Markets as the new front line:

Fusing Australia's economic statecraft

REPORT

James Tennant, James Corera, Alice Hudson and John Coyne

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About the authors

James Tennant is a fellow with ASPI's Cyber, Technology and Security Program and a Partner at BOKA Holdings, a leading AUKUS Investment House in London, Sydney and New York. He is an Officer in the Australian Army.

James Corera is director of ASPI's Cyber, Technology and Security program.

Alice Hudson is a fellow with ASPI's Cyber, Technology and Security Program and the Commercial Director of trade technology company, Altana. She was Senior Adviser for National Security to the former Minister for Home Affairs and Cyber Security.

John Coyne is director of ASPI's National Security Programs.

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ASPI
Level 2
40 Macquarie Street
Barton ACT 2600
Australia

Tel Canberra + 61 2 6270 5100
Email enquiries@aspi.org.au
www.aspi.org.au
www.aspistrategist.org.au

Facebook.com/ASPI.org

@ASPI_org

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Executive summary

Episodes over the past decade—including China's trade measures against Australia and Japan, Russia's manipulation of European gas supplies, and the tightening of global controls over critical minerals—demonstrate how economic levers are being used to impose costs and reshape incentives without crossing traditional thresholds of conflict. This has included for the purposes of coercing nations into tolerating military aggression, cyber-attacks and foreign interference, or particularly in the case of China also creating monopolitistic dependencies. More recently, the US has employed overt economic instruments, such as tariffs, as tools of strategic leverage and industrial policy—underscoring not an equivalence of intent or method, but the extent to which the use of markets for geopolitical ends is becoming embedded across the international system.

For his part, Australia's Treasurer, Jim Chalmers, has made clear that geopolitical tensions and the global economic volatility they create pose an economic resilience challenge for Australia. This is because Australia's economy is highly open and concentrated in a small number of export markets; foreign capital plays a significant role in financing growth; and small and medium-sized enterprises (SMEs) rely heavily on imported inputs. That openness remains a strategic strength for Australia but, increasingly, it also risks translating into strategic vulnerabilities.

For example, most recently, the widening conflict involving Iran has generated disruptions to shipping routes which has affected fuel supply chains worldwide and led to rising oil prices. For Australia, a country that imports roughly 90% of its liquid transport fuels, this has underscored the need for greater resilience to global shocks. It demonstrates that resilience in practice across democratic nations is as important for deterrence as it is for managing economic disruption, particularly in countering perceptions of democratic vulnerability. A key component of this resilience is the deliberate building of redundancy.

Australia isn't starting from scratch in responding to market realities, with substantial foundations already in place. Australia's challenge isn't necessarily creating new instruments, nor simply coordinating disparate capabilities across government departments, agencies or sectors of the economy. Rather, the task is to embed deeper integration and fusion of the tools and capabilities that already exist.

This report argues that doing so requires strengthening the connective tissue between policy, intelligence, economic and security functions so that information flows more freely, preparedness is built collectively, and joint capabilities can be brought to bear under pressure. In practice, this means a system better able to anticipate pressure, absorb shocks and align economic and security decision-making in more ways that reinforce Australia's long-term resilience—while operating at speed and across multiple fronts concurrently.

Important work is already underway to strengthen cross-government alignment—particularly through efforts led by the Department of the Prime Minister and Cabinet (PM&C) to bring greater coherence to policy settings. The principle of *strategy at the centre, execution at the edge* remains sound. But, for it to function at the scale and speed required, Australia requires more than a collection of the highly capable institutions it already has. It requires an empowered fusion architecture able to align priorities, manage escalation and integrate economic, industrial, cyber and security instruments into a single national posture. Without this, even well-designed policies risk working at cross-purposes, arriving too late to shape outcomes, or resulting in dulled influence and impact.

Sustaining and deepening that progress will depend on developing more integrated operating practices and deliberately cultivating a cohort of officials and practitioners who have worked across the seams of the system—across the economy and national security, across policy and intelligence, and across government and industry. Bringing that experience together will help ensure that decisions aren't taken in isolation but instead with a sophisticated appreciation of their cumulative strategic impact.

Box 1: Independent Intelligence Review—a starting point

The 2024 Independent Intelligence Review recognised the need for such change. It observed:

> ...more holistic and structural changes across the public service are required. Outside of the Treasury, policy frameworks and principles to aid economic security decision making could be strengthened. It is important to ensure advice to government encompasses all relevant national interests and is not siloed.

The Review recommended that Treasury lead a broad review of the structure and effectiveness of economic security functions across government (Recommendation 13) and that the capacity of the Office of National Intelligence (ONI) to support economic security decision making be strengthened (Recommendation 15).

To assist in doing so, this paper argues for the adoption of a National Economic Security Strategy (NESS) as a cabinet-endorsed integration framework. The purpose is to provide clarity and focus: who decides what, under which thresholds, and with what trade-offs between resilience, efficiency and market confidence. A NESS wouldn't displace broader national-security planning. This report suggests it should operate within existing Cabinet and National Security Committee (NSC) processes—sharpening escalation management, prioritising systemic vulnerabilities and fusing intelligence, economic analysis and policy levers into a coherent and fused approach.

This logic aligns with recent Australian scholarship calling for more deliberate strategic architecture in adjacent domains. For example, Michael Outram has argued for a National Border Strategy to better integrate enforcement, trade facilitation and national-security functions at the border. Outram's central insight—that dispersed capabilities require clearer strategic direction and integration—sits comfortably alongside the case for a NESS. A border strategy would address a critical operational frontier of economic security; a NESS would provide the overarching framework to align such domain strategies within a broader national posture. Rather than competing recommendations, these approaches are complementary. Together, they underscore the need for clearer doctrine, defined thresholds and integrated mechanisms to ensure that Australia's economic and security instruments operate in concert rather than in parallel.

Ultimately, in a system as complex and contested as today's global economy, this report suggests that success depends on clear strategy, disciplined escalation thresholds and integrated decision-making. When nations fail to align intent, tools and execution, they do more than miss opportunities—they risk ceding ground by default. The recommendations set out in this report offer Australia a way to integrate the strengths it already has—its institutions, regulations, alliances and industrial strengths—into a genuinely national capability for economic statecraft, better allowing Australia to act in time, with purpose, and on its own terms.

To underpin the recommendations set out here, the report clarifies terminology. It defines economic security as:

> the condition in which a state can protect its economy—including critical industries and supply chains—from external shocks, coercion or disruption while sustaining long-term resilience, strategic autonomy and prosperity.

Within this context, the following represent instruments used to pursue or defend that condition. They differ across intent, tempo, integration, targets and reversibility, and so span a spectrum from strategic competition to hostile confrontation. Understanding where activity sits along this spectrum is essential to selecting proportionate and lawful responses:

- *Economic statecraft:* routine, lawful use of economic instruments to influence behaviour and advance national interests.
- *Economic coercion:* discrete, bounded measures intended to compel policy change by imposing material costs.
- *Economic warfare:* sustained, multidomain campaigns designed to degrade, disrupt or deny another state's economic capacity and sovereignty over time.

While this paper is grounded in Australia's experience and policy settings, the challenges that it examines aren't uniquely Australian. Many open, trade-dependent economies—particularly middle powers across the Indo-Pacific and Europe—face similar structural exposures: concentrated supply chains, reliance on external capital, vulnerability to coercive signalling, and institutional fragmentation between economic and security policy domains. This dynamic was reflected in remarks by Canada's Prime Minister, Mark Carney, during his March 2026 visit to Australia. Here, Carney emphasised that advanced economies are increasingly confronting the same strategic tension. His call for closer alignment among middle powers highlights a growing recognition that economic openness needs to be supported by stronger coordination, preparedness and institutional resilience—both within and between like-minded partners.

The questions raised here are therefore relevant to any state seeking to preserve prosperity while navigating intensifying economic competition. Australia serves as a useful case study, not because it's exceptional, but because its exposure, alliances and institutional architecture mirror those of like-minded partners.

Recommendations at a glance

In summary, the report recommends the following actions:

1. Adopt a National Economic Security Strategy to define priorities, clarify thresholds and force trade-offs before crisis conditions compress options.
2. Strengthen existing cross-government senior officials mechanisms to move economic-security coordination towards more integrated cross-government decision-making.
3. Establish a cross-government economic-security capability to fuse analysis, coordination and industry engagement.
4. Enhance existing resilience initiatives to enable government to more clearly distinguish transient disruption from systemic risk, identify where exposure is being actively exploited, and prioritise sectors based on system-wide consequence.
5. Further embed structured engagement with industry to distinguish market volatility, geopolitical pressure and systemic structural exposure more clearly and calibrate policy responses accordingly.
6. Clarify doctrine and terminology to ensure consistent legal framing and allied coordination.
7. Establish an economic-security dashboard and periodic independent review to track resilience and system performance.

For a detailed explanation of each recommendation see page 19.

Introduction

Markets have become the new front lines of strategic rivalry between states. Currencies, contracts and supply chains are no longer neutral conduits of economic exchange; they're increasingly leveraged as instruments of state power. Yet that doesn't present a binary choice between security and prosperity. After all, security pursued without economic vitality is unsustainable, just as economic growth divorced from strategic resilience creates vulnerability. This paper seeks to show how best to achieve economic resilience in the pursuit of long-term sovereignty; arguing that a fused national capability is fundamental to doing so.

Economic security today isn't a debate about whether markets should be free or protected, global or national. It's about how states navigate intensifying strategic competition in systems designed for efficiency rather than coercion—and how they do so without undermining the economic foundations on which long-term security and prosperity depend. This paper is therefore explicit about what it is, and what it isn't. It isn't an argument about whether markets or the international financial system are changing; that's already evident. Nor is it a debate about whether states such as Russia, Iran, North Korea or China seek to bypass elements of the existing order; that, too, is well established.

