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Competing Visions, Shared Prosperity:

The Future of Economic Architecture in the Indo-Pacific

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People walk on a footbridge with a screen displaying the treasury bond futures index at the financial district, Lujiazui, Shanghai, China, June 1, 2026. Photo by Hector Retamal/AFP via Getty Images

> “The evolution of the Indo-Pacific’s economic architecture will influence patterns of regional co-operation and the ability of states to preserve policy autonomy amid intensifying competition among major powers.”

The Indo-Pacific has emerged as the principal arena in which trade, technology, infrastructure, supply chains, and finance increasingly intersect with questions of power, security, and regional order. For much of the post-Cold War era, regional prosperity was underpinned by the assumption that expanding economic interdependence would promote growth, moderate strategic rivalry, and strengthen support for a stable rules-based order. That assumption remains influential, but it now operates within a far more contested geopolitical environment.

Across the region, economic policy is increasingly viewed through a strategic lens. Governments are reassessing supply-chain dependencies, introducing industrial policies to strengthen domestic capabilities, tightening controls over sensitive technologies, and placing a special emphasis on the security implications of digital networks, energy systems, and critical minerals. Economic considerations remain central, but they are no longer insulated from broader geopolitical calculations.

These developments elevate the discussion beyond traditional questions of trade and investment. The evolution of the Indo-Pacific’s economic architecture will influence patterns of regional co-operation and the ability of states to preserve policy autonomy amid intensifying competition among major powers. For regional security practitioners, the future of economic order has become inseparable from the future of strategic order.

The Securitization of Economic Architecture

The post-Cold War economic order rested on the understanding that markets would allocate resources efficiently, global value chains would deepen cross-border integration, and multilateral institutions would provide the predictability necessary for trade, investment, and long-term growth. In the Indo-Pacific, this logic found expression in successive waves of regional institution-building, from APEC and intra-ASEAN economic integration initiatives to ASEAN’s network of external free trade agreements and, more recently, mega-regional arrangements such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

These agreements remain central pillars of the regional economic landscape. RCEP has brought together ASEAN, China, Japan, South Korea, Australia, and New Zealand within a common framework that reinforces production networks across East Asia. CPTPP advances a more ambitious rule-making agenda, addressing issues such as digital trade, state-owned enterprises, labour standards, and environmental commitments.

The U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF) reflects a markedly different philosophy. Unlike traditional trade agreements, IPEF offers no meaningful market-access commitments and instead concentrates on supply chains, clean-economy initiatives, anti-corruption measures, and emerging regulatory standards. While IPEF may contribute to co-ordination in selected sectors, its long-term influence will ultimately depend on whether participating economies perceive tangible economic benefits from engagement. In the absence of market access obligations, there are legitimate questions about its durability and attractiveness relative to more traditional economic arrangements.

These frameworks demonstrate that the Indo-Pacific does not suffer from a shortage of economic architecture. Rather, it is witnessing a growing contest over the purpose of that architecture. Economic arrangements will no longer be assessed solely on their contribution to trade liberalization or economic efficiency. They will be increasingly evaluated according to their capacity to strengthen resilience, reduce strategic vulnerabilities, shape technological standards, secure critical supply chains, and advance geopolitical influence.

This shift reflects a broader transformation in the relationship between economics and security. The Indo-Pacific remains deeply interconnected through flows of trade, investment, capital, technology, data, and people. Yet the political meaning of interdependence has changed. Relationships once viewed primarily as sources of mutual benefit are increasingly examined through the lens of risk, vulnerability, and strategic exposure.

Fragmentation and the New Logic of Interdependence

Economic fragmentation is one of the defining risks facing the Indo-Pacific. Rather than signalling a collapse of trade, fragmentation refers to the gradual re-organization of economic activity into increasingly distinct regulatory spheres, technological ecosystems, production networks and strategic partnerships shaped by geopolitical considerations. The process is often incremental rather than abrupt, but its cumulative effects can be profound.

This trend is reflected in the growing prominence of concepts such as de-risking, friend-shoring, near-shoring, and strategic autonomy. Although these approaches differ in emphasis, they share a common objective: reducing exposure to economic relationships perceived as strategically risky or politically uncertain.

