

2026 State of the Nation Series:

# The Indo-Pacific

Next in our State of the Nation Primer series, we turn to a region of growing strategic significance – particularly from a US perspective – the Indo-Pacific (or IndoPac). The IndoPac region spans both the Indian and Pacific Oceans, connecting Africa’s east coast to America’s west coast. What makes it worth our attention is that it is increasingly becoming a battleground of competing visions, as the US promotes its liberal-democratic principles whilst China asserts its great-power ambitions, with both sides flexing their muscles across a vast expanse of land, sea and air.

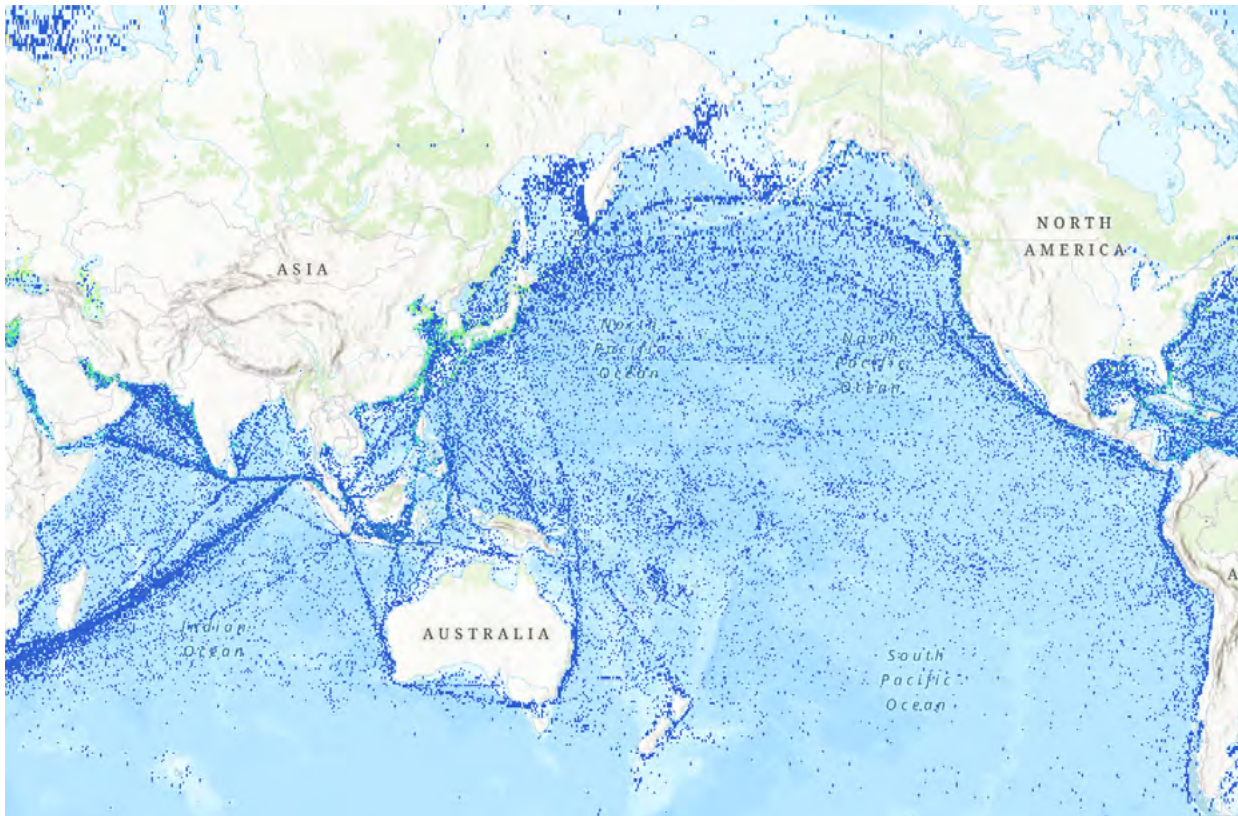
What’s on the line depends on who you ask – for the Chinese it is control of their own backyard and a strategic buffer zone hugging its eastern shoreline, which includes the South China Sea, designed to protect it from adversaries and encirclement from the US and US-aligned states. For the US, it is influence and sway in a region that it sees as the primary arena where economic prosperity, security and great-power position will be decided.

