



# The Silent War on Trade: How Multipolarity Turned Supply Chains into Weapons of Mass Disruption

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# **The Silent War on Trade: How Multipolarity Turned Supply Chains into Weapons of Mass Disruption<sup>1</sup>**

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<sup>1</sup> This article is the sole responsibility of the author and neither ISEA nor any of its affiliates have any role in the drafting of this article.

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# Abstract

## The Silent War on Trade: How Multipolarity Turned Supply Chains into Weapons of Mass Disruption<sup>4</sup>

Global maritime trade is facing unprecedented disruptions as multipolarity reshapes economic, security, and governance landscapes. This paper examines how the erosion of trust in global institutions (WTO, IMF) has accelerated economic fragmentation, leading to trade weaponization and the rise of regional economic blocs. Digitalization has introduced both efficiencies and cybersecurity vulnerabilities, while climate change is forcing a realignment of traditional trade routes, intensifying geopolitical competition over emerging corridors such as the Arctic. These shifts have weakened economic and security alliances, while small coastal nations seek independent maritime strategies to stay relevant. Additionally, religious identity is increasingly influencing economic alignments, further complicating global trade flows.

To restore stability, the paper proposes five interconnected solutions: strengthening inclusive multilateralism, enforcing transparent trade rules, enhancing cooperative maritime security, investing in climate-resilient infrastructure, and regulating digital innovations. These principles provide a roadmap for rebuilding trust, mitigating economic disruptions, and ensuring a stable maritime trade environment in an era of geopolitical uncertainty.

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<sup>4</sup> *This is a pro bono academic initiative.*

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# I. Introduction

Global maritime supply chains are the backbone of international trade, enabling the efficient movement of goods, raw materials, and technology across borders. They facilitate economic stability by ensuring that products reach markets timely, production processes and facilities remain uninterrupted, and consumers have access to a diverse range of goods. The seamless operation of these supply chains depends on robust logistics networks, consistent trade policies, and cooperative governance structures that transcend national oceanic boundaries.

In recent years, the global order has transitioned from a unipolar system, dominated by the United States, to a multipolar one with the emergence of multiple influential powers (or poles), including China, the European Union, and other rising economies like India and even Russia. This shift has led to an increasing fragmentation of traditional maritime trade routes and economic alliances, as these powers vie for control and influence over global supply chains. The international geopolitical and economic competition among these entities has introduced complexities and disruptions, challenging the previously stable and optimized flow of international commerce.<sup>5</sup>

The vulnerabilities of global supply chains have been starkly highlighted by events such as the U.S.-China trade war, which led to increased tariffs and uncertainty; semiconductor shortages that disrupted various industries; and the Suez Canal blockage, which temporarily halted a significant portion of global maritime trade<sup>6</sup>. These incidents underscore the fragility of interconnected supply networks in the face of geopolitical tensions and unforeseen events.

In this paper, we aim to explore multipolarity induced (or accelerated) global governance instability, resulting in the fragmentation of supply chains and its impact, disrupting the development of local state economies along maritime trade routes in the Indian Ocean.

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<sup>5</sup> [Global Supply Chain Updates: Navigating Recent Developments – Ship Universe](#)

<sup>6</sup> [How trade agreements increase supply chain resilience - GPS News](#)

## II. The Erosion of Trust in Global Governance

Global institutions like the World Trade Organization (WTO) and the International Monetary Fund (IMF) have traditionally played pivotal roles in regulating trade disputes and maintaining economic stability. However, in recent times, their credibility has been undermined as nations increasingly prioritize self-interest over collective global welfare<sup>7</sup>. For instance, unilateral trade sanctions imposed by the U.S., China's assertive economic diplomacy, and the European Union's trade restrictions have collectively eroded faith in these institutions' ability to manage international trade effectively. This decline in multilateralism has led to a more fragmented global trade environment, where cooperative governance is becoming increasingly elusive.

As trust in multilateral institutions wanes, countries are increasingly turning to regional and bilateral trade agreements to secure their economic interests. This shift is evident in the formation of alliances such as BRICS+ (Brazil, Russia, India, China, and South Africa plus other emerging economies), the Regional Comprehensive Economic Partnership (RCEP), and the Indo-Pacific Economic Framework (IPEF). These agreements often operate outside the traditional frameworks established by institutions like the WTO, reflecting a move towards more exclusive and regionally focused economic collaborations. While these pacts can enhance trade within specific regions, they also contribute to the overall fragmentation of the global trade system, as they may prioritize regional interests over global cooperation.