Instead, the focus here is how Australia fuses and frames its responses to emerging financial, trade and monetary mechanisms that are becoming strategically consequential—capable not merely of evading pressure at the margins, but of sustaining coercion, blunting leverage and shaping long-term outcomes.

This paper argues that Australia doesn't lack tools. Rather, it lacks an architecture that sufficiently integrates them—including a shared language; a clear strategic framework; and agreed mechanisms for how existing but disparate capabilities across government and industry, and across national-security and economic institutions, should interact. The challenge, therefore, isn't capability creation but capability integration: bringing these elements together into a genuinely national economic-security system able to operate cohesively under pressure—at speed and concurrently across multiple fronts.

There's a risk in how the premises underpinning the challenges outlined in this paper are commonly framed. Much analysis still assumes a fundamentally stable international economic system selectively exploited by hostile actors. That assumption is clearly strained. What is emerging is an erosion of the post–Cold War belief that rules, institutions and economic interdependence necessarily constrain state behaviour. In some markets, such as rare-earth elements, the impact has been such that normal market forces no longer operate.

For many actors, finance hasn't ever been a neutral market mechanism. That reframing has important implications for economic statecraft. Financial tools are now about resilience, contestation and system management. Sanctions, export controls and financial exclusions have historically rested on three assumptions: Western dominance of financial infrastructure, limited alternatives and high switching costs. In part, trust in international rules has eroded as those assumptions have collapsed or, at best, been applied unevenly across regions, sectors and technologies.

While this report adopts a security lens, it proceeds from a core economic reality: Australia's national power is fundamentally anchored in economic performance. Security is financed, sustained and enabled by economic growth. For a mid-sized, trade-exposed economy, prosperity depends on sound macroeconomic management, competitive markets, regulatory stability and sustained productivity growth. External demand supports national income; foreign capital deepens domestic investment; technology diffusion lifts productivity; and predictable legal and institutional frameworks sustain market confidence.

That means openness is a strategic asset. But it's an asset that can't be taken for granted at a time when other economies are erecting barriers, deploying coercive tools and seeking to influence the policy choices of trade-exposed states. Sustaining the features that have ultimately benefited Australia requires ongoing review, reform and resilience. Figures 1 and 2, alongside Table 1, illustrate how those dynamics translate into structural vulnerabilities for Australia, using critical minerals as a case study given their growing strategic significance and the increasing emphasis on 'friendshoring' critical supply chains among allied and trusted economies.

This means that the central role of international institutions and the rule of law needs to be upheld. Multilateral trade and financial institutions, dispute-settlement mechanisms and widely accepted regulatory norms have provided smaller, middle and regional powers with predictability in a system otherwise shaped by larger actors. They constrain arbitrary behaviour, lower transaction costs and anchor expectations for trade and investment. And yet it's clear that those institutions are under strain and in need of enduring reform. Fragmentation, enforcement gaps and geopolitical contestation are reshaping how they operate in practice.

The policy implication is neither business as usual nor withdrawal, but dual effort, as is Australia's current approach: continuing to support and strengthen international rules and institutions—including through reform—while simultaneously working with trusted partners through minilateral and plurilateral arrangements to mitigate risks where multilateral mechanisms are slow, incomplete or contested.

Australia isn't unique in relying on global markets, but the scale of its integration means that disruption to trade and capital flows carries outsized consequences. Open markets, deep and liquid capital systems, regulatory stability and credible legal frameworks function as economic-security assets in their own right. Erosion of those conditions—whether through external coercion, systemic fragmentation or domestic overreach in pursuit of resilience—would directly affect national income, fiscal capacity and long-term growth potential. In practical terms, weaker growth narrows the revenue base available to fund defence, infrastructure and structural reform.

The policy task, therefore, isn't to privilege openness over security, or vice versa, but to manage economic interaction with discipline and a sophisticated appreciation of the cumulative strategic impact of any trade-off. Resilience can't become shorthand for disengagement. Nor should sovereign capability translate into poorly targeted industry policy that weakens competition, locks in subscale production or diverts capital from higher productivity uses. The relevant question isn't whether resilience has a cost—it does. Instead, it's whether the financial costs—including paying more for a trusted supplier or not accepting some foreign investment—are justified by the strategic risk, the security threat, or both.

That requires a rigorous assessment of what constitutes genuinely critical capability and should therefore be sustained through either cooperative arrangements with only like-minded partners or, at the very least, diversified market exposure. Clear thresholds are needed to distinguish critical infrastructure from infrastructure, critical technology from technology, and critical minerals from minerals. That, in turn, necessitates a structured proportionality and red-line test: one that separates mitigable from unmitigable strategic risk, and recognises that exposure which erodes sovereignty may be disqualifying even where it's economically efficient.

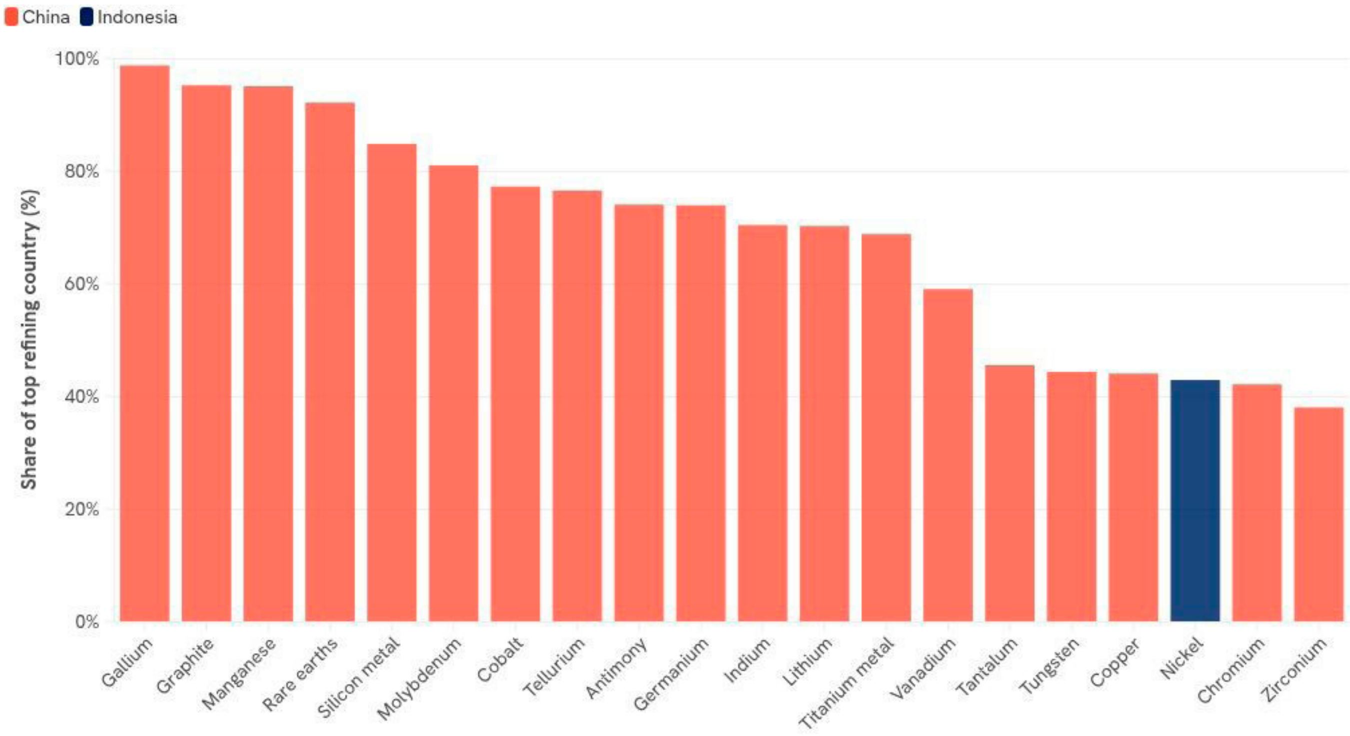
Supply-chain and investment-screening measures should, therefore, be calibrated to reduce material strategic vulnerability without materially impairing productivity, technological diffusion or competitive intensity. If risk can be mitigated, proceed. If it can't, then find an alternative even if that's more expensive.

More expensive doesn't always mean more costly—choosing the most efficient option that contains strategic threats that can't be addressed comes at the cost of security and sovereignty. It is why this report finds that security and prosperity shouldn't be seen to be in conflict but rather as reinforcing. Instead of asking what growth should be forgone to be secure, we should ask what security is required for durable growth.

Answering such a question with confidence and precision requires a clear-eyed assessment of where leverage is meaningful, where exposure is manageable and where intervention is warranted. That should be supported by institutional architecture capable of integrating economic analysis, security assessment and international engagement.

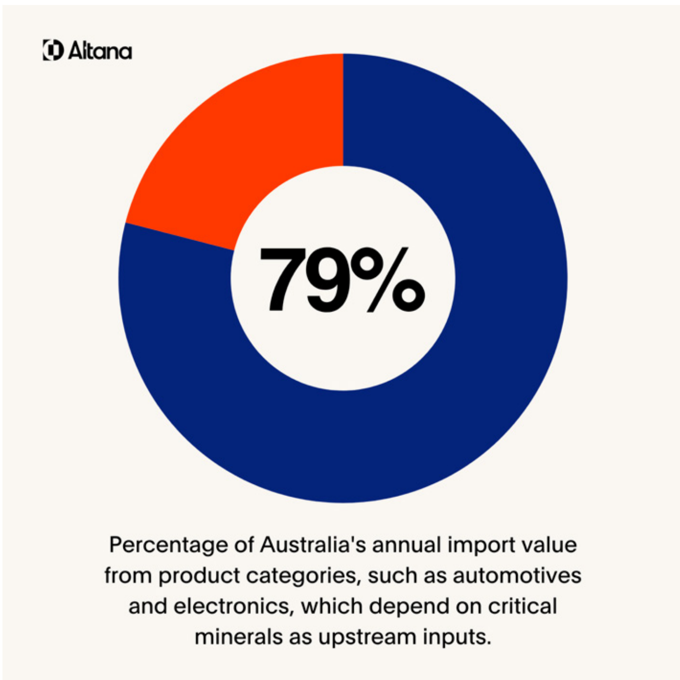
The recommendations that follow are therefore designed to strengthen Australia's economic-security strategy by integrating mechanisms so that trade-offs between openness and resilience are made deliberately, proportionately and with confidence—backed both by support for international rules and by practical cooperation with trusted partners where collective resilience requires it.

