Research Report

TYLER LIGGETT, TODD C. HELMUS, KRISTA ROMITA GROCHOLSKI

How the United States Can Support Allied and Partner Efforts to Counter China in the Gray Zone

Affirmative Engagement

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About This Report

The United States has entered an era of great-power competition with China. The United States is focused on acquiring the high-end weaponry necessary to deter the People's Republic of China (PRC) from pursuing future kinetic conflict. However, the U.S. Department of Defense (DoD) faces an immediate challenge, in which China uses the gray zone to achieve its strategic objectives. The PRC is using a variety of coercive tactics that operate between the lines of peace and war to undermine the sovereignty of its neighbors in Southeast and East Asia and weaken U.S. strategic positioning in the region.

This report is part of a larger research project that is sponsored by the Joint Staff J-7 and J8 and seeks to provide U.S. decisionmakers with options to counter adversary coercion in the gray zone. In our main report, *Understanding and Countering China's Maritime Gray Zone Operations*, we identified potential approaches for DoD, namely U.S. Indo-Pacific Command, to counter China's coercive gray-zone actions. We highlighted the potential value of presence operations, which include but are not limited to freedom of navigation operations, transparency initiatives that seek to publicize malign Chinese behaviors in the gray zone, non-lethal weapons which might provide opportunities to counter tactical Chinese gray-zone operations in a manner that can reduce the risk of unwanted escalation, and partner capacity-building efforts that seek to encourage partners and allies to help counter gray-zone actions.

In this report, we build on the main report's analysis of partner capacity-building efforts and seek to identify the tactics and approaches that countries in Southeast and East Asia are taking to respond to China's coercive gray-zone actions. We focus on the countries of Indonesia, Japan, Malaysia, the Philippines, Taiwan, and Vietnam and their diplomatic, information, military, economic, financial, intelligence, and law enforcement responses to China's gray-zone aggression. We also provide recommendations around building the confidence, resilience, will, and capacity of allied and partner responses and describe potential lines of effort for how the U.S. government can best enable and synchronize responses with these countries.

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Summary

The United States is entering a new era of great-power competition with the People's Republic of China (PRC) and faces an immediate challenge, the gray zone, a space between peace and war in which China operates to achieve its aggressive political objectives. Using brute force tactics, such as island building, ship ramming, and water cannons, the PRC seeks to control large swaths of the South China Sea and East China Sea to undermine regional political autonomy and U.S. security commitments.

In this report, we explore the tactics and approaches taken by several countries in Southeast and East Asia—specifically, Indonesia, Japan, Malaysia, the Philippines, Taiwan, and Vietnam—to respond to China's coercive gray-zone actions. This report is intended to provide U.S. decisionmakers with an understanding of the general types of actions that regional countries are taking to counter China's gray-zone efforts, their associated challenges, and their limitations. In this report, we operate under the premise that regional countries in Southeast and East Asia are the primary targets of China's gray-zone actions; therefore, regional countries will be the key drives in executing a broader counter-China gray-zone strategy. in this report, we hope to provide U.S. decisionmakers with the necessary background to synchronize U.S. responses in support of enabling regional responses.

Key Findings and Recommendations

Our analysis yielded the following key findings and recommendations:

- Regional responses to China's gray-zone operations are not homogenous and vary from country to country in terms of their levels of assertiveness, depths of intensity, and types of employed tactics.
- Regional countries have adopted several types of responses to Chinese gray-zone coercion, including use-of-force, multilateral, legal, economic, media, diplomatic, and civil initiatives.
- China's oversized ability to exercise influence over the region, particularly in the economic realm and via escalation dominance, limits states' willingness to take forceful measures, such as detaining Chinese citizens or using military force.
- The Philippines is one of the most-determined states in combating China in the gray zone under its approach of assertive transparency that deliberately seeks out and exposes China's coercive actions.
- From 2014 to 2019, Indonesia adopted an assertive strategy of capturing and sinking illegal fishing vessels, even firing at Chinese fishing crew. However, potentially because of fear of losing lucrative Chinese investments, Indonesia has since adopted a more conciliatory approach.

- To integrate a whole-of-government approach, the United States should support regional countries' responses through three lines of effort (LOE): (1) build regional countries' will to respond to and endure China's gray-zone actions, (2) increase regional countries' resilience and flexibility to resist and respond to China's coercive actions, and (3) increase regional countries' capacity to deter and defeat China in the gray zone. This report offers recommendations for each LOE.

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Affirmative Engagement: How the United States Can Support Allied and Partner Efforts to Counter China in the Gray Zone

The United States is entering a new era of great-power competition with the People's Republic of China (PRC), which has emerged as a "pacing challenge" for the U.S. Department of Defense (DoD).[1] According to the U.S. 2022 *National Security Strategy*, China is the only state with "both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it."[2] In this era of competition, the United States is working to acquire the high-end weaponry that is necessary to deter the PRC from pursuing future kinetic conflict. However, DoD faces a more immediate challenge, the gray zone, in which China uses the "operational space between peace and war" to achieve its aggressive political objectives.[3] Using brute force tactics, such as island building, ship ramming, and water cannons, the PRC seeks to wrest large swaths of the South China Sea (SCS) and East China Sea (ECS) under its control, undermining regional political autonomy and U.S. security commitments to the region.

In this report, we explore the tactics and approaches taken by several countries in Southeast and East Asia—specifically, Indonesia, Japan, Malaysia, the Philippines, Taiwan, and Vietnam—to respond to China's coercive gray-zone actions. This report is part of a larger project directed by Joint Staff J-7 and J8 that seeks to provide U.S. policymakers with options to counter China's coercive maritime actions in the gray zone. In the first and main report, *Understanding and Countering China's Maritime Gray Zone Operations*, we provide recommendations to DoD on how best to counter China in the gray zone. That report focuses on naval presence operations (to include but not limited to freedom of navigation operations), transparency initiatives (i.e., publicizing China's malign gray-zone behaviors), the use of non-lethal weapons, and capacity-building efforts that could spur U.S. allies and partners to help counter China's gray-zone efforts.

This report is intended to provide U.S. decisionmakers and general audience with an understanding of the general types of actions that regional countries are taking to counter China's gray-zone efforts, their associated challenges, and their limitations. In this report, we operate under the premise that regional countries in Southeast and East Asia are the primary targets of China's gray-zone actions; therefore, regional countries will be the key drivers in executing a

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[1] DoD, *2022 National Defense Strategy of the United States of America*, October 27, 2022, p. 111.

[2] White House, *National Security Strategy,* October 2022, p. 23; DoD, 2022.

[3] Lyle J. Morris, Michael J. Mazarr, Jeffrey W. Hornung, Stephanie Pezard, Anika Binnendijk, and Marta Kepe, *Gaining Competitive Advantage in the Gray Zone: Response Options for Coercive Aggression Below the Threshold of Major War*, RAND Corporation, RR-2942-OSD, 2019, p. 8.

broader counter-China gray-zone strategy. Whereas the first report provides ways to expand U.S. options in responding to China's coercion, in this report, we hope to provide U.S. decisionmakers from a wider set of U.S. government agencies with the necessary background to **synchronize** U.S. responses in support of **enabling** regional responses.

Approach

RAND researchers and other scholars have conducted a number of high-level studies that explore the effects of China's gray-zone operations. Among these works, the following studies were pivotal in framing this report and are excellent pieces for conceptualizing the gray zone and U.S. responses:

- *Contests of Initiative: Countering China's Gray Zone Strategy in the East and South China Seas*, by RAND senior researcher Raymond Kuo[4]
- *Competition in the Gray Zone: Countering China's Coercion Against U.S. Allies and Partners in the Indo-Pacific*, by Bonny Lin, Cristina L. Garafola, Bruce McClintock, Jonah Blank, Jeffrey W. Hornung, Karen Schwindt, Jennifer D. P. Moroney, Paul Orner, Dennis Borrman, Sarah W. Denton, and Jason Chamber[5]
- *China's Maritime Gray Zone Operations*, edited by Andrew S. Erickson and Ryan D. Martinson[6]
- *Gaining Competitive Advantage in the Gray Zone*, by Lyle J. Morris, Michael J. Mazarr, Jeffrey W. Hornung, Stephanie Pezard, Anika Binnendijk, and Marta Kepe[7]
- this report's companion, *Understanding and Countering China's Maritime Gray Zone Operations*, by Todd C. Helmus, Krista Romita Grocholski, Tyler Liggett, Ashley L. Rhoades, Scott Savitz, and Keytin Palmer.[8]

However, few studies have explored the tactics and approaches that countries in Southeast and East Asia taking to respond to China's coercive gray zone actions. Building on the literature review and interviews conducted in this project's companion report, we conducted a separate analysis on the strategies, limitations, and tactics of Indonesia, Japan, Malaysia, the Philippines, Taiwan, and Vietnam's gray-zone efforts to counter China.

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[4] Raymond Kuo, *Contests of Initiative: Countering China's Gray Zone Strategy in the East and South China Seas,* Westphalia Press, December 2020.

[5] Bonny Lin, Cristina L. Garafola, Bruce McClintock, Jonah Blank, Jeffrey W. Hornung, Karen Schwindt, Jennifer D. P. Moroney, Paul Orner, Dennis Borrman, Sarah W. Denton, and Jason Chamber, *Competition in the Gray Zone: Countering China's Coercion Against U.S. Allies and Partners in the Indo-Pacific*, RAND Corporation, RR-A594-1, 2022.

[6] Andrew S. Erickson and Ryan D. Martinson, eds., *China's Maritime Gray Zone Operations*, U.S. Naval Institute Press, 2023.

[7] Morris et al., 2019.

[8] Todd C. Helmus, Krista Romita Grocholski, Tyler Liggett, Ashley L. Rhoades, Scott Savitz, and Keytin Palmer, *Understanding and Countering China's Maritime Gray Zone Operations*, RAND Corporation, RR-A2954-1, 2024.

