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Executive Summary

The People’s Republic of China (PRC or China) has been engaging in gray zone activity—coercive behavior that is aimed at changing the status quo but that is below a threshold that would prompt a military response—particularly against the Philippines in the South China Sea (SCS), and these actions are raising tensions in the Indo-Pacific. Washington must closely monitor the situation and take steps to help protect the sovereignty of Southeast Asian nations from PRC intimidation and territorial encroachment.

China makes ambiguous claims to 90 percent of the 1.3 million square miles of the South China Sea, including waters within the exclusive economic zones of Brunei, Indonesia, Malaysia, the Philippines, and Vietnam. Projecting power and dominating the South China Sea, with its critical resources and central role in global trade—around $3 trillion worth of commerce transits the seaways annually—is a top national security and foreign policy goal for China.

PRC maritime bullying is not new, but it has intensified in the past few years, especially against the Philippines. Beijing aims to convince Manila to give up its claim to Second Thomas Shoal, an underwater reef located in the Spratly Islands of the South China Sea. The Philippines makes its claim to the shoal by housing a small contingent of marines aboard a World War II–era ship, the BRP Sierra Madre, that was intentionally grounded there in 1999.

Philippines-China tensions in the South China Sea threaten to involve the United States, which has been a treaty ally of the Philippines for over 70 years. Despite the risk that tensions could further escalate, Washington continues to stand firmly behind Manila as it employs asymmetric tactics to push back against Chinese behavior.

PRC maritime activities and goals in the Indian Ocean Region (IOR), for the time being, are focused on protecting China’s economic interests (80 percent of its energy imports flow through the Indian Ocean), gathering intelligence, and projecting power, not on asserting maritime claims. However, China’s unrelenting aggression in the SCS has raised concern that Beijing will soon begin to demonstrate similar behavior in the IOR. Over the past 15 to 20 years, China has expanded from sporadic to regular presence in the Indian Ocean through its naval ships, research vessels, and fishing fleets, as well as a military base. The United States and its allies and partners must not be complacent about PRC actions in the Indian Ocean Region, especially China’s submarine port visits and docking of dual-use ships such as in Sri Lanka and, more recently, Maldives.

Due to the high stakes involved, the United States and its allies and partners must balance the need to deter China with the need to avoid military escalation when responding to PRC gray zone acts. When there are violations of international law and norms or when the lives of official personnel or civilians are threatened, Washington and its allies must respond. Moving forward, the United States should:

Deepen commitment to its relationship with the Philippines and enhance partnerships with other Southeast Asian nations, both diplomatically and militarily.

The United States should focus on building capacity not only of the Philippines but also of Vietnam, Indonesia, Malaysia, and other Southeast Asian nations. The United States should also facilitate efforts to increase transparency about what is happening in the maritime commons and build international support for pushing back against China’s maritime bullying.

Be prepared to take additional steps to protect Philippine vessels, including those involved in fortifying the Philippines’ presence at Second Thomas Shoal.

Some analysts are calling for the establishment of a combined U.S.-Philippines outpost at Second Thomas Shoal. However, there are steps short of this escalatory move that send a similar signal to Beijing and help the Philippines maintain control of the reef. These include providing regular U.S. naval escorts for Philippine vessels, whether they are resupplying troops on the Sierra Madre or involved in efforts to construct more permanent structures on the reef, and increasing intelligence, surveillance, and reconnaissance assets to the area around Second Thomas Shoal.

Encourage Southeast Asian nations to employ creative and peaceful steps to protect their own sovereignty and to highlight Chinese encroachments when they occur.

The Southeast Asian nations must be willing to levy costs on China for its aggression, or it will only escalate. These steps should focus mainly on the information space and avoid employing military capabilities that would be more likely to raise tensions to a dangerous level.

Leverage AUKUS capabilities.

The United States and Australia are time-tested allies and are increasingly partnering on issues stretching from the Pacific to the Indian Oceans. In addition to their bilateral partnership, they participate in multilateral groupings such as Five Eyes. The Australia-United Kingdom-United States
(AUKUS) partnership increasingly presents opportunities to counter gray zone activity through technological developments, intelligence-sharing, and operations. For example, in December 2023, the AUKUS defense ministers discussed plans for deploying shared artificial intelligence algorithms to advance antisubmarine warfare capabilities. The establishment of Submarine Rotational Force-West in Australia should include the objective of monitoring gray zone activity from its Indian Ocean vantage point.

