ASCENDANCY ADVISORS LIMITED

CHINA COMMERCIAL INTELLIGENCE BRIEF

SPECIAL EDITION

30 JUNE 2026

Beyond the First Island Chain:

China's Expanding Indo-Pacific Security Footprint and the Commercial Implications

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PUBLICATION	TYPE	DATE	ANALYST
China Commercial Intelligence Brief	Special Edition	30 June 2026	Frank Matisse

ABSTRACT

China's defence and security presence beyond the First Island Chain has entered a new and consequential phase. Across the Southwest Pacific, the Indian Ocean and Australia's maritime approaches, Beijing is systematically constructing a pattern of access, presence and influence that is reshaping regional security dynamics — and with them, the commercial operating environment for businesses active across Asia-Pacific.

This Special Edition of the China Commercial Intelligence Brief draws on the Australian Strategic Policy Institute's June 2026 report, Pressure Points Part 3: China in the Pacific and Indian Oceans, to provide a structured commercial intelligence assessment of this strategic evolution. It maps the tools and actions China deploys — spanning naval power, coast guard operations, maritime militia activity, overseas policing, private security, research vessels and infrastructure investment — and analyses their cumulative implications for commercial risk.

The central analytical finding is that China's strategy is not designed to produce a dramatic geopolitical rupture. It is designed to normalise — to make persistent Chinese presence across the Indo-Pacific accepted as routine, and thereby to shift the strategic architecture of the region incrementally and below the threshold of armed conflict. For commercial operators, the implication is direct: the assets, counterparties and logistics corridors that carry purely commercial significance today may acquire strategic sensitivity tomorrow.

This edition includes a commercial risk exposure matrix, a three-horizon action framework, an enhanced due diligence checklist, a sector watch brief and an AAL assessment. It is intended for senior decision-makers in multinational corporations, infrastructure investors, compliance functions and supply chain operations with exposure to the Asia-Pacific region.

STRATEGIC SHIFT

China's transition from integration into the existing order toward active reshaping of regional security norms — a strategy measured in years, not moments.

GREY-ZONE DYNAMICS

Cumulative normalisation through individually modest actions — naval patrols, coast guard deployments, port visits, policing agreements — that collectively reshape the strategic environment.

COMMERCIAL EXPOSURE

Port ownership, shipping routes, submarine cables, mining logistics, telecoms and energy corridors across the Indo-Pacific are increasingly subject to geopolitical sensitivity.

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EXECUTIVE SUMMARY

China's security strategy has entered a qualitatively new phase. While international attention remains concentrated on Taiwan and the South China Sea, Beijing is methodically expanding its strategic presence across the wider Indo-Pacific — encompassing the Pacific Islands, the Indian Ocean and the logistics corridors that connect them.

The latest assessment from the Australian Strategic Policy Institute, Pressure Points Part 3: China in the Pacific and Indian Oceans, provides one of the most comprehensive public analyses of this evolution to date. Its central finding is significant: China's objective extends well beyond territorial disputes. Rather than seeking immediate confrontation, Beijing is constructing a durable, multi-dimensional security presence through an integrated combination of naval deployments, coast guard operations, policing cooperation, overseas logistics, research vessels, infrastructure investment and commercial partnerships.

For businesses operating across Asia-Pacific supply chains, these developments are no longer solely matters of geopolitical interest. They increasingly influence investment decisions, infrastructure ownership structures, shipping security assessments, sanctions exposure and counterparty risk evaluation. The boundary between commercial risk and geopolitical risk has narrowed materially. For decision-makers, the issue is no longer whether geopolitics affects commercial risk, but how quickly organisations adapt their due diligence frameworks to reflect this reality.

KEY ASSESSMENTS

Ascendancy Advisors Limited draws the following principal assessments from current intelligence:

- China's strategic approach is incremental and deliberate. Beijing is not seeking dramatic confrontations. It is normalising a persistent security presence through repeated, individually modest actions that collectively reshape the operational environment.
- Multiple instruments of state power are deployed in combination. Naval capability is one element. Coast guard operations, maritime militia activity, overseas policing cooperation, private security provision, research vessels and commercial logistics infrastructure each contribute to an integrated strategic posture.
- The Pacific Islands represent an active testing ground. China has expanded police cooperation, military exchanges, equipment donations and infrastructure engagement across several Pacific Island states. The 2022 Solomon Islands security agreement was a landmark. The Australian-Vanuatu Nakamal Agreement (29 June 2026) signals that regional governments are beginning to respond.
- The Indian Ocean is the more consequential long-term theatre. China's military support facility in Djibouti, combined with access to Gwadar, Hambantota and other Indian Ocean ports, reflects a strategy centred on sustained logistics reach. Modern naval power requires replenishment, maintenance and intelligence infrastructure as much as combat capability.
- Commercial infrastructure increasingly carries strategic significance. Assets that appear commercially routine today may acquire geopolitical sensitivity as China's security presence expands. Due diligence frameworks must incorporate this dimension.