This report is organized into four sections. The first section, relying on the literature review conducted in this report's companion, introduces readers to the concept of the gray zone and provides a baseline understanding of China's goals, strategy, and tactics in this space. The second section characterizes and contextualizes differences in regional responses to China through a review of scholarly research and regional strategic documentation. The third section details the seven types of responses that regional nations might take in response to China's provocations by examining primary source articles, news reports, and government press releases. In the final section, we provide a set of recommendations around three lines of effort (LOEs) toward enabling regional responses. All sections in this report are supported by the findings of the first report, for which conducted over 30 interviews with U.S. government stakeholders and gray-zone experts, including officials at U.S. Indo-Pacific Command (USINDOPACOM), the U.S Coast Guard, and U.S. Naval War College.[9]

Background

What Is the Gray Zone?

The *gray zone*—the behaviors of which are now being referred to as illegal, coercive, aggressive, and deceptive (ICAD)—is a subjective term with a great deal of variance in its definition and the activities that it encompasses.[10] Nonetheless, building on previous RAND research, we adopt the following definition of the gray zone.

> The gray zone is an operational space between peace and war, involving coercive actions to change the status quo below a threshold that, in most cases, would prompt a conventional military response, often by blurring the line between military and nonmilitary actions and the attribution for events.[11]

Gray-zone activities not only exceed regular peacetime competition but are also coercive or hostile actions that are intended to achieve goals which are typically only found in war without triggering military action. Gray-zone operations typically rely on multiple aspects of national power that span the diplomatic, informational, military, economic or financial, intelligence, and legal (DIMEFIL) domains to coerce a state toward a specific goal.[12]

Often using covert, deniable, and asymmetric tactics, gray-zone activities operate in ambiguous spaces and exploit gaps in rival decisionmaking processes.[13] For example, gray-zone

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[9] For a more detailed explanation of the methodological approach of that report, see Helmus et al., 2024.

[10] Joyce Ann L. Rocamora, "US INDOPACOM Chief: Be Ready vs. Chinese Gray-Zone Operations," Philippine News Agency, May 4, 2024.

[11] Morris et al., 2019, p. 8.

[12] Timothy R. Heath, *U.S. Strategic Competition with China: A RAND Research Primer*, RAND Corporation, PE-A290-3, 2021, p. 4.

[13] Helmus et al., 2024; Lin et al., 2022.

activities might exploit societal divisions, seams in legal interpretation, or capability gaps to dissuade an targeted state from responding.[14] Gray-zone activities often involve persistent, indirect actions that are aimed at achieving long-term objectives while remaining deniable or attributable to nonbelligerent factors.[15] By exploiting ambiguities and being designed to avoid warranting military responses, gray-zone operations stifle responses, which enables the perpetrator to advance its strategic objective at the expense of the targeted state.

How Does China Use the Gray Zone?

In pursuit of Xi Jinping's stated goal of a national rejuvenation, China uses gray-zone operations to advance the nation's political, economic, social, and strategic objectives to further achieve its goal of becoming a fully developed and prosperous nation by 2049.[16] The PRC's gray-zone operations seek to assert control of its territorial claims, particularly those over Taiwan and the Senkaku Islands (referred to as the Diaoyu islands by China) in the ECS and made under the nation's nine-dash line in the SCS. Using this arbitrary demarcation, the PRC claims up to 90 percent of the SCS (see Figure 1).[17]

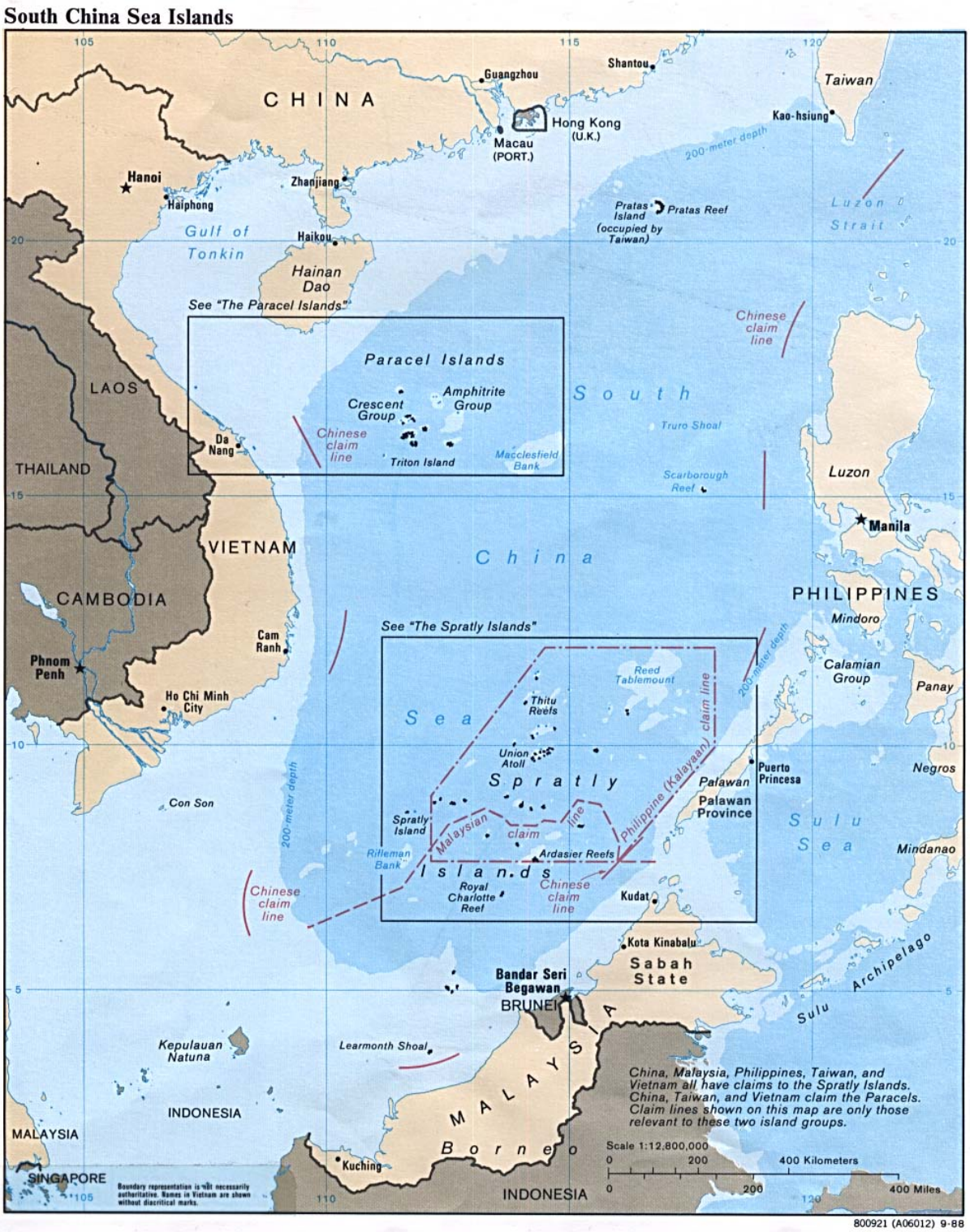
[14] Helmus et al., 2024.

[15] Heather M. Bothwell, "Gray Is the New Black: A Framework to Counter Gray Zone Conflicts," *Joint Force Quarterly 101,* March 2021.

[16] Helmus et al., 2024; Lin et al., 2022; DoD, *Military and Security Developments Involving the People's Republic of China, Annual Report to Congress*, 2023.

[17] Helmus et al., 2024; Bec Strating, "China's Nine-Dash Line Proves Stranger Than Fiction," *The Interpreter*, April 12, 2022.

Figure 1. China's Claims Under the Nine-Dash Line



SOURCE: Reproduced from Central Intelligence Agency, "South China Sea Islands," map, 1988. Courtesy of the University of Texas Libraries, University of Texas at Austin.

Gray-zone operations allow the PRC to improve its strategic disposition in the following four main areas:

1. to extract resources from the waters of the SCS and ECS, which are rich in nutrients, oil, and gas
2. to create a maritime buffer that prevents U.S. naval power from being projected against the PRC
3. to achieve aggressive political objectives, including territorial gains, without resorting to a costly armed conflict
4. to collect intelligence and gain valuable training experience for use in potential future kinetic conflicts.[18]

To achieve these objectives, the PRC has adopted a whole-of-nation approach to gray-zone operations that leverages all aspects of society across the DIMEFIL spectrum and combines them into a LOE. From the DIMEFIL domains, China can call on a diverse set of coercive elements to influence the outcomes of its allies and partners, such as media-based, psychological, and legal warfare tactics—under its three warfares (三种战法) strategy—and its diverse but complimentary maritime force consisting of the People's Liberation Army Navy (PLAN), the Chinese Coast Guard (CCG), and People's Armed Police Maritime Militia (PAFMM).[19] Chinese citizens play an important role in this dynamic, which is evident by their role in PAFMM and illegal fishing. These citizens are legally obliged by the Law of the People's Republic of China on National Defense to support state security even in the case of "non-war military operations."[20]

China's gray-zone operations are aimed at challenging regional countries' sovereignty rather than U.S. sovereignty. This focus makes regional countries the key drivers in a successful anti-gray zone strategy. The PRC's operations seek to paint the United States as being inactive in supporting its allies and partners, which risks the United States being perceived as an unreliable partner or security provider and undermines U.S. geostrategic posturing in the region, namely the U.S. alliance system and access, basing, and overflight rights.[21]

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[18] For a more complete evaluation of China's goals, objectives, and motives, refer to Chapter 2 of Helmus et al., 2024.