Figure 1: Share of top refining country for critical minerals (%), 2025



Sources: US Studies Centre, 'Australia's economic security outlook: trends and possible responses for 2026', January 2026, based on IEA, *Global Critical Minerals Outlook 2025*.

Figure 2: Percentage of Australia's annual import value from product categories dependent on critical minerals as upstream inputs, 2025



Sources: Based on public and proprietary data sourced and analysed by Altana.

Table 1: Top Australian imports at risk from critical minerals disruption by China, 2025

Product	Import value ($A)	Critical-minerals input
Motor vehicles (HS 8703)	$25.0 billion	Rare earths (motors), lithium (batteries), aluminium
Trucks (HS 8704)	$11.7 billion	Same as motor vehicles
Smartphones & telecom (HS 8517)	$8.6 billion	Semiconductors, rare earths, gallium, germanium
Computers (HS 8471)	$6.9 billion	Semiconductors, rare earths
Pharmaceuticals (HS 3004)	$6.2 billion	Rare earths (catalysts), specialty chemicals
Construction equipment (HS 8429)	$3.2 billion	Rare earths, cobalt, manganese steel
Medical instruments (HS 9018)	$2.9 billion	Rare earths, semiconductors
Aircraft (HS 8802)	$2.6 billion	Rare earths, cobalt, titanium alloys
Vehicle parts (HS 8708)	$2.5 billion	Rare earths, cobalt, aluminium, steel
Batteries (HS 8507)	$2.1 billion	Lithium, cobalt, manganese, graphite
Machinery parts (HS 8431)	$2.1 billion	Cobalt, manganese, tungsten carbide
Electrical transformers (HS 8504)	$1.8 billion	Rare earths, silicon steel, aluminium
Monitors & displays (HS 8528)	$1.7 billion	Rare earths, semiconductors, gallium
Insulated wire & cable (HS 8544)	$1.7 billion	Copper, aluminium, rare earths
Steel structures (HS 7308)	$1.8 billion	Manganese, tungsten, cobalt alloys

Sources: Based on public and proprietary data sourced and analysed by Altana.

The evolving global order: why context matters

This section sets the strategic context within which Australia needs to fuse its economic-security responses. It's suggested that a necessary starting point for any economic-security response is a reversal of blind globalisation; a recognition that the global financial system is no longer organised around a simple distinction between those 'inside' and those 'outside' a Western-led order. What's emerging is a more layered and contested environment, rather than a clean rupture.

This matters for Australia because it shapes how other states interpret and respond to economic pressure, including measures directed at Australia itself. In that respect, elements of the current fragmentation may be at least partly self-inflicted. Western engagement with globalisation was often treated as an inherent and stabilising good—almost a philosophical certainty—on the assumption that deep economic interdependence would be self-enforcing and constraining.

Recent US policy has reinforced this shift by making the use of economic power more explicit. Practices long employed by others—tariffs, sanctions threats, industrial policy and transactional deal-making—have become more openly integrated into Washington's strategic signalling. The effect internationally has been to further normalise the perception that markets and rules are instruments of power rather than neutral constraints.

And rather than exiting existing systems wholesale, hostile and non-aligned states are building optionality through parallel payment rails, settlement systems and currency arrangements that can be activated when access to dominant systems is constrained. Examples include Russia's adaptations following its invasion of Ukraine, Iran's long experience of operating under sanctions, North Korea's criminal–financial hybridity and China's construction of alternatives—such as the Society for Worldwide Interbank Financial Telecommunication (SWIFT) substitute, the Cross-Border Interbank Payment System; digital-currency pilots; and renminbi-denominated trade. Those mechanisms differ in scale and intent, but increasing interoperability between hostile and non-aligned states raises cumulative effects for alliance coordination and enforcement.

From an Australian policy perspective, the key issue isn't isolated divergence but the growing interoperability between these parallel mechanisms. Selective departures at the margins are reshaping how leverage, risk and coordination function in practice. When parallel mechanisms begin to connect—rather than merely coexist—we see that alliance dynamics, coordination effects and cumulative strategic impact becomes more pronounced.

For many states, the strategic lesson is increasingly how to reduce exposure to Western decision-making and enforcement. That includes operating below enforcement thresholds, fragmenting transactions, relying on non-transparent intermediaries and exploiting jurisdictional seams. Those adaptations raise questions about the cumulative consequences of repeated reliance on such economic tools, particularly when objectives are ambiguous or enforcement capacity is uneven.

Finance and markets should therefore be understood as contested domains of power. Payment access affects logistics; trade finance shapes industrial capacity; capital controls influence regime stability; and digital assets complicate enforcement. At the same time, it's essential to avoid alarmism. The US dollar remains dominant. SWIFT remains central. Western capital markets remain deep, liquid and attractive. The more complicated reality is that macro-level strength can coexist with strategic vulnerability at the margin, particularly in specific regions, commodities, technologies and enforcement choke-points. Hostile actors don't need to prevail everywhere. Often, it's sufficient to prevail selectively and quietly.

For its part, China occupies a distinctive position as a system insider, shaper and challenger. Its economic alternatives are structural and incremental rather than purely reactive. The risk is a gradual reweighting of norms, incentives and dependencies, particularly in regions where access to capital and infrastructure shapes long-term strategic alignment.

This is the environment in which Australia's economic-security responses need to be integrated. Without understanding this global context, policy risks misdiagnosing the problem—overestimating some threats, underestimating others, and relying on tools optimised for a system that's already evolving. Australia's challenge therefore, isn't simply to enforce rules more tightly or deploy economic tools more aggressively, but to decide where resilience matters most, where leverage can realistically be sustained, and where trade-offs are unavoidable.

If economic security is treated solely as a problem of tighter enforcement, policy risks being optimised for a world that's receding. If finance and markets are recognised instead as contested domains of power in their own right, the task becomes one of integration, prioritisation and trade-off management. It's this global reality that needs to inform any credible national strategy.

From statecraft to coercion to warfare: why words matter

Emerging commentary, including at the 2026 World Economic Forum, reflects a recognition that the rules-based economic order has always reflected power as well as principle. Recognising that the system was imperfect—or never fully realised—doesn't make language and legal framing less important. This report suggests it makes them more so. As economic tools are deployed more frequently, more visibly, and more explicitly as instruments of power, precision in terminology becomes essential to preserving normative restraint—and to ensuring that power is exercised deliberately rather than reflexively.

This is, in part, because legitimacy flows not from political labels but from alignment with established legal principles. Examples of this are principles of sovereignty and non-intervention and the constraints embedded in the UN Charter. That includes the prohibition on the use or threat of force (Article 2(4)) and the obligation to settle disputes by peaceful means (Article 2(3)). For Australia, that distinction is not academic. Australia's interest lies in sustaining and reforming a system—albeit one that's more transparent, more inclusive and better aligned with contemporary power realities—while resisting the normalisation of unconstrained coercion.

The growing tendency in public commentary to describe a broad spectrum of economic measures as 'economic warfare' risks obscuring critical differences between legitimate economic statecraft, coercive economic practices and grey-zone or hybrid actions that may approach—or cross—legal thresholds. Conflating those categories can weaken the credibility of responses, complicate alliance coordination and progressively narrow the range of defensible options available to middle powers. Clarity of language serves several practical purposes. It:

- anchors policy responses in law rather than power alone
- enables consistency across government by establishing a shared analytical framework—recognising that, when language is vague, policymaking can become trapped in vertical silos rather than enabling horizontal integration

- helps distinguish between measures aimed at resilience and deterrence, and those that risk accelerating fragmentation
- guards against policies that inadvertently entrench the very dynamics that Australia seeks to moderate.[1]

This paper therefore adopts deliberate and disciplined terminology. It distinguishes between analytically and legally distinct categories drawing on established academic and policy frameworks. This includes Farrell and Newman's concept of weaponised interdependence,[2] which explains how states exploit network choke-points for strategic effect; legal analysis of trade measures under UN Charter Article 2(4), which highlights the threshold between economic action and unlawful coercion; and the Stockholm International Peace Research Institute's (SIPRI's) categorisation of economic coercion as sustained disruption beyond routine statecraft. On this basis:

> Economic security is defined here as the condition in which a state can protect its economy—including critical industries and supply chains—from external shocks, coercion or disruption while sustaining long-term resilience, strategic autonomy and prosperity.

Within this context, the following represent instruments used to pursue or defend that condition, ranging across a spectrum from strategic competition to hostile confrontation:

- *Economic statecraft:* the routine use of lawful economic and financial instruments—trade agreements, development finance, investment screening, regulatory practice—to advance national interests. Its primary aim is influence, not compulsion.
- *Economic coercion:* discrete, bounded and reversible economic measures intended to compel policy change by imposing material costs. They typically target specific firms or sectors, rely on one or two levers (such as targeted sanctions or export controls), and are calibrated to be lifted if behaviour shifts.
- *Economic warfare:* sustained, multidomain campaigns designed to degrade, disrupt or deny another state's economic capacity and sovereignty over time. It fuses financial, trade, cyber and information instruments into a sustained campaign that disrupts production systems, undermines investor confidence and corrodes institutional resilience. Its goal isn't short-term compliance but long-term constraint.

It's this distinct categorisation that underpins the practical question Australia needs to be able to answer at any moment: what response tools are appropriate, when, and under what legal and political conditions?