**Enlist Quad members.**

While the Quad (Australia, India, Japan, and the United States) has been reluctant to operate along explicitly military lines, its work to expand maritime domain awareness such as through the Indo-Pacific Partnership for Maritime Domain Awareness initiative helps raise capability in the Indian Ocean and fortifies partner states against gray zone threats. The Quad members should also informally discuss South China Sea contingencies to generate ideas and considerations for deterring and, if needed, responding to such a crisis. Additionally, the Quad partners should collaborate to increase investments in sustainable port development in South and Southeast Asia. The recent U.S. International Development Finance Corporation announcement of $553 million in financing for a deep-water shipping container terminal that an Indian company is developing at the Port of Colombo is a notable initiative that can help balance increased Chinese involvement in port development in Sri Lanka. Finally, the Quad should continue and enhance humanitarian assistance and disaster relief activities in the South China Sea and Indian Ocean regions.

**Partner with India.**

India should take the leading role in countering China’s gray zone threats in the Indian Ocean, but the United States and its allies such as Australia should support and bolster Indian efforts. For example, the Indian Navy and naval strategists are studying different approaches and technologies that can counter China’s gray zone operations. Their insights present opportunities for greater collaboration by New Delhi, Washington, and Canberra.

**Work with other key partners, such as France.**

Beyond the Quad, the United States and Australia should work more closely with other key allies and partners. For example, France also is a key partner in the Indo-Pacific, with territory and nationals to defend. While the AUKUS announcement in 2021 resulted in a public controversy between Australia and France, both countries appear to have moved past this episode. As the United States’ oldest ally and an early mover in developing an Indo-Pacific strategy, France is a key partner for both the United States and Australia to embrace in countering gray zone activity.

**Maintain tempo of multilateral naval exercises and joint patrols and sails to signal solidarity among U.S. allies and partners.**

The frequency of U.S.-led multilateral naval activity in the form of exercises and joint sails has been impressive and should continue apace. The involvement of a variety of like-minded nations means that the burden can be shared and that the United States does not always need to participate. For example, India conducted its first naval exercise with the Association of Southeast Asian Nations (ASEAN) members in the South China Sea in May 2023.

**Rely on multilateral mechanisms to push back against China’s maritime aggression.**

The 2016 international arbitral ruling has become an indispensable tool for rejecting China’s sweeping maritime claims. There is a need for more such international efforts that call out China’s illegal behavior that undermines countries’ sovereignty. The United States and its allies and partners should support nations that bring new cases with similarly strong evidence to the tribunal against Chinese maritime claims.

**Invest in regional architecture and norms.**

The United States, Australia, and other key partners should continually invest in maintaining Indian Ocean stability. Dispatching senior officials to participate in regional architecture, such as the Indian Ocean Rim Association, which Sri Lanka is chairing for the next two years, is one meaningful way to do this. Investing more resources in maritime capacity building such as legal training is another way. Both the United States and Australia currently conduct capacity building with smaller Indian Ocean partners.

**Continue to raise the issue of China’s aggressive behavior in the SCS in the newly resumed U.S.-China military-to-military talks.**

The U.S. Department of Defense statement on recently held defense talks between Washington and Beijing indicated the U.S. side highlighted PRC harassment of Philippine vessels operating in the SCS as a particular area of concern. U.S. officials should continue to highlight to their Chinese counterparts that Washington will stand by its allies and partners when there are threats to their territorial or maritime sovereignty. It is critical for the United States to send clear and repeated messaging in this regard.
Introduction

China's gray zone activity—coercive behavior that is aimed at changing the status quo but that is below a threshold that would prompt a military response—particularly against the Philippines in the past year, is becoming an increasing global concern. China's aggressive behavior in the South China Sea (SCS) has already led to confrontation between the United States (a defense ally of the Philippines since 1951) and China, and could even cause a lethal conflict between the two major powers. The Pentagon's 2023 Annual Report to Congress: Military and Security Developments Involving the People's Republic of China details "multiple coercive actions" in the South China Sea in what "appear to have been . . . a centralized, concerted campaign . . . to coerce a change in lawful U.S. operational activity, and that of U.S. allies and partners." Part of the problem lies in the fundamentally different views between Washington and Beijing about sovereignty claims, international law, and acceptable maritime operations.