This shift is particularly evident in the Indian Ocean region, where countries like the Malaysia, Indonesia, Sri Lanka, and the Maldives balance China's Belt and Road Initiative (BRI) investments with partnerships with India, the United States, and other regional powers. Similarly, Kenya and Tanzania are navigating relationships with multiple global actors to secure economic growth while maintaining strategic autonomy. These dynamics create regulatory divergences, complicating supply chain operations and increasing trade uncertainties.

The declining role of the WTO and the rise of unilateral trade restrictions have already caused disruptions across supply chains. The U.S. has imposed tariffs of 10% on Chinese imports, aiming to address trade imbalances and geopolitical concerns<sup>8</sup>. These tariffs have increased costs for imported goods, leading companies to diversify sourcing strategies or absorb higher expenses. Anticipating additional tariff hikes, U.S. manufacturers have begun stockpiling imported raw materials, further inflating demand and commodity prices<sup>9</sup>. This shift exemplifies how trade weaponization translates directly into rising business costs and supply chain inefficiencies.

The fragmentation of global trade governance has tangible impacts on supply chain security and stability. Divergent regulations and escalating trade disputes contribute to delays and inefficiencies, increasing logistics costs for businesses operating across multiple jurisdictions. The absence of a unified trade arbitration mechanism heightens the risk of economic coercion and retaliation, as nations may resort to unilateral measures to protect their interests. This environment of uncertainty discourages long-term investments in supply chain infrastructure and can lead to a re-evaluation of sourcing and distribution strategies by multinational corporations, further complicating the global trade landscape.

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<sup>7</sup> [The Rise of Discriminatory Regionalism](#)

<sup>8</sup> [Prices of these imported goods could increase amid Trump's tariffs | AP News](#)

<sup>9</sup> [US businesses brace for Trump's tariffs to drive up costs | AP News](#)

### III. Digitalization and the Rise of Cyber-Enabled Supply Chains

The digital transformation of supply chain management has introduced innovative structures that transcend traditional organizational boundaries. Decentralized Autonomous Organizations (DAOs) exemplify this shift, operating as self-governing entities on blockchain platforms without centralized authority. DAOs facilitate collective decision-making through member voting, enabling operations that are independent of existing national and international regulations<sup>10</sup>. This autonomy allows DAOs to function across borders, potentially forming international entities that challenge conventional governance frameworks. For instance, DAOs can manage global supply chains by automating contract execution and payment settlements via smart contracts, reducing reliance on traditional financial intermediaries and regulatory systems.

The integration of artificial intelligence (AI) and blockchain technology further enhances supply chain efficiency and transparency<sup>11</sup>. AI algorithms analyze vast datasets to forecast demand, optimize inventory management, and streamline logistics, enabling companies to respond swiftly to market fluctuations. Blockchain complements these capabilities by providing immutable and transparent transaction records, facilitating secure and efficient operations<sup>12</sup>. For example, AI can process data from blockchain-based systems to identify patterns and anomalies, which is crucial for fraud detection and improving supply chain security.

However, the increasing digitalization of supply chains introduces significant cybersecurity challenges. Maritime infrastructure, in particular, has become a target for cyberattacks, exposing vulnerabilities in shipping logistics and port operations. A notable example is the 2017 NotPetya ransomware attack, which severely disrupted global shipping giant Maersk, leading to substantial operational and financial setbacks<sup>13</sup>. This incident underscores the critical need for robust cybersecurity measures to protect the integrity of digital supply chains.

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<sup>10</sup> [The DAO and the Dao – Finding a Path to Govern the World - WFM/IGP](#)

<sup>11</sup> [Revolutionizing Supply Chains: The Role of AI and Blockchain - Supply Chain Technology News](#)

<sup>12</sup> [Smart Contracts in Supply Chain: Benefits, Use Cases, and Examples](#)

<sup>13</sup> [The NotPetya Attack — A Look at One of the Most Destructive Malware Incidents | by RocketMe Up Cybersecurity | Medium](#)

## IV. Climate Change: Disrupting and Opening New Trade Routes

Climate change poses significant challenges to existing trade infrastructures, particularly through extreme weather events and rising sea levels. Coastal trade hubs in the Indian Ocean, such as the Port of Chennai (India), Port Louis (Mauritius), and the Port of Mombasa (Kenya), are increasingly threatened by flooding and storm surges. Rising sea levels and cyclones have caused disruptions in port operations, damaging infrastructure and leading to costly delays in cargo handling. For instance, in 2020, Cyclone Amphan caused significant damage to the Port of Kolkata, affecting logistics and trade flows across the Bay of Bengal.