From language to impact: how economic pressure escalates

Box 2 below highlights examples of economic leverage in practice that have differed, but not only in scale and consequence. This report suggests they have diverged across five observable dimensions. Together, those dimensions illustrate how discrete economic tools can evolve from tactical measures into system-shaping instruments of power (see Table 2).

Intent

- Economic statecraft: designed to influence behaviour or signal preferences.
- Economic coercion: aims to compel change by imposing costs.
- Economic warfare: seeks to degrade, deny or structurally weaken an adversary's capacity to act.

Tempo

- Economic statecraft: episodic and often reversible.
- Economic coercion: bounded but sustained, lasting weeks, months or longer as pressure is calibrated against response.
- Economic warfare: prolonged and open-ended, embedding itself into baseline economic conditions.

Integration

- Economic statecraft: often relies on single levers—tariffs, export controls or regulatory changes.
- Economic coercion: typically uses one or two coordinated levers, such as targeted export bans and informal administrative measures.
- Economic warfare: combines multiple domains—trade restrictions, financial sanctions, investment controls, cyber activity and information operations.

Targets

- Economic statecraft: usually directed at specific firms or sectors.
- Economic coercion: expands to entire industries or critical supply chains.
- Economic warfare: targets systemic functions—energy systems, financial stability, industrial capacity or technological ecosystems.

Reversibility

- Economic statecraft: high; measures can often be withdrawn with limited long-term damage.
- Economic coercion: moderate; adjustment costs can persist even after restrictions are lifted.
- Economic warfare: low; diverted trade flows, reconfigured supply chains and diminished trust are difficult to unwind.

Table 2: Typical dimensions of economic pressure

Dimension	Economic statecraft	Economic coercion	Economic warfare
Intent	Influence—signal preferences, shape incentives Seeks to modify policy at the margins	Compel—impose costs to force behavioural change Seeks to extract concessions or deter specific actions	Degrade or deny—structurally weaken adversary capability Seeks to erode economic, technological or financial power
Tempo	Episodic—time-limited, signalling cycles, readily reversible	Sustained but bounded—weeks to months; calibrated escalation	Protracted—open-ended; embedded as a new baseline
Integration	Loosely aligned—economic tools signal strategic intent Tends to use single lever—tariffs, export controls, regulatory action	Tightly aligned—economic tools reinforce diplomatic or military signalling Tends to use dual levers—coordinated trade, investment or administrative restrictions	Fully integrated—economic domain treated as a theatre of strategic contest Tends to be multidomain—trade, finance, investment, technology, cyber and legal tools
Targets	Narrow—firms, transactions or product categories	Sectoral—industries, supply chains or technology domains	Systemic—economy-wide, financial stability and industrial base
Reversibility	High—measures withdrawn with limited structural distortion Contained—limited spillovers	Moderate—adjustment costs persist post-lifting Managed—allied coordination required	Low—durable trade diversion; reconfigured supply chains and capital flows Enduring—global market fragmentation and bloc formation

Source: ASPI.

These dynamics can be observed empirically across the spectrum of economic instruments outlined here. At the level of economic statecraft, states routinely use positive economic incentives to shape behaviour—for example, the European Union's use of preferential market access, trade agreements, and regulatory alignment mechanisms to encourage partner countries to adopt EU standards and policy frameworks.

Economic coercion, by contrast, is evident in China's restrictions on Australian exports from 2021, including tariffs, informal import bans and regulatory barriers affecting commodities. Those measures were widely interpreted as pressure following political disagreements between Canberra and Beijing.

Australia's experience demonstrates how coercion can be sustained without formal sanctions. Table 3 illustrates the selective pattern of disruption by China against Australia that that emerged from 2021 to 2023. It shows that pressure was concentrated on sectors where alternative suppliers were readily available—such as barley, wine, lobster and timber—while commodities where China remained structurally dependent on Australian supply were largely left untouched. The result was an asymmetric outcome: targeted industries experienced sharp export losses or temporary market closure, while strategically indispensable sectors continued largely unaffected.

At the most escalatory end of the spectrum—economic warfare—in Europe, Russia deliberately used natural gas supply as a lever of pressure in 2021–22—curtailing pipeline flows, suspending spot-market deliveries and ultimately halting exports through key routes—which reduced EU gas imports from Russia by more than half year-on-year and added close to €400 billion to Europe's energy import costs in 2022 alone.[3] In the cases of both China and Russia, measures evolved beyond symbolic pressure into prolonged, system-disrupting effects.

Table 3: What moved, and what didn't, during China's economic coercion of Australia (2021 to 2023)

Product	2021 ($A)	2022 ($A)	2023 ($A)	Status
Iron ore (HS 2601)	$168.7 billion	$126.3 billion	$128.9 billion	Untouched
Gold (HS 7108)	$21.6. billion	$20.3 billion	$17.0 billion	Untouched
Coal (HS 2701)	$1.6 billion	$536 million	$9.7 billion	Targeted then recovered
Barley (HS 1003)	$0	$0	$683 million	Targeted then reopened
Wine (HS 2204)	$85 million	$8.8 million	$5.3 million	Effectively eliminated
Timber (HS 4403)	$11.2 million	$918K	$2.4 million	Effectively eliminated
Cotton (HS 5201)	$106 million	$92 million	$892 million	Recovered strongly
Lobster (HS 0306)	$31 million	$41 million	$58 million	Gradual recovery

Sources: Based on public and proprietary data sourced and analysed by Altana.

Box 2: Economic leverage in practice—scale and consequences

Recent experience illustrates both how trade, finance and supply chains are being used coercively without crossing traditional thresholds of conflict, and how countermeasures therefore need to increasingly sit at the centre of national-security strategy rather than at its periphery. The cumulative economic costs are measurable, but their strategic significance lies in how they expose dependencies, alter incentives and redistribute leverage.

- Energy imports:
  Russia's manipulation of gas supplies between 2021 and 2023 reduced EU imports by more than half, adding close to €400 billion to Europe's 2022 energy import costs.[4]
- Strategic materials and supply chains:
  Because China is the dominant producer of critical inputs—supplying around 90% of global gallium and 60% of germanium—its export controls have systemic implications for semiconductors, defence and advanced manufacturing.[5] Those risks were reinforced in 2025, when China expanded export restrictions across segments of the rare-earths supply chain, tightened licensing requirements and increased scrutiny over downstream end-use—measures that the Center for Strategic and International Studies (CSIS) assesses as likely to disrupt global defence and clean-energy manufacturing and amplify price volatility.[6]

  A full ban on gallium and germanium exports could reduce US GDP by between US$3.4 billion and US$9.0 billion.[7] The 2025 US Geological Survey Critical Minerals Assessment identifies China as the primary supply-chain risk driver for 46 of 84 mineral commodities, and cumulative exposure is substantially higher when expanded rare-earth and antimony restrictions are included—illustrating how targeted controls at upstream choke-points can generate economy-wide effects even without comprehensive embargoes.
- Patterns and frequency:
  CSIS documents at least 18 countries and more than 300 private companies targeted by Chinese economic coercion since 2010. The frequency and scope of those measures has intensified since 2023—including expanded restrictions on Japanese seafood and rare earths, and the imposition of extraterritorial export controls across the critical-minerals supply chain.[8]
- Systemic exposure:
  Analysis by the Organisation for Economic Co-operation and Development (OECD) shows that member economies rely on non-OECD producers for roughly 60% of critical inputs in sectors such as electronics and chemicals, underscoring structural vulnerabilities embedded in global supply chains.[9]
- From rule-setting to enforcement:
  Washington has frozen Russian central-bank reserves, imposed sweeping export controls on advanced technologies destined for China, and expanded the use of investment screening and trade restrictions. Recent US measures also reflect a marked shift from rule-setting to enforcement. The National Defense Authorisation Act has been used to tighten prohibitions on defence and government procurement links with companies connected—directly or indirectly—to China, and US agencies have been signalling stronger compliance monitoring and enforcement rather than reliance on voluntary disclosure alone. The 2025 US National Security Strategy explicitly frames trade, industrial policy and sanctions as tools to counter economic coercion and strategic dependency,[10] underscoring that economic measures are now a routine feature of strategic competition, rather than a one-sided or exceptional response.

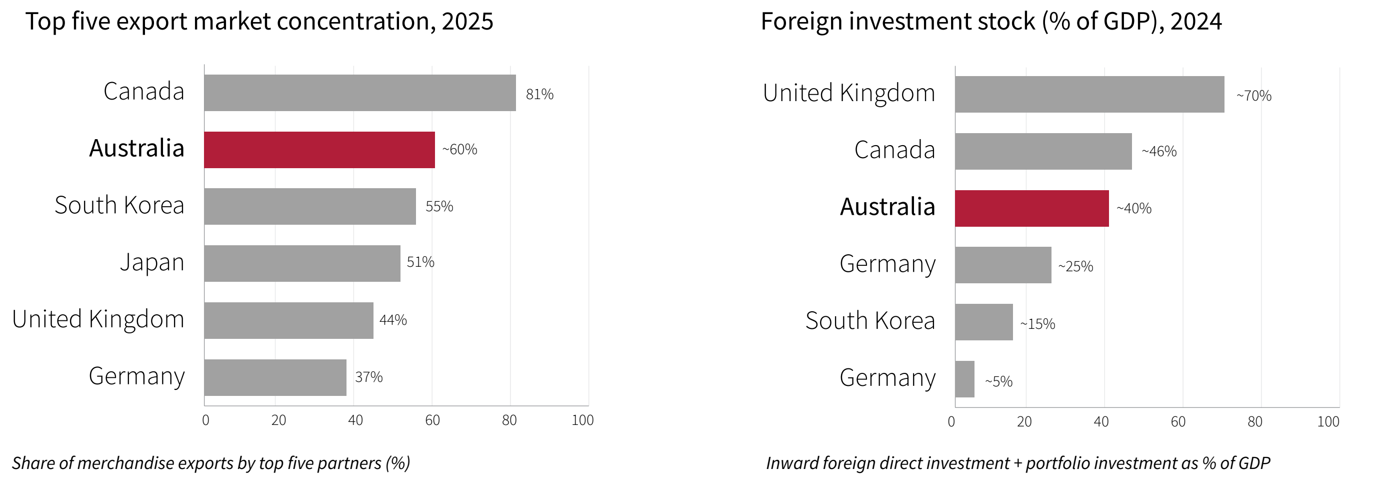
The case for a National Economic Security Strategy: why coherence is needed

In a world where interdependence underpins both prosperity and vulnerability, this report argues that policy needs to link intent, thresholds, tools and consequences. Without such a framework, governments risk reacting to individual measures rather than managing cumulative exposure across systems and over time. That's because the dynamic of *weaponised interdependence*—in which states positioned at critical choke-points exploit asymmetric dependencies to achieve strategic outcomes without resorting to military force—is increasingly evident.[11] But leverage isn't being exercised uniformly. Some states use overt, transactional measures—tariffs or formal restrictions tied to clear demands. Others rely on opaque, informal and deniable pressure, where punishment is suspected but triggers and exit conditions are unclear.