Recent events have reinforced these concerns. The COVID-19 pandemic exposed vulnerabilities in concentrated supply chains for medical equipment, pharmaceuticals, and semiconductors. Russia's 2022 invasion of Ukraine disrupted global energy, food, and commodity markets. Continuing instability across West Asia has demonstrated how conflict can rapidly affect energy prices, maritime transportation, and insurance

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U.S. President Biden launches the Indo-Pacific Economic Framework in Tokyo, Japan, May 23, 2022. Photo by the Office of the President of the United States, Public domain, via Wikimedia Commons.

costs. Meanwhile, tensions in the Taiwan Strait have sharpened concerns regarding semiconductor supply chains, while competition over critical minerals has elevated the strategic significance of resources essential to advanced manufacturing, defence industries, and the green transition.

Yet fragmentation carries significant costs. Efforts to duplicate production networks, restrict technology flows, and narrow economic partnerships may reduce certain vulnerabilities, but they can also generate inefficiencies, increase costs, and weaken growth prospects. While larger economies may possess the fiscal capacity and market size to absorb some of these burdens, smaller and trade-dependent economies are likely to face far greater challenges.

Much of the Indo-Pacific's economic success has been built upon participation in deeply integrated regional and global value chains. As those networks become increasingly shaped by geopolitical considerations, the foundations of the export-oriented growth model that supported decades of development may come under pressure.

For ASEAN, these risks are particularly acute. The region's prosperity has long depended upon openness, connectivity, and the ability to engage all

major economic partners simultaneously. ASEAN member states have benefited from avoiding exclusive alignments and maintaining broad economic relationships across competing geopolitical blocs. A more fragmented Indo-Pacific would constrain this flexibility, complicate investment decisions, and diminish ASEAN's attractiveness as a hub within regional production networks.

The concept of weaponized interdependence offers a useful framework for understanding these developments. In highly networked economic systems, influence often derives from control over critical nodes rather than sheer economic size. Financial systems, digital platforms, technological standards, logistics hubs, energy corridors, and supply-chain chokepoints can all become sources of strategic leverage. Networks that facilitate prosperity under normal circumstances may also provide opportunities for coercion during periods of tension.

Reducing strategic vulnerabilities has become a legitimate policy objective for governments across the Indo-Pacific. The more difficult task lies in achieving this objective without undermining the openness, connectivity, and predictability that have long served as the foundations of regional prosperity.

Resilience Without Protectionism

For much of the previous era, firms sought to minimize costs and maximize efficiency by dispersing production across multiple jurisdictions according to comparative advantage. The resulting just-in-time production systems reduced inventories and improved profitability, but they also heightened exposure to disruptions when critical links in supply chains were interrupted.

The lessons of recent years have prompted governments and businesses alike to place greater emphasis on resilience. Yet resilience should not be confused with self-sufficiency. No country, regardless of its size or capabilities, can realistically produce everything it requires at competitive cost and technological sophistication. Nor should resilience become a justification for economic closure. Properly understood, resilience refers to the capacity to anticipate shocks, absorb disruption, adapt rapidly, and recover without systemic breakdown.

Achieving resilience depends upon a broader portfolio of partnerships, diversified sourcing arrangements, and sustained investment in enabling infrastructure. Energy systems, logistics networks, digital connectivity, food security mechanisms, and human capital development all contribute to a state's capacity to absorb shocks. Equally important are institutional arrangements that facilitate information sharing, policy co-ordination, and collective responses during periods of disruption.

Several regional frameworks can contribute to this objective, albeit in different ways. RCEP supports the continuity of regional production networks through common rules and broader participation. CPTPP promotes greater regulatory predictability and higher-standard governance disciplines. Elements of IPEF may strengthen co-operation in areas such as supply-chain resilience and clean economy initiatives, while APEC continues to provide an important platform for the incubation of ideas, voluntary co-operation, and policy dialogue. Taken together, these arrangements illustrate that resilience can be strengthened through deeper co-operation rather than economic isolation.

ASEAN remains particularly important in this regard. Its value lies in providing an inclusive platform through which economies with differing strategic orientations can continue to engage with one another. ASEAN-led processes may not always move at the speed preferred by major powers, but they provide diplomatic space

for dialogue, confidence-building, and practical co-operation in an increasingly polarized environment.

At its core, the emerging policy challenge is to develop forms of interdependence that are sufficiently diversified to reduce strategic risk while remaining open enough to preserve economic dynamism. Such an approach avoids the extremes of both unfettered market orthodoxy and inward-looking economic nationalism. It is also more consistent with the realities of a region that is dependent upon cross-border connectivity for its prosperity.

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Economic Warfare and the New Strategic Battleground

The growing use of economic instruments for strategic purposes represents one of the most consequential developments in contemporary geopolitics. States have employed sanctions, embargoes, blockades, and trade restrictions for centuries. What distinguishes the current environment is the unprecedented integration of economic tools into broader strategies of geopolitical competition.