This juxtaposition places the US and China in opposition in a world traditionally defined by American dominance in the twentieth century, but which is now confronting a resurgent China that increasingly appears poised to supplant the US in the twenty-first. Adding to the tension, China’s claims over Taiwan and US defensive support for the island nation form a volatile backdrop that could soon come to a head.



With more than thirty states comprising the IndoPac, the region hosts a complex web of overlapping interests and strategic manoeuvring. Viewed through a Western-centric lens, however, the central dynamic is the intensifying US-China rivalry, particularly China's efforts to expand its influence relative to other regional competitors.

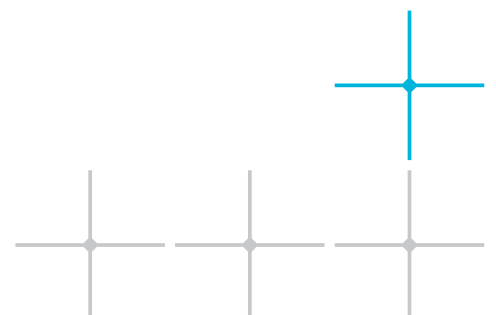
This comes alongside the UK's growing engagement, focused largely on defence partnership with Australia, another major regional actor.



### Global Ship Density – All Vessels



The IndoPac in its entirety, overlaid with hourly Automatic Identification System (AIS) positions received between Jan 2015 and Feb 2021, to give a representative view of ship density across the shipping lanes of the IndoPac. (Source: Esri)



## China's Backyard

China's history of occupation, most notably Imperial Japan's occupation from 1931 to 1945 of large parts of the country, makes it naturally wary of its neighbours and the growing influence of external powers in the IndoPac region. As China has prospered – investing heavily in its military to the tune of £200bn per annum – it has sought to exert influence and control over the surrounding area, providing a layer of security to its shores.

This wariness has led Chinese strategists to develop what's dubbed the 'Island Chain Security Framework,' a concept that breaks the region on China's eastern flank into the 'First' and 'Second Island Chains.' With this concept, Beijing's aim is to control inside the First Island Chain, contest the Second, and eventually operate freely beyond both. In order to achieve this, China has poured resources into missiles, submarines, aircraft carriers, artificial islands and overseas logistics bases. As a result of China's assertive maritime and territorial claims, Beijing has been repeatedly drawn into confrontations with its neighbours, including frequent encounters at sea involving fishing vessels, coast guards and even naval forces.

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China also remains highly adversarial towards the US presence in the region, shaped by historical antagonism dating back to the Cold War, when Beijing supported opposing forces in the two major conflicts involving the US in the IndoPac – the Korean War and latterly, the Vietnam War. A heavy US presence in the Philippines and in Guam – where it houses and operates B-52 strategic bombers – also threatens China's sense of security in its own backyard, exacerbating the animosity.

In pushing back against what it perceives as a Western containment strategy, China frequently operates below the threshold of war as a means to achieve strategic aims but to importantly avoid an all-out confrontation. As a result, espionage and grey zone tactics have become the norm in China's toolkit. As part of this, it has conducted high-profile cyberattacks on government institutions, including Chinese hacking group Salt Typhoon's infiltration of US telecommunications infrastructure as well as well-known attempts to steal defence IP from US and UK companies – all of which we explore in our [Primer on Chinese Espionage](#).

China is also locked in technological competition with the West, with both sides vying for dominance across frontier technologies. In AI, DeepSeek astonished the world by releasing a model that matched leading US models from firms such as OpenAI, Microsoft and Anthropic, but at a fraction of the cost and despite restrictions on advanced chip imports. That upended the assumption that only US companies with massive computing budgets could lead AI development. In the space domain, the US and China are racing to send humans back to the Moon for the first time since 1972, with prestige and the chance to shape future lunar infrastructure at stake.