Both approaches can disrupt markets and challenge norms. But opacity has deeper systemic effects: it erodes trust, complicates attribution and blurs the boundary between market behaviour and state action, increasing miscalculation and constraining proportionate response. This means that how leverage is exercised is as consequential as the leverage itself.

Australia's exposure in this context is structural. Its economy is highly open, export-oriented and capital-intensive. In 2024-25, China accounted for 29% of Australia's total exports, while the top five export markets together represented approximately 60% of total exports—levels consistent with moderate but strategically significant concentration. Foreign direct investment stock stands at around 45% of GDP, reinforcing Australia's reliance on external capital flows.[12] OECD and International Monetary Fund (IMF) assessments further highlight Australia's below-average performance on supply-chain diversification relative to comparable advanced economies.

Figure 3: Australia's relative economic openness and concentration



Sources: World's Top Exports (2025 data); Department of Foreign Affairs and Trade (DFAT), 'Composition of trade', Australian Government; Australian Bureau of Statistics, 'International trade supplementary information', Australian Government, 2024; Eurostat, 'World direct investment patterns' (2022 base, updated 2024); OECD, 'FDI in figures', October 2025; IMF, International investment position data; Austrade, 'Global ties & open markets', 2024.

Concentration, however, isn't synonymous with vulnerability. It's asymmetric and time-bound. Exposure depends on the direction of dependence, the availability of substitutes and the time frame over which costs materialise. A geographically concentrated export relationship doesn't automatically create leverage if the counterparty can stockpile, diversify or absorb disruption. For example, where China sources heavily from geographically concentrated Australian supply chains but retains stockpiles, alternative suppliers or time to adjust, concentration doesn't create strategic exposure—an asymmetry evident in sectors such as iron ore and food protein.

Risks are often sharper at the firm level. Data from the Office of Supply Chain Resilience (OSCR) and the Australian Bureau of Statistics indicates that around 60% of Australian manufacturing SMEs rely on imports for more than half of their production inputs. That creates acute exposure to disruption, coercion or regulatory shock—particularly for firms without the scale or capital buffers to adapt quickly. At a more granular level, Altana's analysis of Tier 1 through Tier 3 suppliers of companies shipping to Australia found that China accounts for 25% of all upstream shipments into Australia's electronics supply chain and 13% of the battery / electric vehicle supply chain. Those headline numbers mask deeper choke-point dependencies—at Tier 2 and Tier 3, Chinese-origin semiconductors, permanent magnets and cobalt articles are pervasive across every sector. Comparative experience is also instructive: during Japan's 2010 rare-earth supply disruption, SME exposure accounted for roughly 70% of manufacturing input dependencies, amplifying economic and political pressure until alternatives could be secured.[13]

The implication here for Australia is that openness without strategy—including deep, multi-tier supply-chain visibility and stepped-up integration across the Australian system—is insufficient. In such an environment, reliance on fragmented, enterprise-level risk management—whether by individual government departments and agencies, sectors of the economy, or firms themselves—is no longer adequate. What's required instead is a genuinely national economic-security system that fuses those capabilities, enabling them to operate cohesively and at scale.

Practical approach to a NESS

In this context, a NESS is needed because it reduces vulnerability without sacrificing competitiveness, and preserves freedom of action without defaulting to blunt or escalatory measures. The explicit objective of a NESS would be resilience, not decoupling. It would ensure that Australia can absorb shocks, resist coercion and respond proportionately and lawfully when required. At its core, it would:

- articulate what Australia seeks to protect in a more contested global economy
- define thresholds for intervention
- align and connect the instruments available to respond.

A NESS would identify critical dependencies across supply chains, financial networks, data systems and infrastructure; clarify responsibilities across government; and integrate economic, diplomatic and (where appropriate) defence tools within a single framework. It would also provide a shared narrative linking policy intent to action, aligning government, industry and the public around a common understanding of risk and responsibility.

This requires combining regulatory tools—foreign-investment screening, export controls, critical-infrastructure protections—with structured whole-of-government coordination, dedicated enforcement and sustained partnerships with industry. In defined circumstances, it also means recognising that resilience measures might not be commercially viable without government support—for example, maintaining strategic stockpiles of critical inputs where markets alone won't deliver adequate coverage. Prioritisation is therefore essential: not all dependencies are equally strategic, and not all risks justify intervention.

Close collaboration with industry would be central. In many cases, the most granular visibility of economic-security vulnerabilities—such as supply-chain choke-points, supplier concentration, logistics dependencies and technology exposures—sits within the private sector rather than government. A NESS would therefore require structured, secure information-sharing arrangements that allow firms to contribute insight without exposing commercially sensitive data, enabling government to build a more accurate national picture of risk while maintaining trust with industry partners. The US Government is already trialling this kind of public–private collaboration to improve its visibility into imports and facilitate supply-chain traceability amid the complex global trading system.[14]

Such a strategy would necessarily operate across multiple layers. Public-facing components would set out principles, priorities and governance arrangements, while more sensitive analysis—such as detailed dependency mapping, vulnerability assessments and contingency planning—would sit within restricted or classified annexes. That approach would ensure transparency around policy direction while avoiding the inadvertent disclosure of information that could provide adversaries with a blueprint for economic coercion.

Australia already has the foundations that can guide how best to develop and execute such a strategy. The National Cyber Security Strategy, for example, demonstrates the value of a clear framework for government–industry collaboration, shared threat awareness and coordinated response. A NESS could adopt a similar anticipatory model, treating markets and supply chains as systems requiring stewardship rather than episodic intervention. Absent such a strategy, we should expect Australia's efforts to remain fragmented. Departments act within their mandates, but no single framework currently aligns those actions against a defined national economic-security mission. The result is potential inconsistency in signalling, uncoordinated escalation and short-term responses that may undermine long-term resilience.

Embedding a NESS at the centre of government—linking Treasury, Home Affairs, Industry, Foreign Affairs and Trade, Defence, regulators and industry—would shift Australia from reactive management to deliberate design. In an era where markets are clearly being leveraged for strategic effect, resilience isn't a guaranteed by-product of prosperity. A NESS would provide the connective architecture needed to turn discrete measures into a coherent system, strengthening cumulative impact, reducing policy friction and giving government, industry and partners greater predictability. Economic openness would remain a strength, but one underpinned by deliberate, risk-aware strategy rather than inherited exposure.

Architecture for economic security: building on existing foundations

Australia enters this challenge with important strengths, but also brings with it an unresolved question about how those strengths are best integrated or fused. The debate in Canberra is no longer about whether economic security matters. Positively, it's instead about how competing priorities are best reconciled, sequenced and governed when pressure accumulates across markets, communities and strategic relationships; how the cumulative strategic impact of individual trade-offs is surfaced at speed and concurrently across multiple fronts.

Recent ASPI *Strategist* contributions make this tension explicit.[15] One strand emphasised national resilience to economic coercion, particularly at the community, firm and SME level, and argued for stronger central coordination to reduce exposure and absorb shocks. Another advanced a more assertive deterrence lens, highlighting how financial and economic tools—potentially supported by the Australian Defence Force and close allies—could be used to impose costs and shape adversary behaviour (see Box 3).

Box 3: Two perspectives, one strategic challenge

Resilience-first approach

('Prime Minister and Cabinet should lead in countering economic coercion')

- Focuses on reducing vulnerability before coercion occurs.
- Emphasises supply-chain resilience, SME protection and whole-of-government coordination.
- Argues that PM&C should provide strategic leadership to avoid fragmented responses.
- Sees economic coercion as most damaging when societies and firms are unprepared.

Deterrence-enabled approach

('Modern Fabian financial warfare: attrition by ledger')

- Focuses on imposing costs and shaping behaviour once coercion escalates.
- Highlights financial and economic pressure as tools of strategic competition.
- Argues that credible deterrence may require defence involvement and allied coordination.
- Sees economic conflict as a prolonged contest of endurance and balance-sheet strength.

Why they're complementary

- Resilience without deterrence risks normalising coercion.
- Deterrence without resilience risks escalation without preparedness.
- Both assume economic power is now strategic—and both require coordination from the centre.

Together, these arguments reinforce the central case of this paper: a coherent national economic-security strategy is required.

Those perspectives are sometimes presented as alternatives. Yet the fact that both arguments coexist—and pull policy in different directions—is precisely why a coherent national strategy is necessary. In practice, they address different points along the same escalation spectrum. Without a framework that integrates resilience and deterrence, policy risks oscillating between under-preparedness and overreaction.