While the United States' strategic priority is deterring the People's Republic of China (PRC) from making military advances against Taiwan, Washington must also closely monitor PRC activities in the South China Sea and take steps to help protect the sovereignty of Southeast Asian nations from PRC intimidation and territorial encroachment. Some observers argue that it is not worth risking the South China Sea becoming another flashpoint between Washington and Beijing, and thus Washington should leave the maritime disputes to the claimants themselves. However, turning a blind eye to increasing PRC aggression in the South China Sea would discourage Southeast Asian nations and force them to accept PRC hegemony in the region, which would play into China's strategy of circumscribing the role of the United States and undermining its influence in the broader Indo-Pacific. While Washington cannot halt all aggressive behavior, the stakes are higher where it has established a U.S. presence, made alliance commitments (i.e., with the Philippines), or declared U.S. intentions to preserve the status quo. Washington must not make the mistake it made over a decade ago when it failed to challenge China's militarization of its artificial islands in the region.

PRC maritime activities and goals in the Indian Ocean Region (IOR), for the time being, are focused on protecting its economic interests (80 percent of its energy imports flow through the Indian Ocean), gathering intelligence, and projecting power—not on asserting maritime claims. However, China's unrelenting aggression in the SCS has raised concern that Beijing will soon begin to demonstrate similar behavior in the IOR. Over the past 15 to 20 years, China has expanded from sporadic to regular presence in the Indian Ocean through naval ships, research vessels, and fishing fleets, as well as a military base. The United States and its allies and partners must not be complacent about PRC actions in the Indian Ocean Region, especially China's submarine port visits and docking of dual-use ships such as in Sri Lanka and, more recently, Maldives.

This paper examines China's maritime goals and activities in the South China Sea and Indian Ocean regions, giving particular attention to brewing tensions between China and the Philippines over a small outpost that the Philippines has controlled for the past 25 years. The paper examines responses within the region to China's growing maritime presence and its gray zone activity and discusses the future implications for the United States and its closest allies and partners. Finally, the paper puts forth a series of policy recommendations for the United States to improve maritime security in these two vital regions and shape the strategic environment to deter Chinese maritime actions that seek to disrupt the rules-based order in the Indo-Pacific.

China's Goals in the South China Sea

China makes ambiguous claims to 90 percent of the 1.3 million square miles of the South China Sea, including maritime features—a category including islands, rocks, and reefs—and waters within the exclusive economic zones (EEZs) of Brunei, Indonesia, Malaysia, the Philippines, and Vietnam. Projecting power and dominating the SCS, with its critical resources and central role in global trade—around $3 trillion worth of commerce transits the seaways annually—is a top national security and foreign policy goal for China.

China makes its territorial claims in the SCS largely on the basis of a “nine-dash line,” which refers to a depiction in a 1940s map of a U-shaped dash line purporting to mark Chinese territory and extending as far as 900 miles from the Chinese mainland. Furthermore, China claims it is an archipelagic state (a country made up of islands)—an absurd claim that the United Nations, unsurprisingly, does not recognize. In archipelagic states, the waters between islands are considered internal, and other nations cannot transit them without permission. China seeks to control its maritime periphery through these excessive claims, its coercive gray zone actions, and its massive buildup of naval capabilities. China relies on vessels of the People's Liberation Army Navy, Chinese Coast Guard, and the People's Armed Forces Maritime
Militia, all of which incorporate everything from steel-hulled fishing boats and research vessels to large Coast Guard ships, navy destroyers, and aircraft carriers, to project its power and intimidate any country that challenges its sweeping maritime claims.

China’s coercive behavior against the other SCS claimant states escalated considerably about a decade ago, beginning with its capture of Scarborough Shoal—located just 124 miles from the Philippine coast—and the construction of artificial islands, which it militarized with airfields, runways, radars, and missile warehouses. Friction became more entrenched after a 2016 decision by a tribunal of the United Nations Convention on the Law of the Sea (UNCLOS), which determined that Beijing’s nine-dash line claim had no legal basis. Still, Beijing has been undeterred in asserting its territorial claims in the SCS, assessing it can coerce and intimidate the Southeast Asian nations to eventually accept its illegal assertions.

The Philippines Becomes a Flashpoint

RC maritime bullying is not new, but it has intensified in the past few years, especially against the Philippines. Beijing is focused on trying to convince Manila to give up its claim to Second Thomas Shoal, an underwater reef located in the Spratly Islands of the South China Sea. The Philippine Navy makes its claim to the shoal by housing a small contingent of marines aboard a World War II–era ship, the BRP Sierra Madre, that was intentionally grounded there in 1999.21

Chinese maritime provocations against Philippine vessels escalated in February 2023, when the Chinese Coast Guard trained a military-grade laser on a Philippine vessel seeking to resupply the Sierra Madre. The laser temporarily blinded the crew and forced it to abandon its resupply mission.22 In August 2023, China again sought to disrupt resupply efforts to Second Thomas Shoal when it employed water cannons against a Philippine Coast Guard vessel.23