Additionally, droughts affecting key inland waterways in the Indian Ocean region, such as the Zambezi River (Mozambique) and the Indus River (Pakistan), have severely impacted shipping and trade efficiency. The Zambezi River, a vital corridor for trade and hydropower generation in Southern Africa, has seen declining water levels due to prolonged droughts, affecting the movement of cargo and limiting the efficiency of hydropower dams that supply electricity to industrial operations. Similarly, the Indus River, crucial for agricultural exports from Pakistan, has experienced fluctuating water levels, disrupting the transport of goods via barges and increasing reliance on less efficient road transport alternatives.

Conversely, the melting of Arctic ice caps is opening new maritime trade routes, notably the Northern Sea Route (NSR) and the Northwest Passage (NWP). These routes offer shorter transit times between Europe and Asia, presenting opportunities for reduced shipping costs and fuel consumption. However, the accessibility of these passages has ignited geopolitical competition, particularly involving Russia and China, as they seek to assert control over these strategic corridors. The West, in response, is exploring strategies to counterbalance Russia's dominance in Arctic shipping lanes, recognizing the potential for these routes to reshape global trade dynamics.

In response to environmental concerns, regulatory measures such as the European Union's Carbon Border Adjustment Mechanism (CBAM) have been introduced. CBAM imposes carbon tariffs on imports from countries with less stringent emission standards, effectively serving as a trade barrier for nations with carbon-intensive industries. Southeast Asian exporters, including Malaysia and Indonesia, face challenges in complying with these evolving regulations, which may necessitate significant adjustments in production processes and could impact their competitiveness in European markets.

## V. The Weaponization of Trade in a Multipolar Order

As global power structures shift toward multipolarity, trade is increasingly being weaponized as a geopolitical instrument. Nations are leveraging control over critical resources, food security<sup>14</sup>, and technological dependencies to secure strategic advantages, while parallel trade blocs and realignments highlight the growing fragmentation of global alliances.

In the emerging multipolar order, resource control has become a primary means of geopolitical influence. Nations with dominance over key materials—such as rare earth minerals and semiconductors—can dictate supply chains and exert economic pressure on dependent economies. China, which controls a significant share of the global supply of rare earth elements crucial for high-tech industries, has previously restricted exports to influence global manufacturing and strategic decision-making. Japan's recent semiconductor export bans on China further illustrate how technological dependencies are driving new trade protectionism and strategic alliances. Despite their resource wealth, Indian Ocean nations often lack sufficient production capacities to fully capitalize on their strategic assets. Their economies are predominantly exporters of raw materials rather than processors of high-value goods. Madagascar's nickel and cobalt reserves, Mozambique's natural gas deposits, and India's pharmaceutical industry remain heavily dependent on foreign investment, technology, and supply chains controlled by larger economies<sup>15 16 17</sup>. As a result, these nations find themselves at the losing end of global trade, supplying raw materials while value-added production and economic benefits are largely reaped by more industrialized nations.

Food security has similarly become an extension of geopolitical maneuvering. Countries are implementing export bans on staple crops, exacerbating food price volatility and reshaping global agricultural supply chains. India's rice export ban and Indonesia's palm oil restrictions have disrupted global food markets, leading to inflationary pressures and economic instability in import-dependent nations. The conflict in Ukraine has further demonstrated how disruptions to wheat production can send shockwaves through the global food system, intensifying political instability in food-insecure regions. These actions underscore the growing intersection of trade policy, national security, and economic leverage.

Access to critical technologies, such as semiconductors and artificial intelligence, is becoming a pivotal factor in global trade decisions. Japan's recent restrictions on semiconductor exports to China highlight this trend, as nations seek to protect their technological advantages and mitigate security risks associated with technological dependencies. These actions have significant implications for global supply chains, prompting countries to reassess their trade relationships and develop domestic capabilities in critical technology sectors.

Beyond controlling critical resources, geopolitical actors are increasingly weaponizing shipping routes to exert economic pressure. The Houthi attacks in the Red Sea exemplify this trend, reducing container shipping through the region by 90% between December 2023 and February 2024. These attacks forced major shipping companies to reroute vessels around the Cape of Good Hope, adding an average of 10 days and \$1 million in additional fuel costs per journey<sup>18</sup>. This disruption not only escalated freight rates but also amplified global supply chain uncertainties, showcasing how maritime trade routes themselves have become battlegrounds in the silent war on trade.