Greater clarity about decision thresholds, escalation pathways and whole-of-government coordination can also help to reduce the risk of strategic miscalculation in sensitive economic relationships—including with China. This is particularly important where decisions concern assets defined as strategically critical—for example, the Port of Darwin lease—so that decisions are assessed, sequenced and communicated as part of a coherent national framework, rather than appearing *ad hoc*, retrospective or politically contingent.

Several of Australia's world-leading building blocks could be elevated and fused within a national framework to achieve a coherent national strategy as proposed:

- *Supply-chain resilience:* The establishment of the OSCR within PM&C in 2021, subsequently moving to the Department of Industry, Science and Resources in a machinery-of-government change, has strengthened the Commonwealth's capacity to identify, monitor and respond to national-level supply-chain vulnerabilities. Its focus on essential goods—such as pharmaceuticals, fuel and medical products—provides an analytical and institutional foundation that could be expanded beyond crisis response into strategic risk management across portfolios.

- *Critical-infrastructure protection:* The *Security of Critical Infrastructure Act 2018* (SOCI Act) remains one of the most advanced mechanisms internationally for strengthening cyber and supply-chain resilience in partnership with industry. Its risk-management obligations, information-sharing provisions and regulatory backstop offer a platform for integrating economic-security considerations across sectors well beyond traditional infrastructure.
- *National resilience capabilities:* Within the Department of Home Affairs, the National Resilience Branch focuses on bolstering Australia's national resilience to improve the nation's ability to prepare for and bounce back from nationally significant disruptions. Economic-security concerns are factored into broader resilience considerations, reinforcing that economic security isn't solely a macroeconomic or strategic issue, but one that manifests at the community, workforce and firm levels.
- *Dedicated intelligence capability:* The Treasurer's February 2026 announcement of a dedicated intelligence capability within Treasury—a new branch led at SES Band 1 level to work with intelligence agencies and international partners to identify and communicate economic-security trends, threats and opportunities—delivers on Recommendation 14 of the 2024 Independent Intelligence Review and reflects the government's recognition of the need to more closely fuse intelligence and policy efforts on economic security issues.
- *Ministerial responsibility for economic security:* Under the Administrative Arrangements Orders, the Minister for Industry and Science (currently Senator Tim Ayres) has been assigned specific responsibility for economic security in addition to key responsibilities spanning industry policy, supply-chain resilience, critical minerals and economic capability. This provides an existing ministerial anchor for economic–security coordination—one that can be strengthened through clearer alignment with national-security, foreign-policy and resilience frameworks rather than creating new ministerial structures.

From components to capability: stitching the system together

The preceding section examined how Australia already possesses substantial tools, authorities and expertise across government. As argued here, what Australia lacks is a framework that sufficiently integrates those components so that they operate as a coherent and focussed national capability.

It's suggested responsibility for this task needs to sit at the centre of government because economic security cuts across portfolios, time horizons and authorities in ways no single department can manage alone. The 2026 PM&C Capability Review reinforced that the department's role isn't simply to coordinate process, but to provide strategic integration, prioritisation and trade-off management across complex policy domains. In that context, PM&C is best placed to provide direction and coherence at the cabinet level (specifically, through the NSC)—not by expanding its day-to-day operational footprint, but by operating in the way the review envisages: as a strategic integrator that forces choices and aligns disparate policy levers.

As made clear, PM&C's unique central role—bringing together cross-portfolio priorities and complex challenges—will increasingly depend on more integrated leadership, clearer strategic direction and deeper collaboration with other agencies to drive whole-of-government responses.[16] That central role isn't intended to displace existing ministerial responsibilities, as outlined above. The Industry, Science and Resources portfolio, for example, provides a natural anchor for economic-security policy development and implementation. What's required therefore is stronger alignment between that portfolio role and the centre-of-government coordination function exercised by PM&C.

But this role only works only if key portfolios—Treasury; Home Affairs; Industry, Science and Resources; Defence; Foreign Affairs; intelligence and security agencies; and relevant regulators—are fused into this as equal and empowered partners from the outset. Economic resilience, industrial capability and national security considerations need to be designed together, rather than reconciled after decisions have already been made.

This reflects a deeper shift in how national power can best be generated with cumulative influence and impact. Enduring advantage now rests less on diplomatic persuasion alone and more on a state's ability to mobilise economic, technological and human capital in support of a strategic effect—to build, adapt and sustain under pressure. Economic security therefore requires institutional arrangements that reflect how modern competition actually unfolds across government, industry and security domains.

This has implications also for how civilian and military capabilities are integrated. Throughout, this paper has described economic competition as unfolding along a spectrum of pressure and escalation—from routine statecraft and resilience building to sustained coercive pressure. At the lower end, civilian policy and regulatory levers predominate (sanctions, export controls, investment screening, resilience measures). At higher levels of escalation, however, responses may require credible, disciplined escalation options that draw on defence insight and operational analysis, particularly to model escalation risks, deterrence effects and the interaction of economic tools within broader security scenarios (see Box 3: Two perspectives, one strategic challenge).

Effective economic security therefore requires a civilian-led strategic authority that's capable of commissioning and incorporating expertise where, and as, escalation dynamics justify it. For clarity, what's proposed here isn't the routine securitisation of economic policy, but the creation of structured mechanisms that fuse civilian economic expertise with defence and security insight in a calibrated way—preserving civilian primacy in peacetime instruments while that ensuring options are made available, lawfully and coherently, should escalation pressures intensify. This requires clear boundaries and governance:

- Civilian, peacetime instruments—including sanctions, export controls, investment screening and resilience measures—remain the responsibility of policy and regulatory agencies.
- Escalatory or covert economic tools, including cyber-enabled or financial operations, are considered only in partnership with operational agencies, under clearly defined thresholds, lawful authorities and rehearsed rules of engagement.

But as escalation risks rise, so too should oversight. Economic instruments with systemic or strategic consequences can't be managed within individual portfolios. That's why whole-of-government integration is so vital: it ensures legality, accountability, proportionality and strategic coherence. Within Australia's system, the NSC is the logical forum for this function, integrating economic decisions into broader national-security deliberations.

International experience demonstrates the value of this approach. In the US, interagency coordination through bodies such as the National Economic Council enabled the G7 oil price cap on Russia—an initiative that combined sanctions, market interventions and maritime enforcement across jurisdictions and is estimated to have reduced Russian oil revenues by 20%–30%, or US$50–80 billion annually. The impact derived not from any single measure, but from orchestration across domains.

Allied coordination is equally important. Australia's current posture often emphasises consultation, but economic competition increasingly demands genuine coordination. Adversaries integrate trade, finance and cyber tools; partners can't afford fragmented or asynchronous responses. The joint US–Japan–Netherlands semiconductor export-control regime illustrates what coordinated deterrence looks like in practice: aligned restrictions, shared intelligence and consistent diplomatic signalling designed to close regulatory seams rather than merely express concern. Australia already participates in similar models through coordinated cyber attributions, and is exploring comparable approaches in critical minerals to strengthen collective resilience, diversify supply chains and reduce strategic dependency. A NESS should extend this logic by prioritising shared planning, data fusion and coordinated responses with trusted partners to build collective resilience and credibility.

Table 4: Institutional roles at a glance

Institution	Primary role	Statecraft	Economic coercion/warfare
PM&C	Policy coherence & strategic coordination	Whole-of-government leadership; national narrative development	National response coordination
Treasury	Financial stability & leverage Includes managing financial infrastructure risk	Economic analysis; financial system stewardship	Sanctions (in consultation with DFAT); economic modelling of coercive impact
Home Affairs	National-resilience & domestic-security policy settings Includes cybersecurity uplift; critical-infrastructure uplift & protection	Complex, converging threats to national security, sovereignty and prosperity, including through effective migration and border management	Crisis continuity; national preparedness
Industry, Science & Resources	Supply chains & industry engagement	Vulnerability monitoring; diversification	Counter-distortion; domestic capability
DFAT	Diplomacy & coalition building	Partner engagement; signalling norms	Multilateral sanctions; counter-coercion
Defence	Escalation planning	Contingency support; posture advice	Deterrence integration
Office of National Intelligence	Intelligence fusion & intent warning	Strategic warning; dependency analysis	Escalation indicators; adversary intent

Note: Some activities may span multiple categories (statecraft, coercion, warfare), and the cumulative effects of multiple actions within a single category may compound over time.

Learning from partners: shared challenges, shared solutions

Australia isn't alone in grappling with these issues. Partners and allies—including the US, the UK, the EU, Japan and Singapore—have developed complementary but distinct approaches from which Australia can draw, without importing models wholesale. While those models differ in institutional form, they share three common features:

1. Economic security is treated as a strategic function, not a by-product of other portfolios.
2. Coordination mechanisms—formal councils, laws, analytical platforms—are used to align tools and agencies.
3. Economic measures are embedded within broader foreign- and security-policy strategies, rather than operating in isolation.

For Australia, the lesson isn't to replicate any single model, but to adapt the underlying principles—clarity of purpose, central integration, fused analysis and a consistent legal and narrative framework—that have informed allied and partner approaches. For example:

- *US:* The US frames the challenge as 'economic statecraft' in its National Security Strategy, supported by a whole-of-government sanctions- and investment-screening architecture. The National Security Council and National Economic Council play central roles in integrating economic tools into strategic planning.
- *UK:* The UK differentiates between routine tools and coercive episodes, emphasising enforcement and partner coordination rather than broad 'warfare' language. The UK's National Security Strategy 2025 frames economic security as national security, referring to cyber security, its National Security and Investment Act 2021, its Trade Strategy and new Supply Chain Centre as contributing initiatives. The UK's Global Supply Chains Intelligence Programme also provides a centralised analytical platform, using artificial intelligence and combined datasets to support supply-chain, trade and economic-security analysis across agencies.
- *EU:* The EU articulates an 'economic security' agenda and has adopted an Anti-Coercion Instrument that defines economic coercion as undue interference in policy choices and provides a legal response mechanism, combining trade, regulatory and diplomatic tools.
- *Japan:* In Japan, the Economic Security Promotion Act creates a ministerial-level role and framework to coordinate supply-chain resilience, technology controls and critical-infrastructure protection, giving enduring political priority and coherence to measures across ministries, regulators and industry.
- *Singapore:* Through the Economic Development Board and Enterprise Singapore, under the Ministry of Trade and Industry, Singapore pursues an assertive investment and economic-security posture that emphasises supply-chain diversification, innovation hubs and resilience in a highly trade-dependent economy.