CHINA’S NINE-DASH LINE CLAIM
The Philippines has sought to push back against the PRC aggression, but Beijing has so far given no indication it will retreat. In mid-October, Philippine Coast Guard officials disguised as fishermen removed a string of buoys preventing Filipino fishing boats from entering disputed waters within the Philippines’ EEZ. While the move had no practical impact in that Filipino fishermen were still unable to access the disputed waters, it was a symbolic act aimed at bringing attention to China’s expansive and illegal maritime claims. It also demonstrated that smaller nations had options to creatively challenge China’s intimidation tactics. Still, in mid-December several Chinese maritime vessels gathered near Second Thomas Shoal and employed water cannons and dangerous maneuvering tactics against Philippine Coast Guard and civilian vessels. Philippine officials accused China of conducting “dangerous blocking moves” and issued a diplomatic protest with the PRC.

In early December, China deployed over 135 fishing vessels near another disputed maritime feature, Whitsun Reef, in what the Philippines says was a Chinese maritime militia seeking to prevent Philippine access to the area. Beijing also relies on a robust disinformation campaign to try to bolster its claims and achieve its objectives. Since mid-August 2023, China has been planting stories purporting that Manila agreed to abandon the Sierra Madre and give up its claim to the shoal. In response, the Philippines is taking steps to show its unwillingness to back away from its maritime claims. For example, the Philippines Congress recently included funding in its 2024 budget to establish permanent structures, such as a pier and barracks for soldiers, at Second Thomas Shoal. Philippine officials have also pledged to continue their strategy of “assertive transparency,” which involves embedding journalists on Philippine Coast Guard missions to Scarborough Shoal and Second Thomas Shoal. A senior Philippine naval official recently asserted that the transparency strategy had raised global awareness about China’s maritime encroachment.

**China’s Maritime Activities in the Indian Ocean Region**

Across the vast Indo-Pacific, China’s maritime activities and goals in the Indian Ocean Region vary from those Beijing pursues in Southeast Asia. Analysts of China’s strategy assess that Beijing is seeking greater access to locations in the Indian Ocean for dual-use logistics and basing. Isaac Kardon, an analyst of China’s maritime power, has written about China’s dependence on Indian Ocean sea lanes and how this represents a vulnerability for the country’s assets and overseas nationals. According to Kardon, the People’s Liberation Army’s responsibilities increased in 2015 to address this vulnerability. On the basis of China’s presence, operations, and security cooperation activities, one can infer that the Indian Ocean Region is not a priority theater for China compared with the SCS. Unlike in the SCS, China does not have territorial disputes in the Indian Ocean. While the more proximate theater of the SCS is a higher priority for China, observers of Indian Ocean security are increasingly concerned about the trend line and direction of China’s assertive activities, especially submarine port visits and docking of dual-use ships, such as in Sri Lanka and, more recently, Maldives. China’s increased aggression on the India-China border since 2020 has amplified India’s concern about China’s maritime activities in the IOR. As China increases its overall economic, diplomatic, and military capabilities, it is expected to increase its presence in the Indian Ocean. As a result, this trend of China’s expanding power and reach has implications and risks for the United States, Australia, and partners such as India regarding access to sea lines of communication.
China has been involved in port financing and construction in the Indian Ocean for roughly 20 years, spurring the “String of Pearls” discourse about Beijing’s regional intentions.\textsuperscript{33} In South Asia, China has contributed to port development in Gwadar, Pakistan; Colombo and Hambantota, Sri Lanka; and Chittagong, Bangladesh. Beyond South Asia, China has taken a role in developing Indian Ocean port facilities such as in Myanmar, Madagascar, Kenya, and Djibouti.\textsuperscript{34} Some of these nations have allowed China’s ships—including dual-use vessels—to visit their ports, most prominently at Hambantota port in 2022. On the other hand, Bangladesh turned down China’s bid for the Sonadia port development deal in 2014.

Over the past 15 to 20 years, China has expanded its activities from sporadic to regular presence in the Indian Ocean through naval ships, research vessels, and fishing fleets, as well as a military base. Since 2008, counterpiracy deployments to the western Indian Ocean have served as the rationale for the country’s recurring presence, despite the overall decline of piracy incidents. Beginning with this presence, China has developed more familiarity with operating in this distant body of water and with different naval and maritime platforms.