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THE STRATEGIC SHIFT

For decades, China's military diplomacy was oriented primarily toward reassurance — managing neighbouring states' concerns about China's rise while supporting economic development through the Belt and Road Initiative and related programmes. Under President Xi Jinping, that doctrine has fundamentally changed.

Today's People's Liberation Army is expected to protect Chinese overseas interests, expand operational reach into previously uncontested maritime spaces, shape regional security norms and support Beijing's broader geopolitical objectives. ASPI characterises this evolution as China's transition from integrating into the existing international order towards actively reshaping that order in ways more closely aligned with Chinese strategic interests.

This represents a significant departure from the restraint doctrine that characterised earlier Chinese defence policy. The change is not merely rhetorical. It is manifest in operational deployments, infrastructure investments, security agreements and the systematic expansion of China's logistical reach across two oceans.

BEYOND MILITARY POWER: AN INTEGRATED APPROACH

One of the ASPI report's most important observations is that China's expanding influence is not built solely — or even primarily — around naval strength. Beijing deploys an integrated combination of state instruments, each of which carries both civilian and strategic functions:

- People's Liberation Army Navy deployments and task group exercises across the Pacific and Indian Oceans
- China Coast Guard operations extending well beyond China's claimed maritime jurisdiction
- Maritime militia activities providing persistent low-signature presence in contested waters
- Overseas policing cooperation and police station networks providing intelligence and influence in host states
- Private security companies protecting Belt and Road infrastructure — and the personnel and interests associated with it
- Oceanographic research vessels conducting surveys that serve dual civilian and military intelligence purposes
- Commercial shipping and logistics infrastructure supporting military sustainment
- Port investments and infrastructure financing providing operational access and political leverage
- Security assistance programmes embedding China within host-nation security architectures
- Humanitarian and disaster relief missions building legitimacy and familiarity

Viewed individually, many of these activities appear routine — even benign. Viewed collectively, they constitute a persistent, multi-layered Chinese strategic presence extending well beyond East Asia. The integration of civilian, commercial and security functions is deliberate. It complicates attribution, reduces the risk of triggering formal diplomatic responses, and enables incremental gains below the threshold of armed conflict.

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NORMALISATION, NOT ESCALATION

Perhaps the most strategically important conclusion in the ASPI assessment is that China does not require dramatic geopolitical victories to achieve its objectives. Instead, Beijing appears focused on changing what the regional and international community accepts as normal.

Regular naval patrols. Routine coast guard deployments. Frequent port visits. Police training agreements. Infrastructure access. Scientific research missions. Commercial logistics support.

Each activity may appear modest in isolation. Together, they gradually establish operational familiarity, political relationships and strategic access throughout the Indo-Pacific. This incremental approach — what analysts describe as 'grey-zone' competition — achieves cumulative strategic gains without crossing the threshold of armed conflict. The logic is patient and long-term. It is also effective.

For commercial operators, the grey-zone dynamic presents a specific challenge: the point at which an infrastructure asset, a counterparty relationship or a supply chain route acquires geopolitical sensitivity may not be clearly telegraphed in advance. Risk assessment frameworks must therefore be forward-looking, not reactive.

THE PACIFIC ISLANDS: AN ACTIVE TESTING GROUND

The Pacific has become one of the principal operational testing grounds for China's expanded security strategy. Over the past decade, Beijing has developed police cooperation programmes, military exchanges, equipment donation packages, and infrastructure and development engagement across several Pacific Island states.

The 2022 Solomon Islands security agreement demonstrated Beijing's willingness and capability to establish formal security relationships extending well beyond its immediate maritime periphery. The terms of the agreement — including provisions potentially permitting Chinese naval vessel access — generated significant concern across Australia, New Zealand and the United States.

The regional response is now developing. Australia and Vanuatu concluded the Nakamal Agreement on 29 June 2026, establishing a bilateral security cooperation framework that, while not explicitly naming China, includes provisions limiting foreign military basing and the militarisation of critical infrastructure. The timing and substance of this agreement reflect growing regional recognition that China's expanding security footprint in the Pacific requires a structured diplomatic and security response.