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<sup>14</sup> [China's Premier Li talks trade in Vietnam despite differences over South China Sea | AP News](#)

<sup>15</sup> [Sumitomo resumes production at Madagascar's nickel project | Reuters](#)

<sup>16</sup> [Mozambique president discussed LNG, hydro projects with TotalEnergies' CEO | Reuters](#)

<sup>17</sup> [Sanofi to invest \\$437 mln in India global centre, double its workforce | Reuters](#)

<sup>18</sup> [Red Sea crisis: What it takes to reroute the world's biggest cargo ships](#)

## VI. The Fracturing of Economic and Security Alliances

Amidst these economic pressures, traditional alliances are breaking apart as nations prioritize economic development and security over historical allegiances<sup>19</sup>. Countries that once relied on long-standing partnerships are diversifying their economic strategies to hedge against geopolitical uncertainties. Southeast Asia provides a clear example of this trend—many countries in the region engage with China’s Belt and Road Initiative (BRI) for infrastructure investment while simultaneously maintaining strong trade ties with the United States. Malaysia, for instance, benefits from Chinese infrastructure funding but remains economically linked to the U.S. market, demonstrating a balancing act that reflects the broader shift toward pragmatic, interest-based alliances<sup>20</sup>.

India's Andaman and Nicobar Islands, located at the juncture of the Bay of Bengal and the Andaman Sea, hold significant strategic importance<sup>21</sup>. Positioned near the Strait of Malacca—a critical maritime chokepoint through which a substantial portion of global trade passes—these islands serve as a pivotal point for regional security dynamics. Recognizing this, India has been enhancing its military infrastructure on the islands to monitor and potentially control maritime traffic, thereby countering China's expanding naval presence in the Indian Ocean. The Quadrilateral Security Dialogue (Quad), comprising India, the United States, Japan, and Australia, views the Andaman and Nicobar Islands as a strategic asset. The Quad nations have conducted joint military exercises in the surrounding waters, underscoring the islands' role in promoting a free and open Indo-Pacific and deterring unilateral actions that could disrupt regional stability.

The Red Sea has emerged as a focal point of geopolitical competition, with China significantly increasing its economic and maritime presence in the region. Through substantial investments in port infrastructure and energy projects, China has deepened its ties with countries bordering the Red Sea, notably Egypt. A landmark \$6.75 billion agreement between Egypt's Suez Canal Economic Zone and China's state-owned China Energy Engineering Corporation aims to develop green energy projects, highlighting China's strategic interest in the Suez Canal—a vital artery for global trade connecting the Mediterranean Sea to the Red Sea<sup>22</sup>.

However, the region's stability, prefaced by military support from the United States, faces challenges. Recent surges in attacks by Houthi rebels in the Bab el-Mandeb Strait have disrupted shipping routes, leading to temporary halts in Suez Canal transits by major shipping companies. These disruptions have prompted some vessels to reroute around the Cape of Good Hope, significantly increasing transit times and costs. Egypt, which relies heavily on revenue from the Suez Canal, has experienced substantial economic impacts due to decreased canal traffic<sup>23</sup>.

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<sup>19</sup> [The root causes of geopolitical fragmentation - Atlantic Council](#)

<sup>20</sup> [2024/23 "Malaysia–China Economic Relations: Riding the Dragon’s Tail for Structural Transformation" by Cassey Lee - ISEAS-Yusof Ishak Institute](#)

<sup>21</sup> [Strategic Importance of Andaman and Nicobar Command- A Revaluation - Defence Research and Studies](#)

<sup>22</sup> [Egypt's Suez Canal Economic Zone signs energy deals worth up to \\$14.75 bln | Reuters](#)

<sup>23</sup> [Suez Canal toll earnings set to continue falling, as vessels re-route around the Cape of Good Hope - Veson Nautical](#)

## VII. The Future of Global Maritime Trade Amidst Political and Technological Upheaval

The United States continues to assert its influence over critical maritime corridors to maintain its strategic dominance. Its interest in Greenland, for instance, is driven by the desire to control emerging Arctic shipping routes, which are becoming more accessible due to climate change<sup>24</sup>. Additionally, the U.S. is exploring ways to reinforce its presence in the Panama Canal, a vital chokepoint for global trade, to counter China's expanding influence in Latin America. These actions underscore the geopolitical importance of maritime corridors in global trade and security strategies.

Potential conflicts in Asia pose significant risks to global trade, particularly in sectors like semiconductors, where supply chains are highly concentrated. A conflict involving Taiwan, a major semiconductor producer, could disrupt global supply, affecting industries worldwide<sup>25</sup>. In response, China is investing in overland routes and alternative maritime pathways to mitigate its reliance on traditional chokepoints such as the Strait of Malacca, thereby enhancing its trade resilience amidst geopolitical tensions.

India is actively investing in port infrastructure to enhance its strategic position in maritime trade, serving as a counterbalance to China's BRI. The development of the Chabahar Port in Iran exemplifies this effort, providing India with a direct trade route to Afghanistan and Central Asia, bypassing Pakistan<sup>26</sup>. This initiative not only facilitates regional trade but also strengthens India's geopolitical influence in the region.

