade weaponization can be found in the case of North Korea. When USA and its allies imposed so much sanctions on North Korea, it actively restructured its trade network to pivot toward states who are less willing to enforce sanctions., such as China. Economic sanctions on North Korea have been ineffective and unsuccessful for three reasons: North Korea's adeptness at evasion, other states' unwillingness to enforce economic sanctions, and North Korea's efforts to avoid panopticon effects via its diplomatic statecraft and policies that allow states to monitor and collect information on others.[7] This portrays how targeted states of weaponized interdependence can adapt by reshaping their economic connections to minimize chokepoint vulnerabilities and secure alternative ways.

## Energy Dependence as Leverage and Vulnerability

Energy has historically been a tool of coercion. Energy markets have always been influenced by weaponization due to their central role in economic activity and national Security. Oil, gas, and critical minerals for clean energy transitions are geographically concentrated and often subject to infrastructural chokepoints and geopolitical rivalries. Energy interdependence is asymmetric. When one actor controls supply routes, production or processing nodes, dependence becomes a

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[6] Buchwald, Elisabeth. 2025. "Trump Announces 130% Tariffs on China. The Global Trade War Just Came Roaring Back." CNN. October 10, 2025. https://edition.cnn.com/2025/10/10/economy/trump-china-tariff-threats-economy.

[7] Cha, Victor D. 2023. "Collective Resilience: Deterring China's Weaponization of Economic Interdependence." International Security 48 (1): 91–124. https://doi.org/10.1162/isec_a_00465.

strategic vulnerability. For example, Strait of Hormuz and Red Sea shipping lanes are vital corridors for global oil and gas flows. When these passages are disrupted, whether through military threats or geopolitical tensions, it can send shockwaves throughout the global economy. It further increase inflation, trade costs and increase energy insecurity among states.

Energy-rich states have long exercised resource control for geopolitical purposes. In the mid-2020s, organizations such as OPEC+ routinely coordinate supply levels not only for market stabilization but also as instruments of geopolitical messaging. Russia's use of natural gas pipelines to pressure Europe was a classic example of asymmetric trade dependency. For decades, European states relied heavily on Russian pipeline gas due to cost efficiency and geographical proximity. When political relations deteriorated, Russia reduced gas flows and introduced uncertainty around supply continuity, triggering energy price shocks and economic stress across Europe. Even before complete cut-offs occurred, the anticipation of disruption was sufficient to influence markets and political debates. This illustrates how energy coercion does not require absolute denial of supply; uncertainty and volatility themselves can function as powerful tools of pressure. By controlling pipeline supply levels and pricing decisions, Russia has influenced European energy security debates and political dynamics.