China began deploying a submarine to join its counterpiracy forces and paid its first-ever submarine port visits to Sri Lanka in 2014 and Pakistan in 2015. By 2017, China established its first-ever overseas military base in Djibouti at the Bab el-Mandeb Strait linking the Gulf of Aden and Red Sea. There is speculation that Beijing plans to establish a second military base in Africa to augment its regional port infrastructure for dual-use purposes.\textsuperscript{35} China acquired a license from the International Seabed Authority in 2011, which has enabled its research ships to conduct exploration activities in the southwest Indian Ocean. In December 2023, India’s Chief of Naval Staff Hari Kumar estimated that China’s warships in the IOR range from about six to eight-plus fishing boats and research vessels at any given time.\textsuperscript{36} Despite the numbers of ships deployed and the establishment of the military base, the Pentagon’s 2023 Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China assesses that so far “the PRC has little power projection capability” in the Indian Ocean.\textsuperscript{37}

China’s naval and maritime cooperation with the smaller South Asian countries includes educational opportunities and security assistance, as well as defense sales. There is some concern about the recent election in Maldives of President Mohamed Muizzu, who has
softened the previous government’s stance toward China, potentially opening the way for greater Maldives-China defense and maritime security cooperation in the central Indian Ocean. For example, Muizzu’s government recently granted permission for a visiting Chinese research ship to replenish in Maldives. Meanwhile, shortly after he was inaugurated in November 2023, Muizzu announced that all foreign military personnel must leave the country, creating uncertainty about the future of India’s operation of three aircraft in the country. The International Monetary Fund recently raised concerns that Maldives—which owes China roughly 40 percent of its national public debt—could face “debt distress.” The Muizzu government has been appealing to China to restructure the terms of the loans it has made to Maldives, giving Beijing leverage over the tiny island nation.

Another significant concern for India and the United States has been China’s docking of dual-use ships in ports in Sri Lanka. A Chinese research/survey vessel docked at Colombo port in late October 2023. This followed the August 2022 docking of a Chinese satellite tracking ship at Hambantota port during Colombo’s worst economic crisis in 70 years—and despite Indian concerns the ship could be used to monitor sensitive Indian defense installations. Despite Indian and U.S. concerns, Sri Lanka has been reluctant to resist Chinese requests to dock PRC ships, as it owes Chinese creditors $3 billion and desperately requires China’s cooperation on debt restructuring to repair its economy after defaulting in 2022. In what could signal a policy shift and greater willingness to take Indian and U.S. sensitivities into account, Colombo in early January 2024 announced a one-year ban on research vessels, including Chinese ones, docking in its ports.

China’s growing relationships with countries in the region have also extended to cooperation with regional militaries. In Sri Lanka, China’s weapons sales were considerable during Colombo’s war against the Liberation Tigers of Tamil Eelam insurgency, which ended in 2009. However, the most significant example of maritime cooperation during the postwar period was the transfer of an offshore patrol vessel in 2019. In December 2023, China sold two replacement Y-12 aircraft to the Sri Lanka Air Force.

China is Bangladesh’s largest supplier of military equipment. Most high-profile security cooperation did not involve the maritime domain until Bangladesh’s purchase of two Ming-class submarines that were commissioned in 2017. The 2023 commissioning of Bangladesh’s naval base in Pekua, where a Chinese team is conducting training for the Bangladesh Navy on the submarines, attracted attention from observers. While the smaller South Asian countries welcome security cooperation from China, their relationships with India are a significant obstacle to developing close naval and maritime cooperation with China. In contrast, China conducts far more military interactions with Pakistan—its longtime defense and security ally—such as through the Sea Guardian naval exercise and provides more advanced platforms, including an order to build eight Hangor-class submarines.
International Response

Philippines-China tensions in the South China Sea threaten to involve the United States, which has been a treaty ally of the Philippines for over 70 years. Despite the risk that tensions could further escalate in the SCS, Washington continues to stand firmly behind Manila as it employs asymmetric tactics to push back against China’s behavior. After a series of maritime collisions between China and the Philippines toward the end of 2023 near Scarborough Shoal and Second Thomas Shoal, the United States issued a statement declaring its backing for the Philippines “in the face of these dangerous and unlawful activities.”

The U.S. statement followed a series of moves by Washington and Manila to strengthen their defense ties over the past 18 months. In early 2023, the two sides reached agreement for the United States to gain access to four additional military sites in the Philippines, including in Northern Luzon province, located only about 150 miles from Taiwan. These sites will supplement five bases to which the United States already has access to rotate troops and pre-position defense equipment and supplies, according to the Enhanced Defense Cooperation Agreement signed in 2014. Moreover, in talks held between U.S. President Joe Biden and Philippine President Ferdinand Marcos Jr. at the White House in April 2023, the leaders announced bilateral defense guidelines aimed at strengthening their alliance cooperation. The guidelines clarify that an attack on any public Philippine vessel, including the Coast Guard, anywhere in the SCS would invoke commitments made in the 1951 Mutual Defense Treaty.