The future of maritime trade is likely to be shaped by technological advancements and geopolitical shifts. The adoption of AI-controlled and fully autonomous shipping could revolutionize logistics, enhancing efficiency and reducing costs. However, political instability may lead to the creation of regionalized shipping zones, as countries seek to secure their supply chains. Additionally, the emergence of 'economic safe harbors'—nations that maintain neutrality amidst global tensions—could serve as critical intermediaries in international trade, providing stable platforms for commerce in an unpredictable geopolitical landscape.

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<sup>24</sup> [Trump interest in buying Greenland 'not a joke', Rubio says | The Straits Times](#)

<sup>25</sup> [Taiwan war with China would ruin global economy, a semiconductor firm's boss warns](#)

<sup>26</sup> [India, Iran discuss development of Chabahar Port, trade relations - The Economic Times](#)

## VIII. Economic Consequences for Coastal Economies Due to Maritime Shifts

The evolving dynamics of global trade routes are poised to significantly impact coastal economies that have long thrived as pivotal maritime hubs<sup>27</sup>. Factors such as geopolitical tensions, technological advancements, and environmental changes are contributing to the reconfiguration of traditional shipping lanes, with profound economic implications for key ports worldwide.

### Ports Potentially Affected by Shifts in Global Trade Routes

**Singapore:** Traditionally recognized as one of the world's busiest transshipment hubs, Singapore's strategic location along the Strait of Malacca has been central to its economic prosperity. However, the viability of alternative routes, such as the Northern Sea Route (NSR) through the Arctic, is increasing due to melting polar ice and advancements in icebreaker technology. The NSR offers a shorter passage between Europe and Asia, potentially diverting traffic from Southeast Asian routes. Additionally, the development of overland rail networks, like China's Belt and Road Initiative, presents further alternatives to maritime shipping that could bypass Singapore. These shifts threaten to reduce the volume of cargo passing through Singapore, potentially diminishing its role as a global trade nexus. A decline in transshipment traffic due to the emergence of alternative routes could result in substantial economic losses for Singapore<sup>28</sup>. The nation's economy is heavily reliant on its port activities, and a significant reduction in cargo volumes could lead to losses amounting to billions of dollars in port revenues and associated services. This downturn would have cascading effects on related sectors, including logistics, warehousing, and maritime services, potentially leading to job losses and decreased economic growth.

**Suez Canal (Egypt):** The Suez Canal is a critical maritime corridor facilitating approximately 12% of global trade. Recent geopolitical tensions, particularly attacks by Houthi militants in the Red Sea region, have disrupted shipping activities, prompting vessels to seek alternative routes such as the Cape of Good Hope. These diversions not only increase transit times and costs but also threaten the canal's revenue streams. The International Monetary Fund reported a 50% year-over-year decline in trade volume through the Suez Canal in early 2024, underscoring the canal's vulnerability to regional instability. The Suez Canal is a major source of foreign currency for Egypt, generating substantial annual revenues. A 50% reduction in trade volume, as observed in early 2024, could lead to a significant decrease in revenue, exacerbating Egypt's fiscal challenges<sup>29</sup>. The loss of income from canal tolls would impact the national budget, potentially leading to cuts in public spending or increased borrowing. Moreover, reduced canal traffic could diminish Egypt's strategic leverage in global maritime affairs.

**Durban (South Africa):** As one of Africa's busiest ports, Durban plays a vital role in regional trade<sup>30</sup>. However, shifts in global shipping patterns, including the potential preference for alternative routes and ports, could adversely affect Durban's throughput. The port's competitiveness is further challenged by infrastructural constraints and the need for modernization to handle larger vessels and increased cargo volumes. Without significant investment and strategic adaptation, Durban risks economic downturns stemming from decreased port activity. A downturn in port activity at Durban could have severe economic repercussions for South Africa. The port supports a substantial number of jobs, both directly and indirectly, and a decrease in cargo throughput could lead to significant employment losses. Additionally, reduced port revenues would affect local businesses and could lead to lower tax revenues for the government, impacting public services and infrastructure development.

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<sup>27</sup> [Supply chain disruptions and the effects on the global economy](#)

<sup>28</sup> [Singapore among countries most at risk from rising geopolitical tensions: WTO | The Straits Times](#)

<sup>29</sup> [Red Sea Attacks Disrupt Global Trade](#)

<sup>30</sup> [The Vital Significance of Durban and Richards Bay Ports - Seamaster Maritime & Logistics](#)

## IX. The Rise of Small Coastal Nations as Independent Maritime Trade Actors

As global trade realigns due to multipolarity, small coastal nations with strategic ports face both challenges and opportunities. Traditionally dependent on major maritime trade routes, these nations are now exploring ways to maintain their relevance by leveraging technology, regional alliances, and policy innovations. By adapting to shifting supply chains, securing their strategic positions, and enhancing port capabilities, these nations could emerge as influential actors in global maritime trade.