[19] Andrew S. Erickson, Joshua Hickey, and Henry Holst, "Surging Second Sea Force: China's Maritime Law-Enforcement Forces, Capabilities, and Future in the Gray Zone and Beyond," *Naval War College Review*, Vol. 72, No. 2, Spring 2019; Helmus et al., 2024; Japan Ministry of Defense, "Defense of Japan 2023," annual white paper, 2023.

[20] Order of the President of the People's Republic of China 67, Law of the People's Republic of China on National Defense, December 26, 2020.

[21] USINDOPACOM official, interview with the authors, December 5, 2024.

Contextualizing Regional Responses to China in the Gray Zone

Explaining Regional Variance

Regional countries face a plethora of challenges when fighting in the gray zone. Because China tailors its gray-zone operations to specific countries, there is no single model to explain how the United State and regional partners should respond. The wide scope of the PRC's targets and objectives in the gray zone provokes an equally wide variety of responses. Regional responses are also unique by-products of the diverse geopolitical circumstances and the economic and legal pressures on each nation. Each nation faces unique challenges and constraints that cannot be extrapolated to its neighbors. U.S. decisionmakers should contend with this reality when interacting with regional partners to avoid generalizing groups of countries under a single attitude and offering impractical solutions.

As mentioned in the previous section, China's gray-zone operations incorporate multiple tactics that are applied simultaneously to overwhelm and complicate responses. Each tactic of China's gray-zone strategy comes with its own nuances and challenges. Whereas one country might favor an assertive posture in responding to one tactic, such as Chinese state-sponsored oil ventures in their exclusive economic zone (EEZ), that same country might be comparatively mute in responding to illegal fishing. The stark difference of tactics used by China leads to an equally diverse set of legal, diplomatic, military, and information tactics at varying intensities.

Regional objectives largely tend to be an inverse of China's gray-zone objectives. Whereas the PRC seeks to achieve a certain objective, the United States and regional countries will seek to deny that objective for China and maintain the status quo. The primary objective of China's gray-zone operations is the assertion and protection of its territorial claims to accomplish national rejuvenation.[22] When regional claims compete with China's claims, regional countries will, first and foremost, seek to defend their sovereignty and uphold the current status quo. Table 1 highlights excerpts from selected regional strategic documents to show how countries in Southeast and East Asia share common concerns over their sovereignty and challenges to the status quo.

[22] *National rejuvenation* refers to Xi Jinping's aim to turn China into a fully prosperous and developed nation by 2049 and elevate the nation into "political, social, and economic modernity" (DoD, 2023, p. II).

Table 1. Selected Excerpts from Regional Strategic Documents on the Gray Zone and Territorial Violations

Document	Excerpts
2019 Viet Nam National Defense	Vietnam somewhat directedly responds to China, but its tone is not particularly hostile, as evidenced in the following quotations. New developments in the East Sea, including unilateral actions, power-based coercion, violations of international law, militarisation, change in the status quo, and infringement upon Viet Nam's sovereignty, sovereign rights, and jurisdiction as provided in international law, have undermined the interests of nations concerned and threatened peace, stability, security, safety, and freedom of navigation and overflight in the region. (p. 19) Divergences between Viet Nam and China regarding sovereignty in the East Sea are of historical existence, which need to be settled with precaution, avoiding negative impacts on general peace, friendship, and cooperation for development between the two countries. . . . Viet Nam and China need to put more effort into maintaining stability in the East Sea, complying with international law, including the 1982 UNCLOS. (p. 16)
Indonesian Defence White Paper 2015	Indonesia makes only a passive mention of China, as evidenced in the following quotations. [There is a] continued presence of military and non-military threat, and hybrid threat which can be categorized as factual and non-factual. These threats include terrorism, radicalism, separatism and armed rebellions, natural disasters, border violations, sea piracy and natural resources theft . . . The execution of Indonesia's national defence is intended to maintain and protect the country's sovereignty, territorial integrity and safety of the nation. (pp. 1–2) Indonesian has 92 outermost islets; 12 which require priority management so the sovereignty and territorial integrity of the Republic of Indonesia can be secured optimally. (p. 9)
ROC National Defense Report 2023	Taiwan is explicitly hostile toward China, as evidenced in the following quotations. Over the past two years, the PRC has been altering the status quo of the Taiwan Strait through grey zone tactics into a so-called "new normal" in the form of military intimidation and intrusions from across the Strait. In response, the Armed Forces have started multiple major initiatives, such as the "military force realignment plant to strengthen all-out defense," "refining reserve reform," and "special budget for enhancing naval and air combat power." (p. 4) [T]he PRC continues applying hybrid means with grey zone tactics in an attempt to unilaterally change the status quo across the Taiwan Strait and escalate regional tensions. It has become a grave challenge to our national defense and has impacted the security situation in the Indo-Pacific and even the whole world. (p. 41)
Malaysia's National Defence Policy	Malaysia takes a passive response toward China, as evidenced in the following quotations. Overlapping claims of the Spratly Islands is an issue that still requires attention. Brunei Darussalam, China, Malaysia, the Philippines, Vietnam and Taiwan claim all of parts of the Spratly Islands. . . . A resolution to the overlapping claims in the foreseeable future may be difficult as the dispute involves questions of national sovereignty. (p. 7) The resultant maritime dispute and the claim over Sabah as a whole could undermine Malaysia's territorial integrity as a sovereign nation and ultimately weaken the ASEAN spirit and ASEAN Charter. (p. 8)

Document	Excerpts
"Defense of Japan 2023"	Japan explicitly mentions China with a hostile tone, as evidenced in the following two quotations. [S]ince Chinese maritime patrol vessels intruded into Japanese territorial waters surrounding the Senkaku Islands for the first time in 2008, such vessels and others have repeatedly intruded into our territorial waters despite our strong objections, which is utterly unacceptable. . . . Japan cannot make any concessions to such an attempt to make unilateral changes to the status quo by force. The MOD [Japan Ministry of Defense] and the SDF [Japan Self-Defense Forces] will continue to deal with this situation. (p. 304) Under international law, countries have complete and exclusive sovereignty over their territorial airspace. Measures against aircraft intruding into territorial airspace are conducted as an act to exercise the right of policing intended to maintain public order. . . . It is a violation of Japanese airspace when objects of foreign countries, even if they are balloons, intrude into our airspace without permission. . . . If the balloon still continues its intrusion in Japanese airspace and other such cases, SDF aircraft will respond with "necessary measures" as stipulated in Article 84 of the Self-Defense Forces Law, including the use of weapons. (pp. 306–307)
National Security Strategy	The Philippines make a somewhat directed response toward China, as evidenced in the following quotations. Rising tensions in the South China Sea, which nestles the West Philippine Sea, have brought to the fore a changing security backdrop in the Asia-Pacific region. This has prompted the Philippines, which has not confronted any external armed threat since it gained full independence in 1946, to suddenly give the same attention to territorial defense as it does to internal security threats. (p. 4) The dispute over the West Philippine Sea (WPS) remains to be the foremost security challenge to the Philippines' sovereignty and territorial integrity. . . . [T]he United Nations Arbitral Tribunal ruled that the Philippines has exclusive sovereign rights over the WPS (in the South China Sea) and that China's "nine-dash line" claim is invalid. (p. 88)

SOURCES: Ministry of National Defence of the Socialist Republic of Vietnam, *2019 Viet Nam National Defence*, National Political Publishing House, October 2019, pp. 19, 16; Defence Ministry of the Republic of Indonesia, *Indonesian Defence White Paper 2015*, Ministry of Defence of the Republic of Indonesia, November 2015, pp. 1–2, 9; 2023 National Defense Report Editorial Committee, Republic of China, *2023 National Defense Report*, Ministry of National Defense, September 2023, pp. 4, 41; Prime Minister's Office of Malaysia, *Malaysia's National Defense Policy*, July 2019, pp. 7, 8; Japan Ministry of Defense, "Defense of Japan 2023," annual white paper, 2023, pp. 304, 306–307; Government of the Philippines, *National Security Strategy*, May 2018, pp. 4, 88.
NOTE: The rows are color-coded according to the degree in which the document targets or is hostile to China. Red indicates very directed, yellow means somewhat directed, and green indicates a passive mention of China.

However, the degree in which a country calls out China varies greatly from country to country. Japan's annual defense white paper is very assertive and stipulates that Chinese intrusions seek to unilaterally challenge the status quo in the ECS and SCS and "present an unprecedented and the greatest strategic challenge in ensuring the peace and security of Japan and the peace and stability of the international community."[23] Meanwhile, likely because of Indonesia's fierce neutrality, the *Indonesian Defence White Paper 2015* does not directly name any disputes with China, even though it hints at maritime threats, and even applauds China for

[23] Japan Ministry of Defense, 2023, p. 56.

the defense industry cooperation that improves Indonesia's ability to "protect and secure the territory and national interests."[24]

The degree to which a country calls out China in its strategic documentation might reflect the underlying complex geopolitical influences that shape each country's counter gray-zone efforts. For instance, Malaysia, which shares close cultural and trade relations with China (which we discuss later), faces too much to lose if gray-zone tensions were to boil over and would likely seek to downplay gray-zone tensions to maintain beneficial relations. Vietnam, a nation known for defending its sovereignty, might be more willing to take risk but still moderate itself because of its smaller military force and a fear of unduly economic retribution. By contrast, Japan, a country of comparative military and economic strength to China compared with other Southeast Asian nations, might be willing to take a more assertive policy. Furthermore, Taiwan, which already has tense security relations with China regarding a potential invasion of the island, is unlikely to deescalate or stop gray-zone actions by downplaying their severity.