Other nations have also supported Manila and demonstrated a clear commitment to international law in reaction to the Chinese maritime aggression. Japan and Australia condemned Chinese actions in August 2023 and called for respect for UNCLOS and the 2016 arbitral ruling. In the joint statement by the United States, Japan, and South Korea after the historic trilateral summit at Camp David last August, the three leaders opposed “any unilateral attempts to change the status quo in the waters of the Indo-Pacific.” Canada and Australia have also carried out joint patrols with the Philippines in the SCS in recent months, while Japan has provided radar systems that the Philippine Navy recently installed to monitor maritime activity in the SCS.

Aside from the situation with the Philippines, the United States’ and Australia’s responses to Chinese gray zone activities more broadly have involved a combination of diplomacy and military operations. For example, Washington has a long-established freedom of navigation program to challenge excessive maritime claims. The United States has publicly condemned unprofessional behavior by Chinese operators against U.S. military personnel and issued diplomatic demarches, such as after China’s lasering of a U.S. Air Force crew in Djibouti in 2018. Meanwhile, Australia has criticized China for lasering Australian forces off the country’s northern coast in 2022 and for using sonar against Australian divers in Japan’s EEZ in 2023. Analysts have commented on the need to fill gaps in international law on the use of sonars after this incident.53 Going forward, the potential exists for further PRC maritime aggression of this sort or other types to appear in new locations, such as sabotage to undersea cables and gas lines in the Indian Ocean.
Responses from Southeast Asian nations to recent Chinese maritime aggression against the Philippines has been more measured. The Association of Southeast Asian Nations (ASEAN) foreign ministers in late December 2023 issued a statement on the need to “exercise self-restraint in the conduct of activities that would complicate or escalate disputes” and noted the importance of peaceful dialogue in resolving maritime disputes.\(^55\) China has recently courted three other SCS claimants—Indonesia, Malaysia, and Vietnam—through high-level visits from March through December 2023, probably to discourage them from backing the Philippines on the maritime dispute issue and to try to isolate Manila in the region. ASEAN and China have been working toward creating a code of conduct in the South China Sea for over 20 years, but talks have floundered. Some observers believe China is negotiating in bad faith with no intention of concluding an agreement and engages in the talks mainly to avoid a pro-U.S. coalition among the SCS claimants from developing.\(^56\)

Although current international attention is focused on China-Philippines tensions, the other SCS claimant states have also suffered from Chinese maritime bullying. The Chinese have harassed Vietnamese vessels when they operate in the Paracels and engage in oil exploration on Vietnam’s continental shelf.\(^57\) On March 25, 2023, in a dangerous maneuver that could have resulted in Chinese and Vietnamese patrol boats clashing, a Chinese Coast Guard vessel sailed near Vietnamese-owned oil and gas wells. These types of Chinese pressure and intimidation tactics have led countries such as Vietnam to seek closer maritime partnerships with the United States. Since 2010, China has employed coercive tactics against Malaysia and Indonesia inside their EEZs.\(^58\) In Indonesia, for example, fishermen around the Natuna islands are increasingly being harassed by large Chinese vessels. The Natuna islands fall within Indonesia’s 200-nautical-mile exclusive economic zone, but China argues the area is within its nine-dash line claim over most of the South China Sea. Malaysia has stated that its oil and gas resources represent a red line that China should not cross, yet Kuala Lumpur also is trying to avoid provoking China.\(^59\) While the ultimate red line of a Chinese military-led invasion of their territories is clear, Southeast Asian nations have encountered difficulty in resisting China’s assertiveness precisely due to the gray zone nature of activities in the South China Sea.

India has watched China’s actions in the South China Sea with concern, especially due to their implications for the Indian Ocean. In November 2023, Kumar, India’s chief of naval staff, stated:

> The fragile security situation in the South China Sea, where the growing number of instances of bullying of smaller navies, including fishermen, is occurring by the Chinese militia or its navy . . . poses a clear and present danger to the good order and discipline at sea.\(^60\)

This concern comes amid a backdrop in which India has seen a rising threat from China, including an ongoing border conflict since 2020 that has resulted in the deaths of Indian and Chinese soldiers. Additionally, China’s
relationship with Pakistan, with which India has fought multiple wars, is of concern because of their combined potential to counter India, increasingly in the maritime domain.