The trade of raw materials is also being wielded as a weapon in this rivalry, with rare earths – critical for components in many high-tech products such as smartphones and military guidance systems – largely being controlled by the Chinese. Such is China’s dominance of rare earths, that the International Energy Agency estimates it controls 61% of all rare earths mining and 92% of global processing. Leveraging this position, China has now placed rare earths under export ban in a bid to safeguard domestic electronics manufacturing and restrict foreign defence company use. Beijing’s use of economic warfare is deliberate rather than incidental, with China steadily embedding itself within global supply chains in the preceding decades, nurturing the global economy’s dependence on it for materials such as rare earths and manufacturing capacity.

The sustained use of the grey zone to conduct subversion and espionage activities against the UK and its allies highlights the immediate need to enhance national resilience across our critical national infrastructure (CNI). Current defences are inadequate for the growing sophistication of state-sponsored cyberattacks, but it’s not just the cyber domain that we need to secure. Indeed, CNI is also under increasing threat from physical attack, and our ability to protect and respond to such attacks will inevitably be tested in the weeks, months and years to come. But despite the sombre outlook, it is of course positive for our sectors of specialism – namely defence and national security – which stand poised to reap the rewards of sustained UK Government investment in national resilience initiatives. That said, the timing of this investment wave remains uncertain – though few would argue there is a more opportune moment than now.

## Growing US Interest

In 2025, Donald Trump returned to the White House, marking a renewed emphasis on his long-standing strategy to shift US geopolitical focus towards the IndoPac region and away from Europe. In turning away from Europe, President Trump – who has long urged European allies to increase defence spending and assume greater responsibility for their own security – aims to disentangle the US from involvement in the quagmire of the Russia-Ukraine conflict. His belief is that this pivot is vital for countering China’s growing influence in the region and ensuring that US strategic priorities align with emerging global power dynamics.

The US already has permanent military bases on its overseas territory of Guam, but this IndoPac pivot has increasingly seen the US turn to allies to facilitate its projection of influence in the region. Enhancing regional cooperation has seen it reinforcing bilateral treaties with IndoPac states such as the Philippines as well as

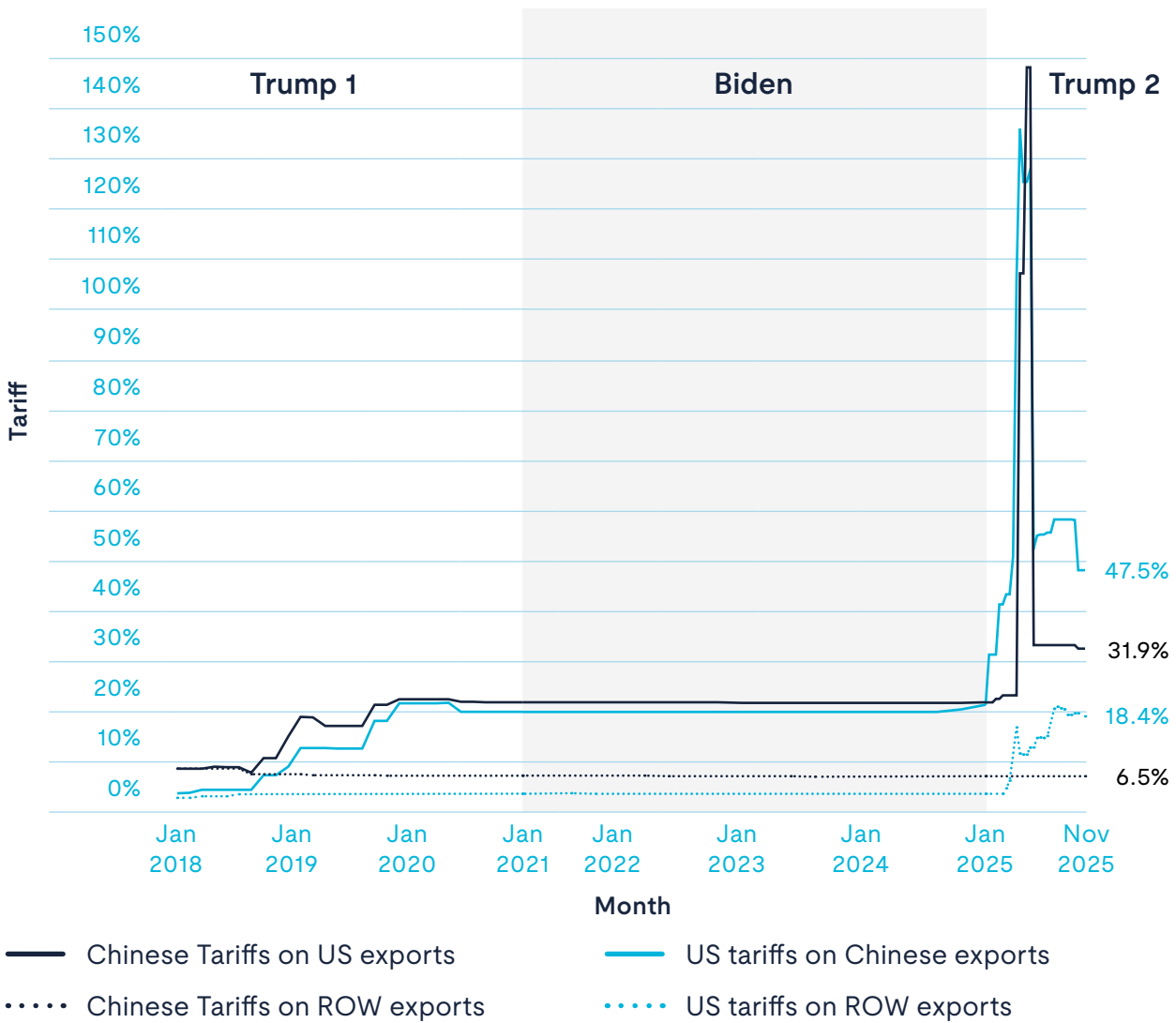
continuing cooperation with Australia on the AUKUS programme, where it collaborates to develop advanced defence technologies. Further to this, Washington has bolstered the US physical military presence in the region through freedom of navigation operations and under the agreement with the Philippines, has access to a large number of military bases there. There are also growing permanent naval presences in Singapore and in Japan, where the US Seventh Fleet is based.