Limitations in Regional Response Mechanisms

Although maintaining their territorial sovereignty is a priority, regional countries also seek to avoid potential isolation and maintain beneficial trade relationships with China. Regional countries often play a balancing act between Beijing and Washington to avoid taking actions that would push them too far into either camp's foreign policy objections and jeopardize beneficial relationships, such as trade or security provisions. Known as *hedging* in international relations theory, scholars argue small and middle-power states will adopt a strategy of "a mix of cooperative and confrontational elements" to maintain security ties with the great power (the United States) and maintain economic ties with the rising power (China).[25] In Southeast Asia, this hedging can be found in the Association of Southeast Asian Nations (ASEAN), whose member nations pursue close economic ties with China through mutually beneficial trade exchanges. However, ASEAN nations also seek to limit the risk of Chinese hegemony over the region through pursuing limited military build-ups and seeking security provisions and equipment from the United States.[26] For example, Indonesia pursues close economic and political ties with the PRC, which brings in much-needed economic investment. However,

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[24] Defence Ministry of the Republic of Indonesia, *Indonesian Defence White Paper 2015*, Ministry of Defence of the Republic of Indonesia, November 2015, p. 84.

[25] John D. Ciorciari and Jürgen Haacke, "Hedging in International Relations: An Introduction," *International Relations of the Asia-Pacific*, Vol. 19, No. 3, September 2019, p. 367.

[26] Chien-peng Chung, "Southeast Asia–China Relations: Dialectics of 'Hedging' and 'Counter-Hedging,'" in Daljit Singh and Kin Wah Chin, eds., *Southeast Asian Affairs 2004*, ISEAS Publishing, 2004; Evelyn Goh, *Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies*, East-West Center Washington, Policy Studies No. 16, January 1, 2005.

Indonesia is also building a submarine base near its disputed territory with China and increasing its defense ties with Washington.[27]

The United States should be wary of broad expectations of a united Southeast Asian coalition or alliance with the United States to counter China. ASEAN, which is codified as a "non-interference" and reliant on "peaceful settlement of disputes," is unlikely to take a strong collective stance against China, much less form a military block.[28] Such values are reflected in the histories of Southeast Asian nations, which have strong elements of neutrality in their foreign policies and a general reluctance to choose sides, such as during the Cold War. *The State of Southeast Asia: 2024 Survey* found that only 8 percent of citizens in ASEAN countries believe that "ASEAN has to choose between one of the two major powers."[29] Meanwhile, 46.8 percent of citizens in ASEAN nations believe that "ASEAN should enhance its resilience and unity to fend off pressure from" China and the United States, and another 29.1 percent of citizens believe that "ASEAN should continue its position of not siding with China or the US."[30] Citizens in ASEAN countries are nearly split on whether they prefer China (50.5 percent) or the United States (49.5 percent) if their country was "forced to align itself with one of the strategic rivals," which breaks from previous years' trends.[31]

Some nations might choose not to respond to gray-zone operations at all to avoid Chinese economic or military retribution, which we discuss in the next section. Despite significant coercive pressure from China targeting Malaysia's oil developments in their EEZ, the nation has adopted a "playing it safe" strategy in which it remains relatively mute on China's actions, claiming that the Malaysia's "needs would be best served by continuing to strengthen the economic core of the relationship while not allowing the South China Sea issue to overshadow bilateral ties."[32]

Regional Responses to Chinese Gray-Zone Coercion

In this section, we detail the types of responses that regional countries might take in response to the PRC's gray-zone coercion and the associated limitations of these responses. Regional

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[27] Niniek Karmini and Edna Tarigan, "Indonesia's Presidential Election Has High Stakes for US and China and Their Rivalry," Associated Press, February 13, 2024; Ridzwan Rahmat, "Indonesia Begins Construction of Submarine Base in South China Sea," *Janes*, April 7, 2021.

[28] *The ASEAN Charter*, ASEAN Secretariat, January 2008, p. 5.

[29] Sharon Seah, Joanne Lin, Melinda Martinus, Kristina Fong, Indira Aridati, Pham Thi Phuong Thao, and Damon Chee, *The State of Southeast Asia: 2024 Survey Report,* ISEAS – Yusof Ishak Institute, April 2024, p. 47.

[30] Seah et al., 2024, p. 47.

[31] Seah et al., 2024, p. 48.

[32] Prashanth Parameswaran, *Playing It Safe: Malaysia's Approach to the South China Sea and Implications for the United States*, Center for a New American Security, Maritime Strategy Series, March 2015, p. 5.

countries could take actions in one of the following seven categories, which span the DIMEFIL spectrum.[33]

1. **Uses of force:** A country can take military, law enforcement, coast guard, and paramilitary actions to deter, mitigate, respond to, or defeat China's gray-zone actions.
2. **Multilateral:** Groups of countries or international organizations can take actions to address, counter, or deter China's gray-zone actions.
3. **Legal:** A country can take actions to challenge or question the legality of China's actions in the gray zone through international or domestic legal mechanisms.
4. **Economic:** A country can take actions to deter, impede, or impose costs on China's gray-zone actions.
5. **Media and information:** A country can take actions to raise awareness or shape public opinion of China's gray-zone actions.
6. **Diplomatic:** A country can take actions through diplomatic channels to address, protest, or engage with Chinese officials regarding China's gray-zone actions.
7. **Civil:** Citizens or civil societies of allies and partners can take actions to detest or contest China's gray-zone actions.

These response categories are neither designed to be an exhaustive list nor mutually exclusive; rather, they provide a broad framework for the lines of actions that countries might consider when responding to China.

Use of Force

Countries facing forceful Chinese gray-zone actions might choose to respond with force. The PRC's carefully crafted and highly deliberate approach to gray-zone operations dissuades escalation by posturing superior forces and threatening to use them in response to any use of force by a regional adversary. Nonetheless, many countries have employed uses of force against Chinese coercive agents and, in some cases, have had success in doing so.

As laid out in Raymond Kuo's book *Contest of Initiative* and Martin A. Sebastian's piece on "Manipulating Weaknesses," actions that are designed to meet Chinese force with force are essentially fighting fire with fire by playing into the PRC's strengths and risk escalation.[34] China's layering strategy involves combining disparate forces, such as PAFMM, CCG, and PLAN, to complicate responses. Each of these forces is numerically and qualitatively superior to the parallel regional force, which creates a trap of evolving rings of escalation. For example,

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[33] A Pardee RAND graduate student's dissertation, *Facing the Ravenous Sea Dragon*, provides comprehensive research on the response options for SCS nations to address China's coercion. There is a large degree of alignment between that dissertation and this report on the seven response categories that regional players could pursue to counter China's gray-zone operations. See Dung Huynh, *Facing the Ravenous Sea Dragon: How Weaker Nations Confront Chinese Coercion in the South China Sea*, dissertation, Pardee RAND Graduate School, RAND Corporation, RGSD-A2470-1, 2022.

[34] Kuo, 2020; Martin A. Sebastian, "China's Gray Zone Operations in the South China Sea; Manipulating Weaknesses," in Leszek Buszynski and Do Thanh Hai, eds., *Maritime Issues and Regional Order in the Indo-Pacific*, Palgrave Macmillan, 2021.

regional fishing fleets, many of them being wooden, are vulnerable to sinking from water cannons and ramming by CCG and the reinforced hulls of PAFMM vessels.[35] Instead, ASEAN nations might send coast guard and law enforcement vessels, but these vessels' limits in range and endurance make such fleets inadequate in shadowing or dissuading CCG vessels.[36] Regional gray hull fleets, which are primarily in Southeast Asia, are similarly limited in number and cautiously employed because of their disproportionate cost on the military budget, which makes potential collisions with CCG vessels risky enough for such fleets to stay in port.[37]

Regional countries have used military assets to counter China with some success, despite the incentives to do otherwise, although not frequently. For example, in May 2014, China moved a state-owned oil rig platform, the Hai Yang Shi You 981, near the waters of the Paracel Islands, which are claimed by Vietnam. Ultimately, Vietnam involved navy and coast guard vessels in response, which was cited as the reason for the oil rig's withdrawal one month ahead of schedule and Beijing's hesitancy to redeploy further oil rigs to the region since then.[38] Furthermore, despite the Philippine Navy facing constant harassment by Chinese vessels, the Philippines' decision to beach the BRP *Sierra Madre* on the disputed Second Thomas Shoal in 1999 allowed the Philippines to establish a presence on the Spratly Islands and is argued to have prevented China from controlling the shoal.[39] In 2020, Malaysia's deployment of the KD *Jebat* missile frigate near a drill rig in the West Cappellas, where China was interfering with Malaysia's oil exploration, appeared to force back the CCG vessel *Haijing 5203* from the rig, although this use of force was insufficient for a full withdrawal of Chinese vessels.[40]

Regional responses using air forces have had no effect on China's territorial violations. Violation of territorial airspace and uncleared entries into air defense identification zones (ADIZs) continue to be a common occurrence; for example, Taiwan faced a high of 1,737 aircraft spotted operating in Taiwan's declared ADIZ in 2022.[41] In response to such occurrences, Taiwan has scrambled its fighter jets to intercept violating aircraft; for instance, such in August 2022, Taiwanese jets were scrambled to "warn away" 49 Chinese aircraft that crossed the nation's median line.[42] Japan has responded identically, scrambling its air forces a total of 575

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[35] Hannah Beech and Muktita Suhartono, "China Chases Indonesia's Fishing Fleets, Staking Claim to Sea's Riches," *New York Times*, March 31, 2020; Erickson, Hickey, and Holst, 2019.

[36] Sebastian, 2021.

[37] Sebastian, 2021.

[38] Ryan Lucas, "Conquering the Commons Coercion in the South China Sea" in James A. Siebens, ed., *China's Use of Armed Coercion: To Win Without Fighting*, Naval Institute Press, 2019.

[39] Lucas, 2019.

[40] "Malaysia Picks a Three-Way Fight in the South China Sea," Asia Maritime Transparency Initiative, February 21, 2020.