For businesses operating in Pacific Island jurisdictions — particularly in telecommunications, mining, port operations and energy infrastructure — the evolution of these security relationships is directly relevant to counterparty due diligence, infrastructure ownership assessment and export control compliance.

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THE INDIAN OCEAN: THE LONG GAME

The Indian Ocean may ultimately prove the more consequential long-term theatre for China's expanding security strategy. The 'string of pearls' concept — China's network of friendly ports, logistics facilities and infrastructure investments across the Indian Ocean littoral — has evolved from strategic theory to operational reality.

China's established military support facility in Djibouti, combined with growing access to ports including Gwadar (Pakistan) and Hambantota (Sri Lanka), illustrates a strategy centred on logistics reach rather than conventional overseas bases. ASPI's assessment is that China's objective appears to be sustained operational reach: the ability to deploy, maintain, resupply and recover naval assets across the full extent of the Indian Ocean.

Modern naval power is as dependent upon replenishment infrastructure, maintenance facilities, communications and intelligence collection as it is upon combat capability. China's systematic development of access to Indian Ocean ports and logistics nodes should therefore be understood not as peripheral commercial activity, but as the construction of an operational architecture for sustained maritime presence.

The commercial implications are material. Energy transit routes, undersea cable infrastructure, mining logistics corridors and container shipping lanes across the Indian Ocean all traverse an environment that is subject to increasing strategic competition. Insurance underwriters, shipping operators and infrastructure investors should factor this dimension into their risk assessments.

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COMMERCIAL RISK EXPOSURE MATRIX

The following matrix identifies key risk vectors for commercial operators arising from China's expanded Indo-Pacific security posture:

RISK ISSUE	LEVEL	COMMERCIAL IMPLICATION
Port infrastructure with dual-use potential	HIGH	Assets financed or operated by Chinese SOEs may be subject to strategic repurposing; elevated due diligence required on ownership and operating agreements.
Shipping route security across Indian Ocean	HIGH	Commercial shipping is increasingly transiting waters subject to competing patrol operations; insurance underwriters are reassessing political risk premiums.
Submarine cable infrastructure	HIGH	Disruption, surveillance concerns and ownership concentration may affect digital resilience, financial services and government communications across the region.
Telecommunications infrastructure in Pacific Island states	ELEVATED	Network equipment and undersea cables supported by Chinese investment pose latent interception and service-continuity risks.
Mining and resource concession agreements in strategic jurisdictions	ELEVATED	Resource extraction agreements in Papua New Guinea, Vanuatu and neighbouring states may attract secondary sanctions scrutiny as geopolitical tensions develop.
Export control compliance for dual-use technology	ELEVATED	US, UK and EU export controls continue to expand. Firms with Asia-Pacific supply chains should conduct enhanced screening of end-user exposure.
Energy corridor access across South Asia	MEDIUM	Chinese logistics facilities at Gwadar and related infrastructure alter the competitive landscape for energy transit; long-term supply agreements should account for access risk.
Counterparty exposure to sanctioned affiliates	MEDIUM	Secondary sanctions risk arising from Chinese corporate structures with PLA or state security links is expanding. Enhanced UBO verification is advised.

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PRACTICAL RECOMMENDATIONS

Action Framework by Time Horizon

TIME HORIZON	RECOMMENDED ACTION	RESPONSIBLE FUNCTION
Immediate (0–90 days)	Audit counterparty portfolios for exposure to Chinese-linked port operators, infrastructure concessionaires and logistics providers in Pacific and Indian Ocean jurisdictions.	Counterparty risk teams, compliance
Short-term (3–12 months)	Enhance supply chain resilience assessments to incorporate geopolitical access risk; update insurance coverage to reflect evolving political risk parameters.	Operations, procurement, legal
Medium-term (1–3 years)	Develop scenario planning frameworks for potential infrastructure access restrictions; establish alternative logistics pathways for critical supply chains.	Strategy, risk management

Enhanced Due Diligence Checklist

For counterparties and infrastructure assets in Pacific and Indian Ocean jurisdictions, Ascendancy Advisors recommends verification of the following:

- Ultimate beneficial ownership — identify any links to Chinese state-owned enterprises, PLA-affiliated entities or state security apparatus
- Contractual access provisions — review whether financing or operating agreements include provisions that could be activated for strategic purposes
- Export control classification — assess whether technology, equipment or services involved are subject to US EAR, UK Export Control Order or EU dual-use regulations
- Secondary sanctions exposure — screen for exposure to Chinese entities subject to US OFAC, Treasury or Commerce Department designations
- Insurance coverage adequacy — confirm that political risk and supply chain disruption coverage reflects current geopolitical conditions
- Supply chain redundancy — assess whether critical logistics pathways have viable alternative routings if strategic access is disrupted
- Contractual resilience — review force majeure, sanctions and change-in-law clauses in long-term commercial agreements to ensure geopolitical disruptions are adequately addressed