With major shipping routes evolving, small coastal nations are increasingly investing in digital port infrastructure, smart logistics, and AI-driven maritime trade management to stay competitive. For example:

- Mauritius, a key Indian Ocean transshipment hub, is adopting smart port technologies to streamline logistics and enhance maritime security, allowing it to remain relevant as a gateway between Africa and Asia<sup>31</sup>.
- Panama, despite potential declines in traffic through the Panama Canal due to Arctic shipping routes, is exploring blockchain-based port management systems to reduce transit inefficiencies and attract new global shipping partners<sup>32</sup>.

Small coastal nations are also forming regional alliances to strengthen their positions in global trade. By leveraging their maritime advantages, these nations aim to prevent economic marginalization:

- The Caribbean Community (CARICOM) is integrating its port economies through digital trade agreements to streamline intra-Caribbean shipping and reduce dependency on external trade blocs<sup>33</sup>.
- Djibouti, home to one of the most strategically located ports in the Red Sea, is aligning itself with both China's Belt and Road Initiative (BRI) and the U.S. military presence to maintain trade security and diversify its partnerships amidst Red Sea conflicts<sup>34</sup>.

Many small coastal nations are also using climate policy as a means to secure economic trade guarantees from larger economies. Rising sea levels and climate-driven disruptions to traditional trade routes have prompted countries such as:

- The Maldives, which has pushed for "climate adaptation trade agreements" with larger economies, ensuring that shifting maritime routes do not exclude its ports from global supply chains<sup>35</sup>.
- Fiji, which is working to establish a Pacific maritime security and trade alliance, ensuring that smaller ports remain essential to trans-Pacific shipping routes as global trade flows evolve<sup>36</sup>.

The increasing adoption of blockchain-backed trade networks among small coastal nations presents a novel opportunity for creating decentralized trade alliances that bypass traditional financial and logistical barriers. By integrating digital trade solutions, these nations could:

- Establish a blockchain-driven customs clearance system that allows seamless shipping documentation across multiple smaller ports.
- Develop regional trade token systems that reduce reliance on major global currencies, providing trade autonomy for small nations.

In a rapidly evolving global trade landscape, small coastal nations are repositioning themselves as key maritime trade actors through technological advancements, regional cooperation, and digital innovation.

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<sup>31</sup> [Port Development Takes Centre Stage at the Mauritius Maritime Week 2025 - Mauritius Chamber of Commerce and Industry – MCCI](#)

<sup>32</sup> [GSBN blockchain network reaches Latin America - Smart Maritime Network](#)

<sup>33</sup> [Factors Influencing Intra-Regional Trade in the Caribbean – PGTS Inc.](#)

<sup>34</sup> [Strategic Significance of Djibouti: A Geopolitical Playground for Global Powers - Modern Diplomacy](#)

<sup>35</sup> [Maldives signs the "Samoa Agreement"](#)

<sup>36</sup> [Pacific Leaders Push for Maritime Security Alliance Amid Rising Threats - Fiji Global News](#)

If effectively implemented, these strategies could allow smaller port economies to maintain their influence despite shifting global shipping routes and the dominance of major powers. Indian Ocean economies should monitor such developments to understand its impacts to existing shipping routes and their economies.

## X. Religious Identity as an Emerging Force

Religious identities have historically shaped maritime trade networks, and in the current multipolar economy, they are poised to influence trade preferences and regional economic alignments. As religious-based trading blocs emerge, economies in the Indian Ocean region will need to adapt to new economic realities.

Historically, religious identities have played a pivotal role in shaping commerce. Indian Hindu and Buddhist traders, sailing across the Indian Ocean between 250 BCE and 1200 CE, established commercial ties that spread Indian culture to Southeast Asia, East Africa, and the Middle East. This period, often called the "Golden Road," saw trade between Indian kingdoms and maritime economies like Sri Lanka, Sumatra, and Zanzibar, influencing economic policies and cultural exchanges<sup>37</sup>.

The spread of Buddhism along maritime routes created shared economic networks between India, Sri Lanka, and Southeast Asia, strengthening intra-regional commerce. Similarly, Islamic traders from the Middle East and India established commercial hubs along the Swahili coast, the Maldives, and Indonesia, integrating Shariah-compliant financial systems into trade practices that still influence markets today.