[41] Japan Ministry of Defense, 2023; Ben Lewis, "2022 in ADIZ Violations: China Dials Up the Pressure on Taiwan," *ChinaPower*, March 23, 2023.

[42] "Taiwan Scrambles Jets as 49 Chinese Fighters Cross the Taiwan Strait Median Line," Reuters, August 5, 2022.

times against Chinese aircraft in the 2022 fiscal year and monitoring—but not interfering with—multiple suspected Chinese balloons over its airspace between 2019 and 2022.[43] Such responses, even though they demonstrate Taiwanese and Japanese readiness, have not deterred the PRC and have resulted in continuing provocations.

Regarding the sea domain, some regional countries are using navy, coast guard, and law enforcement assets to detain Chinese violators and their ships with mixed success. Ryan Lucas reports that the detention of and interference with Chinese fishing boats, which was common before, has become increasingly uncommon since 2013 likely because of increased CCG presence.[44] After the ramming of a Japanese Coast Guard vessel by a Chinese fishing boat near the Senkaku Islands in 2010, the Chinese crew was detained, and the captain was arrested. However, the Japanese government eventually dropped its charges and returned the crew to Chinese authorities because of China's protests, including the potential restriction of rare earth metal exports to Japan.[45]

In Indonesia, a lightly armed Indonesian Ministry of Maritime Affairs and Fisheries task force was compelled to release a Chinese fishing vessel in tow in 2014, after an Indonesian ship rammed by the CCG in Indonesia's territorial water.[46] Of note, the fishing vessel's crew remained in Indonesian custody.[47] Four months later, an Indonesian frigate ended up firing on a Chinese fishing vessel, confiscating a Chinese fishing vessel, and detaining its crew.[48] Despite reported CCG presence, the only response was a strongly worded diplomatic protest from Beijing.[49] Detentions, when successful, can be a powerful deterrent to Chinese civilian crews by signaling repercussions and potentially dissuading them from future violations. However, failed detentions, whether the result of CCG pressure or economic threats, highlight that regional countries are vulnerable to Chinese economic coercion and its actors have impunity for their actions, which invites further violations.

Furthermore, Indonesia previously engaged in a strategy of literally blowing up the vessels of Chinese intruders under former Minister of Maritime Affairs and Fisheries Susi Pudjiastuti. Being a particularly brash and unsympathetic figure in a country whose foreign policy was typically modest, Pudjiastuti declared a "war against illegal fishing" in 2014 and pledged to

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[43] Japan Ministry of Defense, 2023.

[44] Lucas, 2019.

[45] Hideshi Tokuchi, "The Gray Zone in the Definition of Gray-Zone Warfare: Challenges for Japan-U.S. Cooperation," in Jonathan W. Greenert, ed., *Murky Waters in the East China Sea: Chinese Gray-Zone Operations and U.S.-Japan Alliance Coordination,* National Bureau of Asian Research, May 2021.

[46] Joe Cochrane, "China's Coast Guard Rams Fishing Boat to Free It From Indonesian Authorities," *New York Times*, March 21, 2016.

[47] Cochrane, 2016.

[48] Cochrane, 2016

[49] Cochrane, 2016.

"track down and sink every single illegal fishing vessel we catch."[50] By August 2017, the minister had ordered the dramatic destruction of 317 vessels via explosives (with 191 vessels awaiting destruction).[51] Having the stated goal "to build up respect and fear [so] that they cannot play around with our commitment," Pudjiastuti would often televise the event, making no exceptions for Chinese flagged vessels.[52]

The war appeared to be effective because "most of the 10,000 foreign fishing boats that once poached in Indonesian waters" disappeared and fishing stocks doubled between 2013 and 2017.[53] Although Pudjiastuti's assertive policy was politically distasteful to some international observers, her approach made her popular, and she became Indonesia's most approved minister.[54] Despite her success, Pudjiastuti was replaced by a more moderate minister who took a more conciliatory approach toward China. Chinese vessels returned to the waters after the appointment of the new minister, who downplayed and sometimes outright denied the existence of Chinese intrusions.[55] Even though it is not fully clear why Pudjiastuti was replaced, it is plausible to speculate that President Joko Widodo decided to take a more conciliatory approach toward Beijing because he feared scaring away Chinese investors. Nonetheless, regional countries' governments will have to make hard political and economic choices between their local economic activities (e.g., fisheries, resource extraction) and lucrative Chinese financial investments.

The actions that we have described so far are designed to deter, respond, or defeat China's actions in the gray zone, but countries are also taking measures to mitigate the harmful effects of China's gray-zone actions. In a video taken by the Philippine Coast Guard, sailors can be seen quickly jumping to the front end of their ship shortly before it collides with a CCG vessel to emplace what appears to be a bag of boat fenders or buoys to limit structural damage.[56] In another video provided from the Philippine Coast Guard, a Philippine diver can be seen underwater cutting a floating barrier that was emplaced by the CCG and PAFMM to block Philippine fishers from entering the Scarborough Shoal.[57]

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[50] Jeffrey Hutton, "Indonesia Takes Tough Stance in Fighting Illegal Fishing," *New York Times*, December 18, 2014.

[51] Shotaro Tani, "Indonesia to Continue Blowing Up Illegal Fishing Vessels," *NIKKEI Asia*, August 24, 2017.

[52] Tani, 2017.

[53] Hannah Beech and Muktita Suhartono, "A 'Little Bit of a Nut Case' Who's Taking on China," *New York Times,* June 8, 2018.

[54] Beech and Suhartono, 2018.

[55] Beech and Suhartono, 2020.

[56] Philippines Coast Guard, "Philippines Coast Guard Says Ship Damaged in Collision with Chinese Vessel—Video," *The Guardian*, March 4, 2024.

[57] Kathleen Magramo and Manveena Suri, "Filipino Diver with a Knife Helps Remove Floating Barrier Installed by China in South China Sea," CNN, September 26. 2023.

Multilateral

Rather than bringing about desired end states with force, countries might turn to coalition of likeminded nations to persuade Beijing into entering a diplomatic settlement. In 2002, the PRC and ASEAN reached a Declaration on the Conduct of Parties in the South China Sea that reaffirmed all nations' commitment to 1982 United Nations Convention Law of the Sea (UNCLOS) and their commitments to building trust and a peaceful resolution in the SCS.[58] Since 2002, ASEAN and China have held a working group with senior official meetings and workshops toward the goal of a full implementation of a Code of Conduct.[59] However, as of August 2024, ASEAN and China have yet to reach a formal Code of Conduct, and the long-delayed nonaggression pact is not aimed to be finished until 2026.[60] Furthermore, as Martin A. Sebastian speculates, China held these meetings and signed the declaration to distract the diplomacy-seeking ASEAN, while the PRC further entrenches its positions and militarizes the SCS with no intent of a diplomatic resolution.[61] Similar to how one-on-one diplomatic actions fail to garner the desired changes to China's policy in the SCS, multilateral actions through ASEAN, a group of countries known for non-interference, often fail to create any measurable changes to the PRC's policy goals.

In a multilateral framework, Japan and the Philippines are forming a close partnership to counter Chinese gray-zone activities. In December 2023, Japan announced that it had handed over an FPS-3ME long-range air radar to the Philippines on the northern edge of the country's borders in the SCS, which represents "a major leap in our [the Philippines] capability to protect our sovereign territory and ensure the safety of our citizens," according to the chief of the Philippine Air Force.[62] Solidifying a 2014 change in Japanese export policy that had previously banned arm sales to the Philippines, the radar station is the first full-defense product delivered to the island nation.[63] Building on previous joint patrols between the United States and the Philippines, the United States announced, for the first time ever, that Japan, the United States, and the Philippines will hold combined joint patrols in the SCS.[64] The patrols will also be

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[58] Declaration on the Conduct of the Parties in the South China Sea, adopted at Phnom Penh, Cambodia, November 4, 2002.

[59] Association of Southeast Asian Nations, "Workshop on 10th Anniversary of the Declaration on the Conduct of Parties in the South China Sea (DOC)" webpage, November 2, 2012. As of May 7, 2024.

[60] Niniek Karmini and Jim Gomez, "China and ASEAN Agree to Try to Conclude Nonaggression Pact on Sea Feud in 3 years" Associated Press, July 13, 2023

[61] Sebastian, 2021.

[62] Joe Saballa, "Philippines Gets Advanced Air Surveillance Radar from Japan," *Defense Post*, December 21, 2023.

[63] "Japan Hands Over Air Radar System to Philippines," *Japan Times*, December 24, 2023.

[64] Phelim Kine, Alexander Ward, and Lara Seligman, "US, Japan, Philippines Plan Joint South China Sea Naval Patrols," *POLITCO*, March 29, 2024.

accompanied by a trilateral summit with the country's leaders to focus on a number of maritime issues, including growing Chinese influence.[65]

In what would quite possibly be the biggest development in Japanese-Philippine relations, Tokyo and Manila are nearing the signing of a "reciprocal access agreement" as of April 3, 2023.[66] The agreement includes discussions of "deploying Japanese forces in the Philippines as the countries near agreement on several security pacts aimed at boosting regional deterrence against China."[67] It is remarkable that the constitutionally limited Japan Self-Defense Forces would opt deploy troops to a foreign country to counter China and that the Philippines would welcome Japanese troops back to the island after its brutal occupation by Japan during World War II.[68]

Legal

International law is also used by regional countries to respond to Chinese gray-zone actions. Plausibly the most well-known example, the Philippines brought an arbitration case against China to UNCLOS in 2013 to examine the "role of historic rights and the source of maritime entitlements in the South China Sea."[69] UNCLOS largely ruled in favor of the Philippines in 2016 and found that "there is no legal basis for any Chinese historic rights, or sovereign rights and jurisdiction beyond those provided for in the Convention, in the waters of the South China Sea encompassed by the 'nine-dash line'" and that China had violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishers from fishing in the zone.[70] In 2017, Malaysia submitted new information on the nation's extended continental shelf in accordance with article 76, paragraph 8 of the UNCLOS, which reverberates a previous joint submission with Vietnam that challenges the claims made under China's nine-dash line.[71]

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[65] Kine, Ward, and Seligman, 2024.