India's growing concern about PRC activities and presence in the Indian Ocean has led New Delhi to devote significant attention over the past 15 years to growing its naval and maritime power and partnerships with various nations. The Indian Navy aims to have 170–175 ships in the service by 2035, although this may be unlikely within tight time frames. China's naval and military presence is understood to be mainly the recurring task force of a few ships, most recently its 44th task force deployed to the Indian Ocean; submarines; and its Djibouti base. Beyond this military presence, there are concerns about China's state-owned vessels that conduct research and data collection that augment Beijing's operational understanding of the Indian Ocean, especially in the undersea domain. As a result, the Indian Navy tracks these deployments.

China's activities in the Indian Ocean appear to function largely within international law and norms. Despite India's discomfort with the increased regional presence, this may not be gray zone activity as defined earlier in the paper. Nevertheless, China's rising military capabilities and continued assertiveness in the waters of the Pacific cause many observers to worry that this activity will expand into the Indian Ocean. For example, Indian Navy officer Subhasish Sarangi writes of China's pattern of behavior in the South China Sea:

Grey zone warfare with the use of the Coast Guard and fishermen militia, creeping assertion, and reclamation and militarization of maritime features in the South China Sea have all added to the misgivings about China's intentions.

Given China's willingness to employ salami-slicing tactics in the waters of the Pacific, concern understandably follows that China may pursue this approach in the Indian Ocean.

In addition to Chinese research vessels' data collection, reports of other concerning activity in the Indian Ocean include illegal, unreported, and unregulated fishing by Chinese fleets; the deployment of uncrewed underwater vehicles; and a balloon seen over Port Blair, India, that has been attributed to China.

Looking to the future, observers fear that China's gray zone activity may extend to damage to undersea cables, with ensuing disruptions and delays in recovery after an episode. Finally, beyond activities at sea, observers are concerned about China's gray zone political and commercial development activities, but the topic is beyond the scope of this paper.

Policy Recommendations

Due to the high stakes involved, the United States and its allies and partners must balance the need to deter China with the need to avoid military escalation when responding to PRC gray zone acts. When there are violations of international law and norms or when the lives of official personnel or civilians are threatened, Washington and its allies must respond. Articulating clear red lines—through a combination of private diplomatic channels and public messaging—is critical. There will be necessary considerations as well as limits on the United States and its allies and partners’ responses to Chinese gray zone activity.

While the United States has not ratified UNCLOS, U.S. officials emphasize that the United States abides by it. Understanding the extent to which partner nations share interpretations of UNCLOS and where there are differences will enable these nations to develop a clear strategy in how to respond to China's gray zone activity.

Moving forward, the United States should consider the following policy recommendations:

Deepen commitment to its relationship with the Philippines and enhance partnerships with other Southeast Asian nations, both diplomatically and militarily.

The United States should focus on building capacity not only of the Philippines but also of Vietnam, Indonesia, Malaysia, and other Southeast Asian nations. Washington should also facilitate efforts to increase transparency about what is happening in the maritime commons and build international support for pushing back against China’s maritime bullying.

Be prepared to take additional steps to protect Philippine vessels, including those involved in fortifying the Philippines’ presence at Second Thomas Shoal.

Some analysts are calling for the establishment of a combined U.S.-Philippines outpost at Second Thomas Shoal. However, there are steps short of this escalatory move that send a similar signal to Beijing and help the Philippines maintain control of the reef. These include providing regular U.S. naval escorts for Philippine vessels, whether they are resupplying troops on the Sierra Madre or involved in efforts to construct more permanent structures on the reef, and increasing intelligence, surveillance, and reconnaissance assets to the area around Second Thomas Shoal.
Encourage Southeast Asian nations to employ creative and peaceful steps to protect their own sovereignty and to highlight Chinese encroachments when they occur.

The Southeast Asian nations must be willing to levy costs on China for its aggression, or it will only escalate. These steps should focus mainly on the information space and avoid employing military capabilities that would be more likely to raise tensions to a dangerous level.

Leverage AUKUS capabilities.

The United States and Australia are time-tested allies and are increasingly partnering on issues stretching from the Pacific to the Indian Oceans. In addition to their bilateral partnership, they participate in multilateral groupings such as Five Eyes. The AUKUS partnership increasingly presents opportunities to counter gray zone activity through technological developments, intelligence sharing, and operations. For example, in December 2023, the AUKUS defense ministers discussed plans for deploying shared artificial intelligence algorithms to advance antisubmarine warfare capabilities. The establishment of Submarine Rotational Force-West in Australia should include the objective of monitoring gray zone activity from its Indian Ocean vantage point.

Enlist Quad members.