In the modern era, religious and cultural identities continue to shape economic alliances and trade preferences. The rise of Islamic finance, the resurgence of Hindu-Buddhist trade corridors, and the influence of Christian-majority economies in the West are leading to distinct trade clusters that will impact Indian Ocean economies.

The growing prominence of Shariah-compliant banking has strengthened economic ties among Muslim-majority nations, particularly in the Middle East, South Asia, and parts of Africa. Malaysia, Indonesia, the UAE, and Saudi Arabia are expanding interest-free banking systems, encouraging trade flows between these regions<sup>38</sup>. Indian Ocean nations such as the Maldives, Somalia, and Comoros—which have Muslim-majority populations—are increasingly aligning with Islamic finance-led trade structures, benefiting from preferential investment flows from the Gulf Cooperation Council (GCC) and Southeast Asia.

Non-Muslim-majority Indian Ocean economies—such as Mauritius, Sri Lanka, and Seychelles—could find themselves excluded from these preferential trade agreements unless they adapt financial systems to accommodate Islamic finance.

With India's rising economic influence, there is renewed discussion of strengthening Hindu-Buddhist trade networks between India, Nepal, Sri Lanka, Thailand, and Indonesia<sup>39</sup>. These nations share historical trade connections rooted in religious and cultural links. There is potential for preferential trade agreements (PTAs) or economic corridors focused on heritage industries, tourism, and traditional medicine.

Christian-majority nations such as South Africa, Madagascar, and Seychelles have historically maintained strong economic ties with Western markets. As global trade becomes increasingly multipolar, these countries may face pressures to align more closely with Western trade policies to maintain access to European and North American markets.

In summary, religious identities continue to play a significant role in shaping economic alliances and maritime trade routes. As the global economy becomes increasingly multipolar, the influence of religious belief systems on trade preferences and the formation of religious trading blocs is likely to grow, potentially reshaping maritime commerce in the Indian Ocean.

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<sup>37</sup> [“The Golden Road: How Ancient India Transformed the World” by William Dalrymple](#)

<sup>38</sup> [The rise of Shariah-compliant investments](#)

<sup>39</sup> [Buddhist Diplomacy: Potential for Regional Cohesion - RSIS](#)

## XI. Conclusion: Rebuilding Trust and Confidence in Maritime Trade Governance

The future of maritime trade in the Indian Ocean will be defined not just by economic growth or geopolitical rivalry, but by the trust nations and businesses place in governance frameworks and international institutions. The fragmentation of global trade structures has accelerated as multipolarity replaces previous unipolar stability. This shift has fueled economic uncertainty, the decline of multilateral institutions, and the emergence of trade blocs driven by self-interest rather than collective prosperity. Amidst these disruptions, there is an urgent need for Trust and Confidence-Building Measures (TCBMs) that can restore faith in global governance and maritime trade frameworks.

To move beyond crisis management and toward a future of predictability, stability, and trust, governance frameworks must be reinforced through clear principles. The restoration of trust in international institutions requires a structural re-examination of governance—not just improving policies but reshaping how nations perceive fairness, transparency, and mutual benefit in trade systems. The following five trust-building principles are suggested, which nations and international organizations can consider with new economic and security frameworks in the Indian Ocean:

### Principle 1. Inclusive Multilateralism

One of the key reasons for the erosion of trust in international governance is the perception that existing trade institutions serve only the interests of dominant powers. Organizations such as the WTO and IMF have been criticized for being slow to act, disproportionately influenced by large economies, and failing to represent the realities of developing and mid-sized economies.

To rebuild trust, international institutions must reaffirm their legitimacy by ensuring more inclusive decision-making. This means:

- Reforming regional organizations (e.g. the Indian Ocean Rim Association (IORA)) to serve as an independent governance entity for regional maritime trade disputes, rather than leaving it entirely to international organizations.
- Implementing structured trade negotiation mechanisms that allow smaller nations to participate on equal footing, rather than entering into agreements that favor stronger economies.
- Consider the creation of an Indian Ocean Digital Trade and Governance Forum, a platform where all maritime stakeholders—governments, businesses, and regional organizations—can collaborate to set transparent policies and regulations on trade, cybersecurity, and infrastructure investments.

By enhancing institutional accountability and decision-making transparency, smaller nations and private sector players will have confidence that their economic interests are protected within larger governance structures.

### Principle 2. Transparent and Predictable Trade Rules

The growing reliance on regional trade pacts and economic coercion (e.g. export bans, tariffs, and unilateral trade policies) has led to uncertainty in global supply chains and unpredictability in trade flows, as rules are constantly reshaped by shifting alliances.