[66] Demetri Sevastopulo and Kana Inagaki, "Tokyo in Talks with Manila Over Sending Troops to the Philippines," *Financial Times*, April 4, 2023.

[67] Sevastopulo and Inagaki, 2023.

[68] Article 9 of the Japanese constitution states, "Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized" (Constitution of Japan, March 3, 1947).

[69] *Republic of the Philippines v. People's Republic of China*, The South China Sea Arbitration, Permanent Court of Arbitration, Case No. 2013-19, July 12, 2016.

[70] *Republic of the Philippines v. People's Republic of China*, 2016.

[71] The Federation of Malaysia, *Malaysia Partial Submission to the Commission on the Limits of the Continental Shelf Pursuant to Article 76, Paragraph 8 of the United Nations Convention on the Law of the Sea 1982 in the South China Sea,* November 2017.

Although international legal recognition that China's claims are legally baseless is significant, recognition alone has been ineffective at repealing the PRC's claims. Despite international law, China continues to obstruct the maritime freedoms of other states and hence violate UNCLOS and the International Regulations for Preventing Collisions at Sea 1972.[72] Citing Article 5(a) of Annex 1 of the Rules of Procedure of the Commission on the Limits of the Continental Shelf, China claims that UNCLOS did not have the jurisdiction to make decisions regarding the matter of Malaysia's claims.[73] Likewise, Fu Ying, a former Chinese ambassador to the Philippines and chair of the Foreign Affairs Committee of the National People's Congress, argues that the Philippines did not have the right to initiate the case nor did UNCLOS have the power to make such a ruling, which resulted in Beijing's "no acceptance, no participation, no recognition, and no implementation" position to the 2016 UNCLOS arbitration.[74]

Even when rulings are delivered by international legal channels, countries might be hesitant to support rulings against China. After 2016 UNCLOS arbitration, despite pleas from the Philippines and U.S. government, Malaysia was initially hesitant to back the Philippines in the arbitration, fearing Chinese retribution.[75] Eventually, Malaysia's position evolved but only half-heartedly; Malaysia backed the ruling but did not recognize it as legally binding for China to follow.[76] Despite 17 other nations, including Indonesia, Malaysia, Singapore and Vietnam, positively receiving the ruling, they do not recognize the ruling as legally binding.[77] Eight nations, including Taiwan, opposed the ruling.[78]

Compounding the issue further, many of the SCS and East Asian nations share overlapping claims. If they were to recognize the arbitration's legitimacy or findings as legally binding, these countries might jeopardize their own claims to territorial entitlements. Taiwan's eleven-dash line, the precursor to the PRC's nine-dash line, proclaims sovereignty over much of the SCS, including the Taiwan-administrated Itu Aba (Taiping) Island in the Spratly Islands archipelago.[79] If Taiwan recognized the arbitration, Taipei would be accepting the verdict that the eleven-dash line is legally baseless, and its Itu Aba Island is not big enough to generate a 200 nautical-mile

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[72] Jonathan G. Odom, "When Gray Zone Meets Black Letter: China's Paranaval Strategy and International Law," in Andrew S. Erickson and Ryan D. Martinson, eds., *China's Maritime Gray Zone Operations*, Naval Institute Press, 2019.

[73] Permanent Mission of the People's Republic of China to the United States, "Communication from the People's Republic of China Dated March 23, 2020," March 23, 2020.

[74] Fu Ying, "Why China Says No to the Arbitration on the South China Sea," *Foreign Policy*, July 10, 2016.

[75] Parameswaran, 2015.

[76] Asia Maritime Transparency Initiative, "Arbitration Support Tracker," webpage, published July 18, 2023.

[77] Asia Maritime Transparency Initiative, 2023.

[78] Asia Maritime Transparency Initiative, 2023.

[79] Shicun Wu, "China's Sovereignty Claims Over The Nansha Islands: A Legal Perspective" in *Solving Disputes for Regional Cooperation and Development in the South China Sea: A Chinese Perspective*, Woodhead Publishing Limited, 2013.

EEZ.[80] Under such circumstances, Taipei's response that "we absolutely will not accept [the tribunal's decision] and we maintain that the ruling is not legally binding on [Taiwan]" becomes more logical.[81] Further complicating its position, Taiwan also makes claims to the Japan-administered Senkaku Islands and deployed coast guard vessels with directions to shoot their water cannons at Japanese ships after the Japanese government purchased the islands.[82]

Southeast Asian nations' claims prove to be no less nuanced and have an assortment of overlapping claims and violations of their neighbors' sovereignty. China is not alone in occupying small rocks and turning them into disputed outposts in the SCS; Vietnam occupies 27 features, the Philippines occupies nine, Malaysia occupies five, and Taiwan claims one feature compared with China's 28 occupied features.[83] Furthermore, Chinese fishers are not alone in violating the territorial waters of other nations; Vietnamese fishers frequently operate in other countries' EEZs, which has led to Vietnam being called the "Jack Sparrow" of the SCS by one USINDOPACOM official.[84] Although China remains the primary violator and threat to the sovereignty of SCS nations through its grandiose territorial claims and illegal fishing, many SCS nations engage in some of the same tactics. To legally decry these actions via arbitration could jeopardize Southeast Asian nations' claims and paint these countries as hypocritical actors.

Economic

Another course of action that regional countries could pursue is taking economic actions that are aimed to impose costs against or impede China's ability to conduct gray-zone operations. Such actions could be in the form of sanctions targeting companies involved in the construction of artificial islands in the South China Sea, which is an approach that the United States took in 2020 against 24 Chinese companies.[85] However, regional countries have, so far, avoided taking economic actions against China, such as sanctions, tariffs, or banning Chinese companies. In the Philippines, because of the nation's comparatively small economy, government officials chose not to retaliate with sanctions, fearing unequal reprisals.[86] Vietnam accounts for only 3 percent of Chinese imports, despite 16 percent of Vietnam's national exports going to China. If China chose to reciprocate against Vietnam, the PRC could withhold 2 percent of its total exports that go to

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[80] *Republic of the Philippines v. People's Republic of China*, 2016.

[81] Shannon Tiezzi, "Taiwan: South China Sea Ruling 'Completely Unacceptable,'" *The Diplomat*, July 13, 2016.

[82] Vincent Wei-Cheng Wang, "Taiwan's Policy toward the Diaoyu/Senkaku Islands Dispute and the Implications for the US," *Education About Asia,* Vol. 19, No. 2, Fall 2014.

[83] To see a detailed analysis of islands built by each of these nations, see Asia Maritime Transparency Initiative, Center for Strategic and International Studies, "Occupation and Island Building," webpage, undated.

[84] INDOPACOM official, interview with the authors, December 5, 2023.

[85] Nectar Gan, "US Sanctions 24 Chinese Companies Over South China Sea Island Building," CNN, August 27, 2020.

[86] Ketian Zhang, "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea," *International Security*, Vol. 44, No. 1, July 2019.

Vietnam, which would result in Vietnam losing 33 percent of its annual imports. In Indonesia, President Widodo is likely swayed by the threat of losing lucrative Chinese financial and tech investments and Chinese building agreements for his controversial new capital.[87] Having a comparatively massive Chinese market, SCS nations—and even Japan, to a degree—have much to lose and little to leverage in an economic tit-for-tat battle, which likely explains the lack of economic actions taken against China by these countries.

Regional economic anxieties are not without precedent; the PRC previously used its economic leverage to punish and dissuade responses. For example, China twice banned the import of bananas from the Philippines, one of the nation's top exports, for "quality" issues that coincidentally occurred at the same time as the 2012 Scarborough Shoal standoff and the 2016 UNCLOS arbitration.[88] In 2010, after the Japanese Coast Guard's seizure and detention of a Chinese vessel caught ramming a Japanese Coast Guard vessel, the PRC threatened to ban the export of rare earth metals if the crew was not returned; Japan complied and released the crew on no charges.[89]

Media and Information

Regional countries use the media to raise awareness of China's actions and paint Beijing as a bully and irresponsible to international audiences. Even though photos, videos, and press reports are ineffective at physically forcing Chinese ships to back down, media reports of Chinese gray-zone actions are key tools for chipping away at the legitimacy of China's claims and hostile actions.[90] The press has become an increasingly important tool for expressing disapproval and raising local awareness of China's actions in the gray zone. For example, in Indonesia, Pudjiastuti used the media to televise the blowing up of vessels that were captured fishing illegally in Indonesian waters.[91] In Malaysia, news media picked up images of the Malaysian Navy standing by while CCG vessels harassed Malaysian gas field activities in Malaysia's EEZ. The publicity ultimately led the Malaysian defense minister to more assertively declare Malaysia's right to explore its EEZ.[92]

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[87] Kiki Siregar, "What the Remote Natuna Islands Reveal About Indonesia's Stance on China," *Channel News Asia*, August 5, 2023.

[88] William D. Yoakley, "Beneath the Surface: China's Subtle, Tightening Grip on Filipino Affairs," *Wild Blue Yonder*, Air University, May 25, 2023.

[89] Tokuchi, 2021.

[90] Andrew Mueller, "The Frazier Effect in the South China Sea: Illuminate the Gray Zone," *Proceedings of the U.S. Naval Institute*, Vol. 147, No. 8, August 2021.

[91] Chloe King, "Indonesia's U.S.–China Balancing Act Is Playing Out at Sea," *Responsible Statecraft*, January 22, 2021.

[92] Benjamin Goirigolzarri, "Lighting Up the Maritime Gray Zone," *Proceedings of the U.S. Naval Institute*, Vol. 149, No. 11, November 2023.