The U.S.–China rivalry illustrates this transformation. The contest extends far beyond tariffs or trade balances. It encompasses artificial intelligence, quantum computing, data governance, critical minerals, and the standards that will shape future industries. Economic competition has become inseparable from strategic competition.

Developments elsewhere reinforce the same trend. Western sanctions on Russia have demonstrated the reach of financial restrictions, export controls, and energy measures. Longstanding sanctions on Iran, investment-screening mechanisms, and controls on sensitive technologies all reflect the growing convergence of economic and security policy.

The effects of these measures often extend far beyond their immediate targets. Export controls on strategically important technologies can reverberate throughout entire industrial ecosystems. Financial sanctions may affect firms, banks, and consumers across multiple jurisdictions. The interconnected nature of the global economy amplifies both the reach and the consequences of economic coercion.

Economic warfare also produces highly uneven effects. While target states are intended to bear the primary costs, third parties frequently experience collateral consequences. Trade-dependent economies may face reduced demand, supply disruptions, and heightened uncertainty. Energy-importing countries may confront inflationary pressures. Firms operating across multiple jurisdictions may encounter growing compliance burdens and legal risks. Smaller economies often possess limited influence over the decisions that generate these disruptions, even though they must absorb many of the resulting costs.

This does not imply that all economic security measures are inappropriate or illegitimate. States have the right to protect critical infrastructure, prevent the transfer of strategically sensitive technologies, and respond to serious violations of international law. Nevertheless, the increasing normalization of economic coercion risks blurring the distinction between legitimate security measures and instruments of strategic intimidation.

There is also the danger of escalation. Economic warfare is frequently portrayed as a substitute for military conflict, offering states a means of applying pressure without resorting to force. Yet when economic measures fail to achieve their intended objectives, pressures for further escalation may emerge. Economic coercion can therefore become part of a broader cycle of confrontation rather than a mechanism for resolving disputes.

For policymakers across the Indo-Pacific, the challenge lies in preventing the growing convergence between economics and security from eroding the foundations of co-operation that have supported decades of prosperity. Excessive securitization risks generating a climate in which economic relationships are viewed primarily through the lens of vulnerability and coercion. Such an environment would diminish trust, increase uncertainty, and weaken the incentives for collaborative problem-solving that remain essential to regional stability.

ASEAN, Middle Powers, and Regional Agency

Despite the recent developments, it would be a mistake to view the Indo-Pacific merely as an arena in which major powers impose competing visions upon the rest of the region. Regional states retain considerable agency in shaping rules, institutions, and norms. ASEAN, Japan, Australia, South Korea, India, New Zealand, and others continue to influence the evolution of regional economic architecture through both national policies and collective initiatives.

ASEAN centrality, however, cannot rest solely on institutional habit or declaratory support. It must be demonstrated through practical leadership and tangible outcomes. ASEAN should focus on areas where consensus remains achievable, including supply-chain transparency, digital economy governance, and crisis response mechanisms. It must also ensure that emerging external initiatives complement rather than displace ASEAN-led processes.

Middle powers have an equally important role to play. Japan's contributions to quality infrastructure, Australia's work on critical minerals and supply-chain resilience, South Korea's technological strengths, and India's economic scale and strategic geography all contribute to a more balanced and diversified regional environment.

The objective is not to eliminate competition. Competition among states is a normal feature of international relations and will remain so. The more important task is ensuring that competition remains bounded by rules, institutions, and shared interests that prevent it from becoming destructive.

Conclusion

The future economic architecture of the Indo-Pacific will be shaped by the interaction of four powerful forces: competing economic visions, fragmentation pressures, resilience imperatives, and the growing use of economic instruments in strategic competition. None of these dynamics operate in isolation. Measures intended to strengthen resilience may contribute to fragmentation, which, in turn, could generate new vulnerabilities. Efforts to address those vulnerabilities may then accelerate the securitization of economic relations.

Managing these tensions will require a careful balancing of objectives that are often presented as competing but are, in reality, deeply interconnected. Regional economies will need to strengthen resilience without retreating into protectionism, diversify partnerships without institutionalizing decoupling, and address legitimate security concerns without allowing coercive practices to become a defining feature of regional order.

The Indo-Pacific is unlikely to return to the assumptions that characterized the early post-Cold War period. Strategic competition will remain a central feature of the regional landscape. The more consequential question is whether that competition can be channelled through institutions, rules, and co-operative mechanisms that preserve openness, encourage innovation and sustain broadly shared prosperity.

The answer will determine not only the region's economic future but the character of its strategic order in the decades ahead.

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