Table 5: Brief comparative overview—partner economic-security strategies

Country	Strategic posture	Key legislation	Coordinating bodies	Distinguishing features
United States	Power-projection oriented Economic statecraft embedded in national security	International Emergency Economic Powers Act 1977 Export Control Reform Act 2018 Foreign Investment Risk Review Modernisation Act 2018	National Security Council National Economic Council Committee on Foreign Investment in the US Department of Commerce Bureau of Industry and Security Department of the Treasury Office of Foreign Assets Control	Highly centralised sanctions, export control and investment-screening architecture Strong capacity for rapid, offensive economic measures, often coordinated with allies
United Kingdom	Security-integrated Investment and supply-chain risk focus	National Security and Investment Act 2021 Economic Crime (Transparency and Enforcement) Act 2022	Investment Security Unit (Cabinet Office) Foreign, Commonwealth and Development Office Department for Business and Trade Department for Science, Innovation and Technology	Formal, statute-based screening regime with wide 'call-in' powers Presents measures as proportionate protection rather than 'economic warfare'
European Union	Regulatory and legal-institutional Defensive coordination across member states	Regulation (EU) 2019/452 on screening of foreign direct investment Anti-Coercion Instrument 2023 Critical Raw Materials Act 2024	European Commission Directorates-General European External Action Service Coordination mechanisms with 27 member states	Provides a legal definition of economic coercion as 'undue interference' in sovereign decision-making Creates common screening and anti-coercion tools while respecting national competences
Japan	Legislation-led Resilience and technology protection	Economic Security Promotion Act 2022 Foreign Exchange and Foreign Trade Act (as amended for investment screening)	Minister for Economic Security Cabinet Secretariat Ministry of Economy, Trade and Industry Ministry of Finance	Early mover in codifying 'economic security' in a dedicated Act and ministerial portfolio Shaped by the 2010 rare-earths crisis Tight alignment with US and Netherlands export-control coalitions on semiconductors
Singapore	Diversification-driven Resilience through openness	Significant Investments Review Act 2024 Strategic Goods (Control) Act 2002	Ministry of Trade and Industry Economic Development Board Enterprise Singapore	Introduced targeted national-security screening regime while maintaining a strong pro-trade brand Embeds 'economic security' through diversification, stockpiling and trusted-hub positioning rather than overt securitised language

For a more detailed comparative analysis, see the evidence submitted by the Royal United Services Institute's (RUSI) Centre for Finance and Security to the UK House of Commons Business and Trade Committee (EC00036), which provides an in-depth assessment of how different jurisdictions are conceptualising and operationalising economic security.[17]

Recommendations in detail: building a fused national capability

1. Adopt a NESS that defines priorities, clarifies thresholds and forces trade-off choices before crisis conditions compress options

Establish a NESS brought forward as a cabinet-endorsed decision framework. This should be complemented by a public-facing vision document issued by the Minister for Industry and Science as the minister currently responsible for economic security (consistent with existing Administrative Arrangements Orders) and developed in consultation with the Treasurer and Minister for Home Affairs. Strategic coordination for development of a NESS should sit with PM&C, while stewardship of macro-financial stability and capital-market confidence remains firmly anchored in Treasury's mandate.

The NESS should be designed to:

- force prioritisation among dependencies to validate where intervention is justified, and where it isn't
- define escalation thresholds that trigger a fused whole-of-government response, as distinct from routine portfolio management
- clarify trade-offs between resilience, efficiency, fiscal exposure and market confidence before crisis conditions compress decision space.

Beyond managing risk, a NESS would also help Australia identify and pursue areas of strategic economic advantage. Critical minerals provide a clear example. As allied economies increasingly pursue 'friendshoring' to reduce supply-chain exposure to geopolitical risk, Australia has an opportunity to expand domestic extraction and refining capacity while positioning itself as a trusted supplier within transparent and traceable value chains. Doing so would enable Australia to leverage its resource endowment into trusted minerals networks among like-minded economies, helping to insulate supply chains from dumping and other non-market behaviour while diversifying demand beyond markets where Australia currently faces structural exposure.

In this way, economic-security policy becomes not only a mechanism for resilience, but a framework for strategic growth in sectors where reliability, governance and supply assurance are themselves competitive advantages.

A dedicated Minister for Economic Security?

Over time, the government may also wish to consider whether stronger and dedicated ministerial focus on economic security could help sustain strategic attention across electoral cycles. Some international partners have explored this question. Japan, for example, has created a dedicated ministerial role responsible for economic security, while in the UK the House of Commons Business and Trade Committee has called for clearer ministerial leadership to coordinate economic-security policy across government.

Whether a similar approach would be appropriate for Australia would require careful consideration. Economic-security responsibilities already sit across multiple portfolios—including Treasury, Industry, Foreign Affairs, Defence and Home Affairs—and effective policy integration ultimately depends on coordination at the departmental and whole-of-government level, particularly through central agencies such as PM&C.

In that context, any move towards a dedicated ministerial function would need to clarify how such a role would interact with existing portfolio responsibilities, how it would operate without a dedicated department, and whether it would add practical coordination value beyond existing cabinet and national-security structures.

For now, the broader question is how best to ensure sustained strategic leadership and integration across government as economic security becomes a more permanent feature of national policy. Institutional arrangements—including the possibility of a more explicit ministerial focal point—may warrant further examination as the next steps as Australia's economic-security framework continues to evolve.

2. Strengthen existing cross-government senior officials mechanisms

Australia already coordinates economic, security and foreign policy through interdepartmental processes led by PM&C. Departments and agencies—including Treasury; Home Affairs; Industry, Science and Resources; Foreign Affairs and Trade; and Defence alongside the ONI—provide policy advice and intelligence assessments that help inform thinking at both the deputy secretary and secretary levels, including through mechanisms such as the Secretaries Committee on National Security (SCNS).

The gap, therefore, isn't one of formal authority, but of upstream integration and fusion. Unlike crisis mechanisms—such as the National Coordination Mechanism—which provide clear whole-of-government structures under acute time pressure, economic-security challenges typically emerge below crisis thresholds and unfold over longer horizons. As a result, cross-portfolio pressure-testing of proposals with material economic-security implications remains uneven.

To address this, this paper proposes building on and sharpening the focus of the existing SES Band 3–level senior officials coordination mechanism on economic security, currently chaired by PM&C, to provide a more structured and consistent forum for upstream integration and challenge. Rather than establishing a new body, the paper recommends strengthening this mechanism—here termed the Economic Security Coordination Deputies Committee (ESCDC). The ESCDC's role would be to embed decision discipline earlier in the policy development cycle, before issues escalate for ministerial consideration. Its value would lie in further systematising and strengthening functions that already exist across the system but in a disparate fashion. Specifically:

1. Structured pre-cabinet pressure-testing

   Providing a consistent forum to test major proposals—such as sanctions, investment restrictions, export controls, resilience interventions or strategic industry measures—against a common framework assessing economic impact, security benefit, escalation risk, reversibility and market confidence.

2. Joint scenario and contingency planning

   Drawing on integrated analysis (see Recommendation 3) to explore how economic pressure could evolve under different contingencies, what proportionate response options exist within current legal authorities, and where thresholds for escalation or coordination may arise.

3. Integrated advice to the NSC

   Supporting ministers by providing pre-considered, rigorously pressure-tested and fused advice—integrating economic, security and strategic assessments so decision-makers receive sequenced and cohesive options rather than inputs that risk being fragmented.

The ESCDC would operate alongside and complement the Deputy Secretaries Committee on National Security (DSCNS), feeding into the SCNS and, through the SCNS, into the NSC. For clarity, the ESCDC would explicitly not design or direct industrial policy; issue operational directions to regulators or agencies; or manage crises or exercise standing executive authority.

3. Establish a cross-government economic-security capability

To enable the ESCDC, this paper proposes establishing an Economic Security Coordinator to lead a standing cross-government economic-security fusion capability—not as a decision-making body, but as an analytical, integrative and consultative function embedded within existing whole-of-government coordination and cabinet processes. This reflects the reality that economic-security risks rarely sit neatly within a single department. They manifest simultaneously across trade, investment screening, critical infrastructure, industry policy, technology controls, sanctions, supply chains and financial regulation.

Critically, the mechanism would have no independent policy authority. Its purpose would be to drive fusion across upstream, midstream and downstream dependencies, ensuring that when matters reach the ESCDC, NSC or Cabinet, they're informed by a shared, integrated picture. Given its cross-portfolio remit and system-wide role—both within government (federal and state/territory) and across industry, the capability should be headed at the SES Band 3 level, ensuring sufficient authority, access and convening power. It's proposed that this official would chair the ESCDC.

This report recommends the institutional placement of the Economic Security Coordinator role be settled by the Secretaries Board to align with broader machinery-of-government considerations. One option would be to situate the function under the Cabinet Secretary, reinforcing its integrative mandate and ensuring proximity to Cabinet and NSC processes. An alternative would mirror the former National Counter-Terrorism Coordinator—operating as a centrally positioned, cross-cutting node able to convene departments, agencies and industry stakeholders. Such an approach would signal that economic security—like counterterrorism previously—requires sustained senior-level integration to best leverage the strengthening of cross-government alignment we're seeing, particularly through efforts led by PM&C.