While the Quad (Australia, India, Japan, and the United States) has been reluctant to operate along explicitly military lines, its work to expand maritime domain awareness such as through the Indo-Pacific Partnership for Maritime Domain Awareness initiative helps raise capability in the Indian Ocean and fortifies partner states against gray zone threats. The Quad members should also informally discuss South China Sea contingencies to generate ideas and considerations for deterring and, if needed, responding to such a crisis. Additionally, the Quad partners should collaborate to increase investments in sustainable port development in South and Southeast Asia. The recent U.S. International Development Finance Corporation announcement of $553 million in financing for a deep-water shipping container terminal that an Indian company is developing at the Port of Colombo is a notable initiative that can help balance increased Chinese involvement in port development in Sri Lanka. Finally, the Quad should continue to enhance humanitarian assistance and disaster relief activities in the South China Sea and Indian Ocean regions.

Partner with India.

India should take the leading role in countering China’s gray zone threats in the Indian Ocean, but the United States and its allies such as Australia should support and backstop Indian efforts. For example, the Indian Navy and naval strategists are studying different approaches and technologies that can counter China’s gray zone operations. Their insights present opportunities for greater collaboration by New Delhi, Washington, and Canberra.

Work with other key partners, such as France.

Beyond the Quad, the United States and Australia should work more closely with other key allies and partners. For example, France is also a key partner in the Indo-Pacific, with territory and nationals to defend. While the AUKUS announcement in 2021 resulted in a public controversy between Australia and France, both countries appear to have moved past this episode. As the United States’ oldest ally and an early mover in developing an Indo-Pacific Strategy, France is a key partner for both the United States and Australia to embrace in countering gray zone activity.

Maintain tempo of multilateral naval exercises and joint patrols and sails to signal solidarity among U.S. allies and partners.

The frequency of U.S.-led multilateral naval activity in the form of exercises and joint sails has been impressive and should continue apace. The involvement of a variety of like-minded nations means that the burden can be shared and that the United States does not always need to participate. For example, India conducted its first naval exercise with the ASEAN nations in the South China Sea in May 2023.

Rely on multilateral mechanisms to push back against China’s maritime aggression.

The 2016 international arbitral ruling has become an indispensable tool for rejecting China’s sweeping maritime claims. There is a need for more such international efforts that call out China’s illegal behavior that undermines countries’ sovereignty. The United States and its allies and partners should support nations that bring new cases with similarly strong evidence to the tribunal against Chinese maritime claims.
Invest in regional architecture and norms.

The United States, Australia, and other key partners should continually invest in maintaining Indian Ocean stability. Dispatching senior officials to participate in regional architecture, such as the Indian Ocean Rim Association, which Sri Lanka is chairing for the next two years, is one meaningful way to do this. Investing more resources in maritime capacity building such as legal training is another way. Both the United States and Australia currently conduct capacity building with smaller Indian Ocean partners.

Continue to raise the issue of China’s aggressive behavior in the SCS in the newly resumed U.S.-China military-to-military talks.

The U.S. Department of Defense statement on recently held defense talks between Washington and Beijing indicated that the U.S. side highlighted PRC harassment of Philippine vessels operating in the SCS as a particular area of concern. U.S. officials should continue to highlight to their Chinese counterparts that the United States will stand by its allies and partners when there are threats to their territorial or maritime sovereignty. It is critical for the United States to send clear and repeated messaging in this regard.

Conclusion

Pushing back against increasingly aggressive Chinese maritime activities is not about escalating tensions. It is about protecting nations’ sovereignty and access to crucial resources and livelihoods and preventing China from setting its own rules and thwarting international norms. China’s militarization of artificial islands in the South China Sea over a decade ago should have been a wake-up call for the United States and its allies and partners to focus more attention on deterring Chinese encroachment in these vital seaways through which trillions of dollars of commerce flow annually. China’s maritime aggression and coercion must be seen within the context of its broader efforts to undermine the rules-based order that has enabled the region to develop and prosper peacefully over the last several decades.

The United States and its allies and partners cannot afford to lose more ground to China in the South China Sea or to be complacent about Chinese inroads and provocative maritime behavior in the Indian Ocean Region. Beijing’s recent maritime aggression in the South China Sea is testing not only the Philippines’ resolve, but also Washington’s, as China seeks to determine whether global crises in Europe and the Middle East are distracting U.S. attention away from the Indo-Pacific. China’s gray zone actions in the South China Sea and Indian Ocean Region merit Washington’s immediate and sustained attention and strong collaboration with Indo-Pacific allies and partners to ensure a prosperous, free, stable, and peaceful maritime future for the region.


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