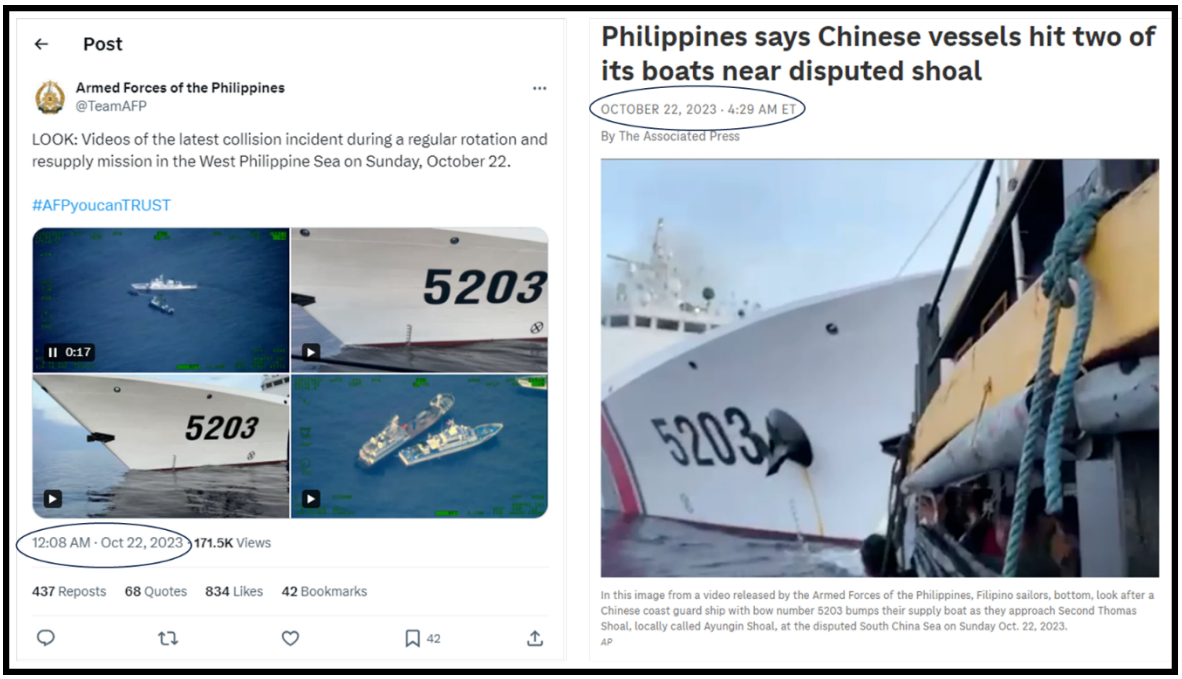
Under the President Ferdinand Marcos's administration's policy of assertive transparency, the Philippines makes heavy use of the information domain to counter China in the gray zone. Transforming formerly "disjointed" and "reactive bureaucratic government responses," the Philippines uses journalists embedded on Philippine Coast Guard and Navy ships and aircraft to capture malign Chinese activity and create a "highly focused and proactive information operations campaign."[93] This media, which have captured the blocking and ramming of resupply ships to the BRP *Sierra Madre*, for example, are then released in the form of social media posts, statements, press releases, and videos on Armed Forces of the Philippines' website and social media platforms.[94] The accounts are then picked up on local news (e.g., ABS-CBN News, Inquirer.net, Rappler) and Western media, which recycle the Armed Forces of the Philippines' videos of clashes and statements in a matter of hours (see Figure 2). Such efforts are effective in garnering the international attention and consensus that Manila desires, including support from the capitals of Australia, Canada, Germany, and Japan on top of U.S. affirmation that an armed attack in the SCS would meet the conditions required to invoke the Mutual Defense Treaty.[95]

[93] Raymond M. Powell and Benjamin Goirgolzarri, *Game Changer: The Philippines' Assertive Transparency Campaign (How the Philippines Rewrote the Counter Gray Zone Playbook in 2023)*, Albert Del Rosario Institute for Strategic and International Studies, January 12, 2024, p. 14.

[94] Republic of the Philippines, "Armed Forces of the Philippines," webpage, undated.

[95] Aaron-Mathew Lariosa, "China Harasses PCG Vessel Amid Increased Philippine Maritime Security Cooperation With Japan, U.S.," *Naval News*, February 15, 2023; Powell and Goirgolzarri, 2024.

Figure 2. Armed Forces of the Philippines' Post and Associated Press's Account of the Same Clash



SOURCES: Reproduced from (left) Armed Forces of the Philippines [@TeamAFP], "LOOK: Videos of the latest collision incident during a regular rotation and resupply mission in the West Philippine Sea on Sunday, October 22," post on the X platform, October 22, 2023; and (right) Associated Press, "Philippines Says Chinese Vessels Hit Two of Its Boats near Disputed Shoal," National Public Radio, October 22, 2023.

One significant development is that Western media has been allowed to accompany Philippine forces for the first time in decades, and CNN journalists have embedded themselves on Philippine Coast Guard vessels to capture China's gray-zone operations.[96] The inclusion of Western media appears to be effective in garnering China's attention because the PRC has claimed that the Philippines "maliciously incites and sensationalizes" clashes in the SCS region.[97] Furthermore, the U.S. Department of State's reaction to the event was met by stiff disapproval by the Ministry of Foreign Affairs of the PRC; spokesperson Mao Ning said, "The US or any third party should not exploit the issue to sow discord, still less make interventions."[98]

Diplomatic

Regional countries might choose to diplomatically appeal to China to limit its territorial claims. However, diplomatic actions have failed to yield breakthrough results in curtailing

[96] Rebecca Wright, Ivan Watson, and Kevin Broad, "What It's Like on Board an Outnumbered Philippine Ship Facing Down China's Push to Dominate the South China Sea," CNN, March 6, 2024.

[97] Wright, Watson, and Broad, 2024.

[98] Mao Ning, statement at Ministry of Foreign Affairs press conference, March 6, 2024.

China's gray-zone operations. In September 2009, Japanese Prime Minister Yukio Hatoyama pushed for an East Asian Community in the hope that closer relations between the two nations would resolve or at least alleviate differences over the Senkaku Islands. These efforts proved to be ineffective because one year later, Chinese trawlers collided with Japanese Coast Guard vessels and sparked an international dispute.[99] According to RAND researcher Derek Grossman, the Philippines, under former President Rodrigo Duterte (2016–2022), failed to cease Chinese activity in the SCS or strike the former president's desired joint oil exploration deal despite a markedly pro-China and anti-United States diplomatic strategy.[100] Additionally, for Vietnam, diplomatically negotiating with China remains risky because the PRC has struck down their joint oil ventures while, at the same time, establishing ones with other SCS nations to isolate Vietnam.[101]

Regional countries frequently use diplomatic channels to express disapproval of China's actions and challenge the Chinese narrative. Yet, the Philippine Department of Foreign Affairs' diplomatic protests have fallen on deaf ears; as of October 2023, the agency had filed its 55th diplomatic protest of the year over the ramming of a Philippine ship that the Chinese Embassy claimed was "trespassing."[102] Citing a March 2024 ramming and water cannoning of a Philippine vessel, the Philippines summoned China's envoy, and when the Defense Ministry dared China to "show the strength of its maritime claims through arbitration, rather than ambiguity," China refused the offer.[103]

Even countries that share strong cultural and diplomatic relationships with China, such as Malaysia, are not free from China's malign activities. Malaysian ships operating in the oil rich Laconia Shoals are harassed daily.[104] Following the intrusion of Malaysian maritime airspace by 16 PLAAF planes, Malaysian Foreign Minister Hishammuddin Hussein decried the incident and said that "having friendly diplomatic relations with any countries does not mean that we will compromise our national security. Malaysia remains steadfast in defending our dignity and our sovereignty."[105] Although diplomatic actions alone have been unable to dissuade or change Chinese behavior, broadly speaking, diplomatic efforts demonstrate that regional countries are making some efforts to push back on China's claims and uphold their sovereignty.

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[99] Hiroyuki Akita, "Why Appeasing China Will Never Work," *NIKKEI Asia*, March 30, 2024.

[100] Derek Grossman, "Duterte's Dalliance with China Is Over," *Foreign Policy*, November 2, 2021.

[101] Sebastian, 2021.

[102] "Philippines Summons Chinese Ambassador Over S China Sea Collisions," *Radio Free Asia*, October 23, 2023.

[103] Reuters, "Philippines Summons China Envoy over Standoff, Dares Beijing to Seek Arbitration," NBC News, March 25, 2024.

[104] Amy Chew, "China Harasses Malaysian Oil and Gas Vessels on a 'Daily' Basis, Asia Maritime Transparency Initiative Says," *South China Morning Post*, October 25, 2021.

[105] "Malaysia Will Lodge Diplomatic Protest with China over Maritime Airspace 'Intrusion,'" *Radio Free Asia*, June 1, 2021.

Likely being dissuaded by a lack of progress and cooperation with China, regional countries are turning to each other to resolve disputes bilaterally. In the North, the leaders of Taiwan and Japan, which both claim the Senkaku Islands, came to a settlement in April 2013 that allows Taiwanese fishers to operate without restriction in an area surrounding the islands.[106] Farther south, Indonesia and Vietnam concluded negotiations, after 12 years of deliberation, for the delimitation of their overlapping EEZs in accordance with UNCLOS and paving a clearer way toward solving illegal, unreported, and unregulated fishing.[107] In May 2014, Manila gave up its claims made under the 1898 Treaty of Paris to align with the 1982 UNCLOS after years of stagnation in talks with Indonesia.[108] In 2009, Malaysia and Vietnam decided to pursue joint economic development in the SCS after submitting a joint effort to extend their claims in the area under the Commission on the Limits of the Continental Shelf.[109] Even though none of these actions force Beijing to the negotiating table, they send a strong signal that regional nations are serious about resolving disputes through diplomatic settlements rather than gunboat diplomacy. Furthermore, these diplomatic actions demonstrate willingness to use international law to settle regional overlapping claims, even when the rulings might be against the countries' interests.