To rebuild trust, governance institutions must prioritize:

- A commitment to transparency in trade policy—ensuring that any trade restrictions, tariffs, or export controls are communicated in advance and adhere to multilateral dispute resolution mechanisms.
- The implementation of (near) real-time trade monitoring systems, using blockchain and AI, to provide publicly accessible, tamper-proof trade records, preventing sudden policy shifts from undermining global supply chains.
- Standardizing crisis management protocols for trade disruptions (such as the Suez Canal blockage or Red Sea attacks) so that alternative supply chain routes are pre-negotiated, avoiding abrupt economic shocks.

When businesses and governments trust that trade agreements will be upheld without arbitrary changes, confidence in international institutions will be restored, encouraging greater investment and economic stability.

### Principle 3. Cooperative Maritime Security and De-escalation

Security remains a core determinant of economic stability. Without secure shipping lanes, trade cannot function predictably, and uncertainty in maritime routes reduces trust in long-term supply chain investments. The weaponization of trade routes—such as blockades in the Red Sea, rising tensions in the South China Sea, and piracy threats in the Indian Ocean—has eroded confidence in existing security frameworks.

To build confidence in maritime trade, nations must adopt:

- A cooperative security framework under IORA that includes India, ASEAN, African states, and Middle Eastern nations to coordinate naval security, intelligence-sharing, and trade route protection.
- A non-aggression agreement for maritime trade routes, ensuring that critical infrastructure such as the Suez Canal, the Strait of Malacca, and the Bab el-Mandeb Strait remain free from militarization during economic disputes.
- A structured early-warning system for economic and security risks—allowing nations to anticipate trade disruptions before they escalate into full-blown crises.

Ensuring that maritime security is a shared responsibility rather than a geopolitical battleground will help stabilize global supply chains and restore investor and business confidence.

### Principle 4. Ensuring Climate-Resilient and Sustainable Maritime Infrastructure

The long-term sustainability of maritime trade depends on how well nations prepare for climate-induced disruptions. Rising sea levels, Arctic trade shifts, and extreme weather events threaten coastal economies and port-based industries, while new environmental regulations risk excluding developing economies from global trade networks.

To foster economic trust while addressing climate challenges, nations and institutions around the Indian Ocean should pool resources to support:

- Climate adaptation investment in port infrastructure—ensuring that smaller nations are not disproportionately affected by rising sea levels and extreme weather events.
- A transition to sustainable maritime trade practices—including carbon-neutral shipping lanes and technology incentives that enable alignments with evolving environmental regulations such as the EU’s Carbon Border Adjustment Mechanism (CBAM).
- A maritime trade sustainability compact, allowing smaller economies to secure trade exemptions or transition funding while adapting to global environmental standards.

By integrating climate-resilient trade policies into governance frameworks, institutions can ensure that no country is economically marginalized due to climate adaptation disparities.

### Principle 5. Balanced Digital Innovation with Regulatory Oversight

The rapid rise of digital trade, blockchain logistics, and decentralized finance has created unprecedented opportunities for trade efficiency and security. However, the absence of regulatory oversight has led to concerns about fraud, cybersecurity risks, and the unregulated influence of private digital economies in state governance.

To build trust in digital trade innovations, international frameworks could consider to:

- Establish regional cybersecurity agreements to advance and protect digital maritime trade networks, ensuring that blockchain-based logistics and AI-driven port operations remain secure.
- Create a hybrid regulatory framework for DAOs and decentralized trade networks, ensuring that while digital economies can operate across borders, they remain accountable to legal structures that prevent abuse.

- Standardize digital customs procedures across the Indian Ocean region, reducing bureaucratic inefficiencies while ensuring that technology-driven trade remains fair and accessible to all economies.

By integrating technological advancements with governance oversight, trade institutions can ensure that digital commerce remains a tool for transparency and efficiency rather than an unregulated system prone to exploitation.

To conclude, the Indian Ocean's future is not simply a matter of trade logistics—it is a test of how international governance can rebuild trust in an era of geopolitical fragmentation. The five principles outlined above—inclusive multilateralism, transparent trade rules, cooperative security, climate resilience, and balanced digital governance—are essential foundations for a trusted and predictable trade environment.

By implementing these principles, international institutions and regional stakeholders can ensure that the Indian Ocean remains a trade corridor of stability, resilience, and innovation, rather than an arena for economic and strategic competition. A return to trust-based governance will not only secure the future of global supply chains but will also set the standard for how economic cooperation in a multipolar world can thrive.

The responsibility now lies with policymakers, business leaders, and multilateral institutions to prioritize confidence-building in trade governance, ensuring that economic stability, maritime security, and environmental sustainability (a win-win-win situation) define the next chapter of the Indian Ocean's role in global commerce.