AAL ASSESSMENT — FRANK MATISSE, SENIOR ANALYST

Ascendancy Advisors assesses that China's expanding Indo-Pacific security presence should not be framed primarily in terms of military confrontation risk. The more operationally significant dynamic is the normalisation of Chinese strategic access across the Pacific and Indian Oceans through persistent, multi-domain engagement below the threshold of armed conflict. For multinational corporations, infrastructure investors and supply chain operators, this evolution has immediate practical consequences. The asset, counterparty or logistics corridor that appears commercially routine today may become strategically significant tomorrow. Due diligence frameworks that fail to incorporate this dimension will be structurally incomplete. The central question for commercial risk assessment is no longer solely who owns an asset, but how that asset may function within a wider strategic architecture that neither the asset's owners nor its operators may fully control.

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KEY TAKEAWAY

China is not building a rival empire through confrontation. It is constructing one through habituation — normalising its presence, routinising its access and embedding its influence across the Indo-Pacific until the map of strategic reality quietly redraws itself. For commercial operators, the practical implication is straightforward: the risk is not a single dramatic event requiring a crisis response, but a gradual shift in the operating environment that makes yesterday's due diligence framework structurally inadequate for tomorrow's decisions.

CONCLUSION

China's expanding security footprint is no longer geographically confined to East Asia. It now extends across the Pacific and Indian Oceans through an integrated combination of military capability, economic engagement, diplomatic influence and civilian infrastructure — each element reinforcing the others.

Whether this trajectory ultimately produces a more stable or more contested Indo-Pacific remains uncertain. What is increasingly clear is that the trajectory itself is established, deliberate and accelerating. The tools China employs — infrastructure investment, port access, policing cooperation, coast guard deployments, research vessel operations and commercial logistics — will continue to expand the geographic and functional scope of Beijing's strategic presence.

For organisations operating internationally, the intersection of geopolitical strategy and commercial risk has become a material consideration, not a peripheral one. Understanding that intersection — and building it systematically into counterparty due diligence, supply chain assessment and investment governance — is no longer optional. It is a prerequisite for effective strategic risk management. Organisations that separate geopolitical intelligence from commercial decision-making will increasingly find themselves reacting to events rather than anticipating them.

WATCH BRIEF: INDICATORS TO MONITOR

Ascendancy Advisors recommends ongoing monitoring of the following indicators as early signals of material developments in China's Indo-Pacific security posture:

- Further Pacific Island security or policing agreements involving Chinese personnel, equipment or financing
- Expansion of China Coast Guard patrol zones beyond current operational areas
- Additional port access negotiations or infrastructure financing agreements in Indian Ocean littoral states
- PLA Navy task group deployments to the South Pacific or Southern Indian Ocean
- US, Australian or UK export control or sanctions designations targeting Chinese maritime or infrastructure entities
- Diplomatic developments affecting the Nakamal Agreement framework or equivalent bilateral security arrangements
- Insurance market adjustments to political risk premiums for Indian Ocean or Pacific shipping routes

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SOURCE AND METHODOLOGY NOTE

This Special Edition draws principally on the Australian Strategic Policy Institute publication Pressure Points Part 3: China in the Pacific and Indian Oceans, supplemented by open-source reporting including Reuters (29 June 2026) on the Australia-Vanuatu Nakamal Agreement, and Ascendancy Advisors' proprietary analytical framework for China commercial intelligence assessment. Where appropriate, Ascendancy Advisors supplements public reporting with proprietary analytical methodologies developed through commercial intelligence practice.

ASPI's assessment is produced by a specialist team with access to government and defence community networks in Australia, the United States and allied states. Its conclusions are consistent with intelligence assessments published by the US Office of the Director of National Intelligence and publicly available US Department of Defense assessments of Chinese military development.

All assessments in this publication represent the analytical judgement of Ascendancy Advisors Limited and are subject to revision as new information becomes available.

NEXT ISSUE · CIRCA 8 JULY 2026

Issue 6 will provide in-depth analysis of the operational status of the US–China rare earth and trade framework, including sector-by-sector assessment of supply chain reconfiguration, export control compliance obligations and counterparty due diligence requirements arising from new bilateral commitments. Paid subscribers will receive the full risk exposure matrix, sector analysis and transaction checklist.

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