Recent developments show that departments are already heading in this direction. The Treasurer's February 2026 announcement of a dedicated intelligence capability within Treasury—a new branch led at SES Band 1 to work with intelligence agencies and international partners to identify and communicate economic-security trends, threats and opportunities—reflects recognition that 'economic security and national security are now almost distinguishable'.[18] Similarly, DFAT has strengthened its own economic-security and geo-economic analysis capabilities to support trade, sanctions, investment and strategic economic statecraft functions. Those represent important portfolio-level capability uplifts.

The recommendation in this paper is to build on and fuse those strengthened departmental capabilities—alongside existing analytical functions in Home Affairs, Industry, Defence, ONI and related agencies—through a structured whole-of-government mechanism. The argument here is that strengthened capabilities within individual agencies benefit from being connected through a structured integrative framework that allows analysis to be combined, challenged and translated into coordinated policy advice.

Having a centralised coordinating office would therefore ensure that economic-security risks are assessed collectively and concurrently rather than sequentially, and so better able to inform clarity on the cumulative strategic impact. It would:

- elevate, integrate and extend existing functions, not duplicate them
- draw from Treasury's enhanced intelligence capability and DFAT's strengthened geo-economic analysis with inputs from Home Affairs, Industry, Defence, ONI and relevant operational agencies
- leverage OSCR's advanced analytical insights into global supply chains
- link intelligence assessments to the suite of economic, regulatory and security-policy levers across portfolios
- provide a shared analytical base for ESCDC, NSC and cabinet consideration so that exposures, vulnerabilities and response options are examined in an integrated manner before decisions are taken.

It's proposed that the capability would maintain a rolling economic-security net assessment that integrates intelligence, economic, technological and geopolitical factors to inform prioritisation and sequencing. It would do so by translating ONI-led assessments—alongside analysis from Treasury, DFAT and OSCR—into a decision-ready economic lens, mapping warning indicators to exposure, leverage and response options. It would also support joint scenario planning and contingency analysis—including structured stress-testing war-gaming of disruption pathways, as suggested recently by the US Studies Centre[19]—and maintain a standing indicators-and-warnings framework focused on markets, supply chains and financial systems, where escalation frequently unfolds below traditional security thresholds.

4. Enhance existing resilience initiatives

The OSCR has established a structured framework to assess disruption risk across critical supply chains, incorporating vulnerability analysis, criticality assessment, residual risk evaluation and calibrated policy responses. This provides a strong foundation for understanding how systems respond once disruption risk is identified. However, the framework remains anchored in a disruption and resilience paradigm. It does not yet consistently distinguish between the underlying drivers of disruption—particularly the interaction between structural exposure, geopolitical pressure and system-wide risk accumulation.

To strengthen this capability, consideration should be given to extending OSCR's framework to explicitly incorporate three distinct analytical lenses: risk, threat and vulnerability. Risk captures the likelihood and consequence of disruption, including cascading effects across sectors. Threat focuses on coercive intent, strategic manipulation or hostile leverage by state and non-state actors. Vulnerability reflects structural exposure, including concentration, limited substitutability, geographic dependency and long adjustment timelines. Elements of these concepts already exist within OSCR's methodology, but are presently not consistently disaggregated. As a result, market volatility, geopolitical signalling and systemic fragility are often assessed within a single frame, limiting the precision of policy responses.

Embedding a clearer three-lens approach would sharpen analytical discipline, enabling government to more clearly distinguish transient disruption from systemic risk, identify where exposure is being actively exploited, and prioritise sectors based on system-wide consequence rather than immediacy. It would also shift OSCR's role from primarily assessing how systems respond to disruption, to anticipating where disruption is most likely to emerge and how it will propagate.

This evolution would position OSCR as a continuous strategic assessment capability within Australia's economic security architecture, strengthening its integration with the SOCI Act and broader national resilience frameworks. In a system where physical supply chains, digital infrastructure and data dependencies are increasingly tightly coupled, such a shift is necessary to manage risks that are continuous, concurrent and cascading.

The UK's Global Supply Chain Intelligence Programme is instructive in this regard. It combines both commercial and sovereign trade data to accurately map global supply chains for policy and operational purposes, delivered through the one analytical platform which provides shared access across government departments. This program was independently evaluated to achieve a 95% reduction in cost and 60-80% reduction in time spent delivering supply chain investigations.[20] Similar initiatives could be considered by the Economic Security Coordinator to ensure that Australia is investing in the best analytical and scenario planning tools and keeping up with like-minded partners—with whom we will need to increasingly collaborate to design trusted and resilient supply chains.

5. Further embed structured engagement with industry

This report recognises established thinking within government that external stakeholders—particularly industry—operate at the front line of many economic-security challenges and therefore play an essential role to play in preparedness, information-sharing and resilience measures. For that reason, the mechanism proposed under Recommendation 3 should also incorporate a structured two-way engagement framework with industry, enabling government to draw on operational insights from critical sectors while providing clearer signalling on emerging risks and policy direction.

A useful precedent for this exists in the Department of Home Affairs' approach to cybersecurity uplift and critical-infrastructure protection, in which the government has deliberately developed ongoing consultation and partnership arrangements with industry stakeholders. Development of the 2023–2030 Australian Cyber Security Strategy and reforms under the SOCI framework involved extensive consultation with industry through submissions, workshops and co-design processes to shape policy settings and regulatory design.

Similarly, the Critical Infrastructure Security Centre within Home Affairs maintains ongoing structured engagement and partnerships with critical-infrastructure owners and operators. This supports risk management, regulatory compliance and capability uplift, reflecting a government–industry partnership model for national resilience that's focused not only on regulatory oversight but also on maturing operational practices and awareness across critical systems. Adapting that model for economic security would help to ensure that government policy reflects the operational realities faced by firms, while enabling earlier identification of emerging vulnerabilities across supply chains and markets. In practice, this could include:

- a standing industry advisory forum linked to the analytical mechanism to provide structured input from key sectors, including SMEs and critical supply-chain participants
- targeted consultations and scenario exercises with industry, financial institutions and infrastructure operators to test preparedness for emerging economic-security risks
- secure information-sharing mechanisms enabling government and industry to exchange insights on vulnerabilities, market concentration, supply-chain dependencies and early-warning indicators
- coordinated resilience planning across supply chains, infrastructure systems and financial markets to strengthen diversification, stockholding strategies, substitution pathways and business-continuity planning.

This engagement approach would assist in clarifying the division of responsibility among firms, sectors and government by distinguishing between commercial risks appropriately managed by firms themselves; sector-wide or market-structure challenges requiring collective industry or policy responses; and genuine national- or economic-security vulnerabilities that may warrant government intervention or coordination. Clarifying those boundaries helps to ensure that government risk assessments and firm-level decisions reinforce one another, rather than cutting across commercial incentives or blurring the line between market responsibility and state action.

Comparable mechanisms are emerging internationally. For example, the UK has established the Economic Security Advisory Service (building on the earlier Economic Security Public–Private Forum) to facilitate structured engagement between government and industry on economic-security risks, as referenced in the House of Commons Business and Trade Committee report, *Toward a new doctrine for economic security*. The engagement model proposed here would help to ensure that Australia's national economic-security architecture isn't solely government-centric but also reflects the reality that many of the levers, exposures and early-warning indicators sit within the private sector.

6. Clarify doctrine and terminology

This report recommends Government endorse a common set of definitions for economic statecraft, economic coercion and economic warfare, developed with legal input and informed by international practice. And reflect those definitions in Cabinet guidance, interdepartmental processes and, where appropriate, public communication to support consistent risk assessment and signalling. Where feasible, domestic terminology should be aligned with the framing used by key partners (such as the US, the EU, Japan and the UK) to facilitate shared analysis and coordinated responses.

7. Establish an economic-security dashboard and a periodic independent review

Government should consider tracking a small, agreed set of headline indicators over time as a clearer and more consistent measure of Australia's economic-security posture. A concise cross-government dashboard could consolidate existing, credible metrics, helping decision-makers monitor exposure, resilience and progress across portfolios without creating new reporting burdens.[21] Such a dashboard could draw on existing national and international metrics, for example:

- OECD Resilient Supply Chains Indicators, including Australia's current dependency score relative to the OECD average
- trade diversification metrics, such as partner concentration ratios
- cyber-resilience maturity assessments, drawing on established national frameworks.

To complement this, the government should consider periodic independent stocktakes—potentially aligned with existing intelligence or national-security review cycles—to assess whether Australia's economic tools, institutional arrangements and coordination mechanisms remain fit for purpose as strategic conditions evolve. These periodic stocktakes would draw on the indicators outlined above to provide an evidence-based assessment of Australia's economic-security posture over time.

Where appropriate—and where doing so doesn't compromise Australia's national competitiveness or create a strategic vulnerability in itself—high-level progress updates could be provided to enhance transparency and reassurance for industry and international partners, while protecting commercial sensitivities and national considerations. This process could include targeted pilot collaboration with like-minded partners, drawing on international innovations such as supply-chain analytics platforms or dedicated economic-security coordination units, adapted to Australian institutional, legal and market conditions.

Notes

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Acronyms and abbreviations

CSIS	Center for Strategic and International Studies
DFAT	Department of Foreign Affairs and Trade
DSCNS	Deputy Secretaries Committee on National Security
ESCDC	Economic Security Coordination Deputies Committee
EU	European Union
GDP	gross domestic product
IMF	International Monetary Fund
NESS	National Economic Security Strategy
NSC	National Security Committee of Cabinet
OECD	Organisation for Economic Co-operation and Development
ONI	Office of National Intelligence
OSCR	Office of Supply Chain Resilience
PM&C	Department of the Prime Minister and Cabinet
SCNS	Secretaries Committee on National Security
SES	Senior Executive Service
SIPRI	Stockholm International Peace Research Institute
SMEs	small and medium-sized enterprises
SOCI Act	*Security of Critical Infrastructure Act 2018*
SWIFT	Society for Worldwide Interbank Financial Telecommunication

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