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How is energy trade "weaponized"?

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Since the escalation of the Russia–Ukraine conflict after 2022 and the inauguration of the second Trump administration, there have been increasing instances in which trade activities of energy resources such as oil and natural gas has been restricted for diplomatic purposes. This so-called "weaponization" of energy trade has long been a destabilizing factor in international energy markets. However, the forms that this weaponization takes are not uniform, and they can be broadly divided into two main types depending on the methods used and the actors of weaponization.

The first type exploits asymmetric trade relationships between exporting and importing countries. A classic example is the oil embargo imposed by Arab oil-producing countries on Western nations in 1973. The embargo was intended to protest Western foreign policies toward the Middle East, and because those countries were then highly dependent on Middle Eastern crude oil, the embargo had a profound impact on their macroeconomies and foreign policies. Similarly, Russia has in the past deliberately restricted natural gas supplies via pipelines that importing countries found difficult to replace with alternative sources. Thus, when energy-exporting states weaponize energy trade, they typically do so by leveraging asymmetric trade dependencies.

The second type of weaponization, however, can be directed against energy exporters themselves, using international financial networks as the means of coercion. A representative case is the economic sanctions that the United States has imposed on Iran's oil exports since the 2000s. Because oil trade is generally conducted in U.S. dollars, settlements usually pass through the U.S. financial system. Although the United States itself did not import Iranian oil, it sought to halt Iran's exports to third countries such as those in Europe and Japan by prohibiting banks involved in such transactions from conducting dollar settlements and by restricting their access to the international financial messaging system (SWIFT). In other words, the United States did not directly restrict the oil trade itself but rather constrained the use of financial network that supports it.

According to American political scientists Henry Farrell and Abraham Newman, the use of such economic network restrictions for diplomatic purposes constitutes what they term "weaponized interdependence," distinguishing it from the exploitation of asymmetric trade relationships. This represents a new form of energy trade weaponization unique to an era of deepened global economic interdependence.

The current second Trump administration has developed yet another method of applying diplomatic pressure on certain target countries, such as Russia and Iran: imposing additional tariffs on exports to the U.S. from third countries that engage in energy trade with those targets. This approach can be viewed as a variant of the asymmetric trade strategy, in that it leverages third countries' heavy dependence on the U.S. market. Notably, the first Trump administration primarily relied on financial network–based sanctions to restrict energy trade between target and third countries, making this shift in approach particularly noteworthy.

To date, the weaponization of energy trade has largely relied on these two methods. However, in the future, cyberattacks on the information infrastructure that underpins energy trade might emerge as a new form of weaponization. Although Japan's imports of fossil fuels are expected to gradually decline over the long term, it will remain dependent on imports for the majority of its energy supply for the foreseeable future. While it is by no means easy to devise effective countermeasures against the weaponization of energy trade, steadily advancing efforts to diversify supply sources and secure system redundancy remain crucial to mitigating potential impacts in times of crisis.

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