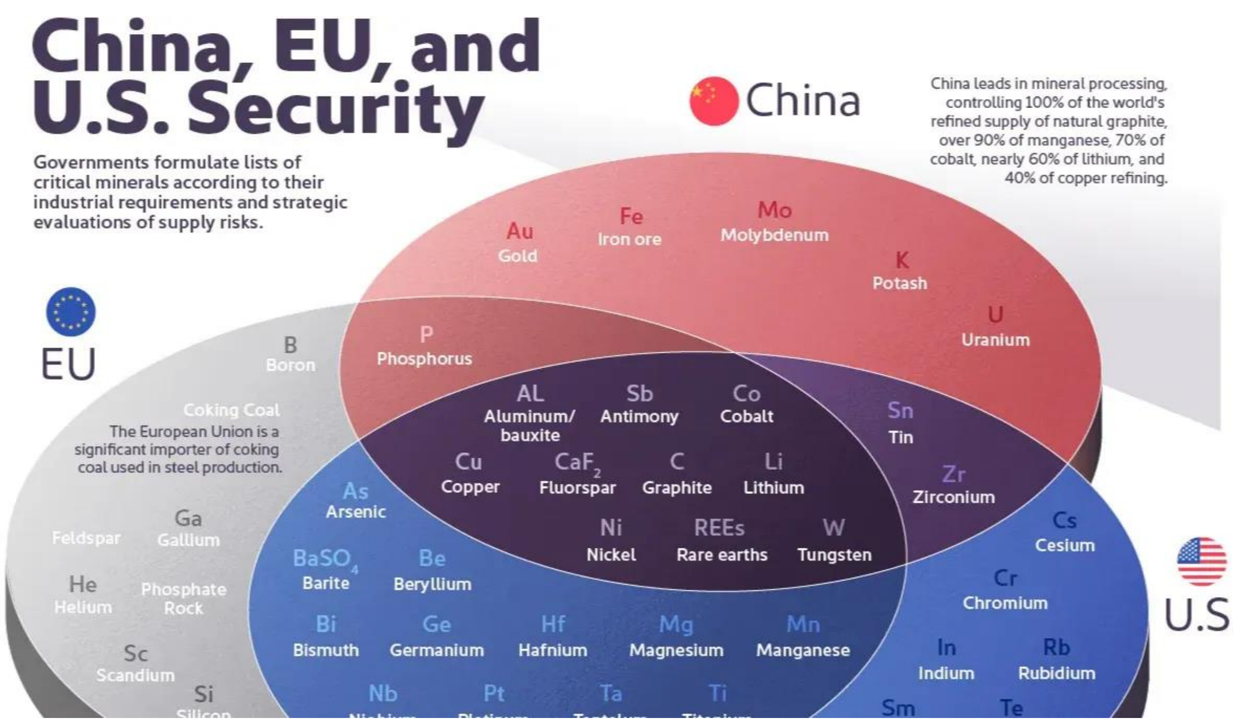


Image: John Robison

In 2025, this energy weaponization has introduced a new layer of complexity, which is Critical Minerals Race. China currently controls the vast majority of the processing and refining capacity for lithium, cobalt, and rare earth elements which are considered as the "oil of the 21st century." By restricting exports of gallium and germanium in late 2024, Beijing demonstrated its ability to hold the global green transition hostage.[8] China's dominant position in refining and processing many of these materials creates a new strategic dependency for Western and emerging economies.

## Finance as A Tool of Strategic Coercion

Modern financial coercion goes far beyond traditional comprehensive sanctions. The weaponization of finance has reached a fever pitch in late 2024 and continued throughout 2025. The international financial system, which relies heavily on the U.S. Dollar and western-led mechanisms, has been utilized a kinetic economic weapon. The Western financial infrastructure and systems are controlled or regulated by the United States and the allies. They are leveraged to freeze assets, exclude banks from messaging systems like Society for Worldwide Interbank Financial Telecommunication (SWIFT), and impose far-reaching sanctions. The use of SWIFT and dollar-based financial infrastructure is not just a byproduct of economic dominance but a deliberate strategic chokepoint.[9] Control over these systems enables powerful states to exert extra-territorial influence over global transactions, essentially weaponizing access to global finance itself.

However, this coercive use of finance also drives adaptive strategies among targeted and non-aligned states. Countries under sanctions diversify reserve holdings, develop parallel payment

[8] ABDULLAHI, ABDULKARIM, ABDULRAZAK SALIHU IBRAHIM, and MUHAMMAD ALAMIN MAHMUD. 2025. "THE WEAPONIZATION of ECONOMIC INTERDEPENDENCE: SANCTIONS, FINANCIAL STATECRAFT, and the FRAGMENTATION of the GLOBAL ECONOMIC ORDER." International Journal of Social Sciences and Management Review 08 (04): 256–75. https://doi.org/10.37602/ijssmr.2025.8417.

[9]. ABDULLAHI, ABDULKARIM, ABDULRAZAK SALIHU IBRAHIM, and MUHAMMAD ALAMIN MAHMUD. 2025. "THE WEAPONIZATION of ECONOMIC INTERDEPENDENCE: SANCTIONS, FINANCIAL STATECRAFT, and the FRAGMENTATION of the GLOBAL ECONOMIC ORDER." International Journal of Social Sciences and Management Review 08 (04): 256–75. https://doi.org/10.37602/ijssmr.2025.8417

systems, or gravitate toward alternative financial corridors to reduce exposure. It proves that, coercive financial tools do not guarantee unilateral dominance; they can create strategic space for swing states that leverage their position between competing networks and extract diplomatic or economic concessions.