As a means of projecting soft power in the region, and perhaps in response to China’s stranglehold of rare earths, the US has hit Chinese imports with higher tariffs, the highest average effective tariff since the 1930s, at the time of writing. The use of tariffs as a method of economic coercion has become synonymous with President Trump’s second term in office and risks inflaming an already tense stand-off between the two nations.

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**US and Chinese tariffs since 2018, overlain with incumbent US President, highlighting the tariff war between the two sides in 2025/26**



Source: Peterson Institute for International Economics

All of this means that the IndoPac is becoming a more competitive, militarised and alliance-driven arena, with US-China relations only a mishap away from igniting. The effect of any escalation could well manifest in disrupted shipping routes as both sides look to control the seas. The Strait of Malacca is a critical waterway that connects the markets of the Far East with the Middle East, Africa, Europe and beyond to North America, and any disruption would have a profound impact on global trade, sending shockwaves through the global economy.

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### The UK's Role

Turning to the UK now, which has its own interests in the IndoPac region, and since giving up its colonies of Hong Kong, Singapore and India, has pivoted to build deeper connections with another powerhouse of the region – Australia. Central to this relationship has been the AUKUS trilateral security partnership between Australia, the UK and the US. Under the AUKUS agreement the UK has invested in the development of Australia's own nuclear-powered submarines and collaborates on the development of technology in six key areas: undersea capabilities, quantum technologies, artificial intelligence and autonomy, advanced cyber, hypersonic and counter-hypersonic capabilities, and electronic warfare.

But what is likely to anger Beijing most is the UK and US commitment, under AUKUS, to base their own nuclear-powered attack submarines in Australia, as part of efforts to promote a free, open, secure and stable IndoPac. This pledge, written into the treaty, is only going to heighten tensions in an already tense region. Therefore, the UK faces a delicate balancing act: supporting sovereignty and freedom of navigation in the IndoPac while also maintaining bilateral engagement with China on trade and helping to reduce the risk of escalation into a physical conflict, which would serve no one's interests.



## A Volatile Triad

In the north of the IndoPac, nuclear-armed North Korea continues to be a volatile player, developing nuclear weapon capabilities and firing missiles over Japanese airspace. At the same time, we are seeing the emergence of the most heavily armed Japanese state since the end of World War Two, with the country having significantly relaxed its self-imposed ban on defence exports earlier in 2026. This move should not be overlooked, as it marks Japan's reversal of more than half a century of restrictions on the export of lethal weapons. Those restrictions, rooted in the aftermath of Japan's surrender at the end of World War Two, helped steer the country towards post-war economic development and kept it largely removed from international disputes.



But now, Japan's policy change comes as a result of a deteriorating security environment in northeast Asia, starting in 2003 when North Korea left the nuclear Non-Proliferation Treaty. Since then, North Korea has gone unchecked by China and Russia, both key allies of Pyongyang, and Japan now finds itself surrounded by three nuclear-armed neighbours with no nuclear deterrent of its own. So, with the threat heightened, and Washington appearing less willing to act as a reliable security guarantor for Japan while simultaneously pressing Tokyo to raise defence spending, Japan has moved to deepen security ties elsewhere in the IndoPac. Australia, New Zealand, the Philippines and Indonesia are emerging as likely recipients of Japanese military hardware, as the region shifts towards sharing the burden of regional security.

Therefore, the growing tensions and military build-up among these three neighbours, North Korea, Japan and China, reinforces the sense that confrontation may become increasingly difficult to avoid in this volatile region of the world.



## Winning Technologies

Across the IndoPac's vast expanse of sea, technologies that will make the difference – both on and below the water's surface – will be those that are distributable, networked and survivable. Whilst long-range strike capabilities will be important in the event of war, it will be ISR (Intelligence, Surveillance and Reconnaissance) technologies that will provide early warning of massing forces ahead of conflict. From an underwater sensing perspective, the development of technologies capable of real-time data transmission – still not fully achieved – will be pivotal in tracking adversary assets and coordinating friendly forces, especially within the region's challenging maritime environment.

Underpinning this will have to be a robust and resilient communications network of connected C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) systems which will allow allied forces to share targeting, sensor and logistics data across the region. This “system-of-systems” integration – akin to the UK's [Digital Targeting Web](#) – is what makes deterrence credible, facilitating a rapid response and allowing distributed forces to coordinate effectively in peacetime and in war. However, protection of these military networks, as well as terrestrial civilian communications, will require advanced cyber defence and protective electronic warfare capabilities in the face of Chinese, North Korean and [Russian attacks in the grey zone](#).

## Key Takeaways

The IndoPac is emerging as a major arena of US-China rivalry, shaped by military competition, technological contest and economic coercion. Here the US is strengthening alliances and its regional presence through AUKUS and deeper ties with regional players such as the Philippines, while China is expanding its influence through its military expansion, grey zone activities and control of critical supply chains such as rare earths. As a result, the region is becoming more militarised and unstable, with flashpoints including Taiwan, the South China Sea and North Korea's growing threat, while the UK is also drawn in through its partnership with Australia and broader IndoPac interests.

As the tensions in the region rise, the implications of conflict are stark: a mass humanitarian catastrophe and a global economic shock. Should conflict erupt we would likely see a severe disruption to

commerce, given that the Strait of Malacca alone handles an estimated quarter of all global sea trade and that the IndoPac serves as a major manufacturing hub. As the 2026 US-Iran conflict demonstrated, such disruptions can drive up commodity prices and leave citizens at home poorer. But what makes this situation even more dangerous is the concentration of nuclear-armed powers in the region, which means any conflict also carries the risk of escalation to nuclear attack.

For all parties, strategic advantage will depend on investing in the right technologies to project influence across the region while safeguarding critical assets. In the IndoPac, distributed, networked and survivable capabilities will be essential as actors contend with the challenge of operating across a vast land, maritime and air domain.



In sum, the IndoPac is evolving into a domain where deterrence, resilience and alliance cohesion will determine whether this era of great-power competition spills into conflict or remains constrained by rules, capabilities and credible red lines.