The Economist

One of the most striking examples of finance being used as a tool of strategic coercion can be the freezing of Russia's central bank foreign exchange reserves following its invasion in Ukraine. In the early 2022, US, EU, UK and other allied partnered coordinated to immobilize approximately $300 billion of Russia's sovereign reserves held in Western financial institutions.[10] This move went far beyond traditional sanctions targeting individuals or firms and represented an unprecedented use of financial statecraft against a major power. Russia's integration into the global financial system, which once assumed to provide stability and mutual benefit, instead became a critical vulnerability. By denying access to its own reserves, sanctioning states directly constrained Moscow's ability to stabilize its currency, manage inflation, and finance wartime expenditures. In

[10] Reuters Staff. 2025. "Russia's Central Bank Not Part of Talks on Sanctions Lifting, Unfreezing Reserves, Nabiullina Says." Reuters, February 20, 2025. https://www.reuters.com/markets/europe/russias-central-bank-not-part-talks-sanctions-lifting-unfreezing-reserves-2025-02-20/.

response to this, several countries intensified efforts to diversify their reserve holdings, explore alternative payment systems and reduce reliance on western controlled financial infrastructures. Thus, while sanctions crested various problems in Russian Economy, they simultaneously contributed to the fragmentation of global financial order. This proved that weaponized interdependence not only reshapes state behavior, but also changes the structure of international system.

## The Role of Swing States and Global Fragmentation

In this time, fragmentation is not only a structural byproduct of great power competition, it is actively shaped by the strategic agency of various "Swing States." States diversify and rearrange their economic networks because of sanctions, financial pressure, export controls and supply chain securitization etc. Swing States are those countries that occupy intermediary positions between competing geopolitical blocs, for example in the Global South and among emerging economies. have developed sophisticated hedging strategies that allow them to retain autonomy while engaging with multiple economic and political partners. These states are not passive observers caught in the crosscurrents of rivalry. Rather, they exercise "geopolitical spoiling power" by extracting economic and political concessions by maintaining diversified relations and leveraging their unique position between blocs, such as balancing ties with both Western alliances and China's Belt and Road Initiative.[11]

However, the empowerment of swing states also reinforces fragmentation. Their agency stimulates the formation of parallel trade corridors, alternative financial messaging systems, and diversified supply chains that operate outside the dominant Western-centered structures. While this fragmentation enhances strategic autonomy for many, it also contributes to rising systemic

[11] ABDULLAHI, ABDULKARIM, ABDULRAZAK SALIHU IBRAHIM, and MUHAMMAD ALAMIN MAHMUD. 2025. "THE WEAPONIZATION of ECONOMIC INTERDEPENDENCE: SANCTIONS, FINANCIAL STATECRAFT, and the FRAGMENTATION of the GLOBAL ECONOMIC ORDER." International Journal of Social Sciences and Management Review 08 (04): 256–75. https://doi.org/10.37602/ijssmr.2025.8417.

complexity and reduced coherence in global policymaking, which complicate collective action on transnational challenges and increasing geopolitical uncertainty.

## Conclusion

Weaponized interdependence represents one of the defining features of global politics in 2025. Whether through trade controls, financial exclusion, or energy leverage, powerful states today enjoy unprecedented ability to exploit economic networks for coercive advantage. This reality has reshaped the content and conduct of international competition, turning globalization's connective structures into potential weapons.

Ultimately, weaponized interdependence underscores a paradox: while economic networks can coerce, they also bind states in ways that make decoupling costly and unstable. The future of international order will likely depend on finding equilibrium between strategic autonomy and cooperative engagement, balancing national security priorities with the collective benefits of economic integration.