Civil

In some cases, civil society organizations play a role in countering Chinese gray-zone operations. For example, in 2012, Chinese nationals landed on the disputed Senkaku Islands and were detained and deported by the Japanese government. Subsequently, despite government efforts at dissuasion, members of the Ganbare Nippon (a Japanese conservative nationalist group), lawmakers, and 20 boats bearing Japanese flags landed on the island, unimpeded by the Japanese government.[110] Taiwan, which also contests Japan's claims over the Senkaku Islands, backed Taiwanese citizens attempting to land on the islands.[111] In Vietnam, the government, which very rarely allows protests, was silent to a nationwide protest against a Chinese oil rig in Vietnamese waters and the ramming of a Vietnamese vessel in 2014.[112]

Similar to China's use of the civilian PAFMM to assert territorial claims, regional countries are mobilizing grassroot populations to challenge China's claims and demonstrate effective

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[106] Wang, 2014.

[107] Bich Tran, "The Significance of the Vietnam-Indonesia Exclusive Economic Zone Demarcation," *Fulcrum,* January 20, 2023.

[108] Arif Havas Oegroseno, "How Indonesia and the Philippines Solved Their Maritime Dispute," *The Diplomat*, June 14, 2014.

[109] "The Evolution of Asia's Contested Waters," Asia Maritime Transparency Initiative, October 23, 2015.

[110] "Japanese Raise National Flags and Tensions," *Times of Malta*, August 19, 2012.

[111] Wang, 2014.

[112] Charles Scanlon, "Vietnam Holds Anti-China Protests Over South China Sea Dispute," *BBC News*, May 11, 2014.

sovereignty over disputed waters. In the early 2000s, a series of provocations and clashes between China and Vietnam sparked the Vietnamese government to form a "Militia and Self-Defense Force operating in the maritime areas" for the SCS as part of greater government efforts to counter China's coercion in the gray zone.[113] Hanoi would further support the force in 2014 after the Hai Yang Shi You 981 oil incident to include offering financial incentives to its citizens for buying "bigger and steel-hulled boats" that are more on par with PAFMM fishing vessels.[114] In Indonesia, the incursion of Chinese fishers and CCG vessels sparked the government to challenge China by mobilizing and sending fishers to the disputed area.[115] Likewise, the government in Jakarta is looking to move fishers from across the country to the disputed regency to "act as maritime sentries."[116]

Recommendations: A Framework for Enabling U.S. Allied and Partner Responses to China's Gray-Zone Coercion

U.S. allies and partners in the region have demonstrated their willingness to respond to China's gray-zone coercion through a variety of military, diplomatic, economic, and informational means. Although much focus has been given toward how the United States should respond to China's gray-zone coercion, less attention has been given to how the United States should better enable the existing efforts of its allies and partners going forward. As a result, we conclude this report by recommending an approach for the United States to support its regional partners and enable more-effective regional responses.

China's claims in the ECS and SCS that contest the sovereignty of countries in Southeast Asia and East Asia makes it inherently the primary interest of the nations' capitals in the region to develop an effective counter gray-zone strategy and uphold their lasting sovereignty. U.S. leadership should support such countries in ways that increase their will to respond to China, protect them against China's coercive actions, and enhance their capacity to respond. We recommend the following three LOEs that can help the United States best support regional nations in their contest with China.

1. Build regional countries' **will** to respond to and endure China's gray-zone actions.
2. Increase regional countries' **resilience** and **flexibility** to resist and respond to China's coercive actions.
3. Increase regional countries' **capacity** to deter and defeat China in the gray zone.

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[113] Nguyen Khac Giang, *The Vietnamese Maritime Militia: Myths and Realities*, IDSS Paper No. 40, S. Rajaratnam School of International Studies, Nanyang Technological University, IP22040, July 21, 2022.

[114] Giang, 2022.

[115] Stanley Widianto, "Indonesia Mobilises Fishermen in Stand-off with China," Reuters, January 6, 2020.

[116] Beech and Suhartono, 2020.

Before detailing potential efforts in support of each of these LOEs, it is important to note that the United States will need to develop approaches that are attuned to the unique needs and circumstances of each country in the region and that can support a broader regionwide strategy that would, in theory, be coordinated at the interagency level.

The following section will provide a brief overview of each of these LOEs and highlight the potential policies that the United States could pursue to better enable its allied and partner responses to gray-zone coercion in the region .

Level of Effort I: Build Regional Countries' Will to Respond to and Endure China's Gray-Zone Actions

Although U.S. capacity-building initiatives will be crucial for allowing its allies and partners to respond to China in the gray zone, capacity alone cannot guarantee success. Consequently, the United States should undertake efforts to support and build national will to respond to China's gray-zone coercion. Bilateral and multilateral diplomatic efforts will be important to accomplish this goal. Beyond this, we highlight two other potential policy options: to reaffirm U.S. security commitments and to continue supporting and optimizing transparency initiatives.

Reaffirm U.S. Security Commitments

In direct support of building allies' and partners' confidence in the United States as a reliable partner and net security provider, the U.S. government should reaffirm its security commitments made under its mutual defense treaties. As we said in this report's companion,[117]

> The degree to which such countries have a sense of assurance that the United States will follow through on its mutual defense treaties (or policies of strategic clarity) may impact the degree to which they feel secure in challenging Chinese gray zone aggression. Such a sense of assurance took a hit during the Scarborough Shoal standoff that began in 2012 when the Philippine Navy sought to board PAFMM vessels operating in its EEZ near the Scarborough Shoal. Following this incident, the Philippines were looking for an assertive statement from the United States that its mutual deterrence treaty applied to the situation. The Obama administration demurred and instead offered a less assertive statement of support.[118] Some have argued that this situation in part led to Philippines President Rodrigo Duterte to make a strategic turn toward opening up relations with China and considering an abrogation of the United States Visiting Forces Agreement.

[117] Helmus et al., 2024, Chapter 5.

[118] Mark Landler, "Obama Expresses Support for Philippines in China Rift," *New York Times*, June 8, 2012; Cooper, Zack ,and Gregory B. Poling, "America's Freedom of Navigation Operations Are Lost at Sea," Foreign Policy, January 8, 2019; Gregory B. Poling, "The Transformation of the U.S.-Philippines Alliance," commentary, Center for Strategic and International Studies, February 2, 2023.

Although the United States has reiterated its commitment to the Mutual Defense Treaty with the Philippines, the initial U.S. failure to fulfill perceived obligations undermined the Philippines' immediate willingness to respond to China's gray-zone operations.

Continue Supporting and Optimizing Transparency Initiatives

The United States should work to expand regional adoption of the Philippines' model of assertive transparency. U.S. embassies in the region and USINDOPACOM should work to publicize local aggressions by China in the gray zone via engagements with host nation authorities, press releases, social media posts, and other public-facing events. Furthermore, the United States should help to seed the lessons learned and other related experiences from the Philippines throughout the region by supporting expert exchanges between public affairs officers from the Philippine Coast Guard and those from other Southeast Asian nations. Finally, the United States should also work to build the capacity of public affairs and messaging forces, which is also part of the third LOE. U.S. domestic transparency efforts can be picked up by international media and audiences, which would subsequently influence host nations' policies, as evidenced by the case of the Malaysian defense minister switching to more-assertive messaging after domestic protest. As we highlight in this report's companion, efforts by U.S. based organizations, such as the Stanford University's Sealight project, promote a steady diet of social media posts that highlight China's aggressive maritime actions.[119]

Level of Effort II: Increase Regional Countries' Resilience and Flexibility to Resist and Respond to China's Coercive Actions

The United States should seek to harden allies and partners across the DIMEFIL spectrum to make the region less vulnerable to China's coercive actions and ultimately build a regional will to respond. China's actions are not single-sided; rather, the PRC projects coercive power in four main domains: geopolitical, economic, military, and cyber or information operations.[120] As mentioned in the Economic section of responses, even a comparatively rich nation, such as Japan, can be persuaded to back down from meeting China assertively when its continued ability to import goods from China are at risk. This economic coercion also applies to Southeast Asia, whose states are often hesitant to align themselves militarily with the United States, citing the growing influence of China on their political, economic, and military systems.[121] U.S. failure to support its allies and partners in weathering not only physical gray-zone actions, such as boat ramming, but also economic, information, and political pressures can undermine regional countries' flexibility of choice.

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[119] Helmus et al., 2024.

[120] Helmus et al., 2024; Lin et al., 2022.

[121] Nguyen The Phuong, "The U.S. Coast Guard in the South China Sea: A Vietnamese Perspective," ISEAS – Yusof Ishak Institute, *Perspective*, Vol. 2022, No. 98, October 6, 2022.

Such an LOE will entail several different efforts, including diplomatic engagements with the PRC that seek to limit any coercive actions that target its neighbors in Southeast Asia and media strategies that help such countries effectively respond to China's disinformation and other propaganda campaigns. Other efforts should include robust economic engagement from the United States in Southeast Asia and diplomatic engagements that help to resolve territorial disputes in Southeast Asia. These two proposals are described in further detail below.

Provide and Encourage Alternative Economic Investments

China's use of the economic system as a lever to influence a nation's political and military decisions should lead Washington to adopt an economic strategy that is aimed at targeted investments around regional anxieties and local needs. According to one recent regional survey, three of the top five challenges selected by Southeast Asian citizens are economic, while "increased military tensions arising from potential flashpoint" was the fourth-most selected concern.[122] Washington appears to recognize this reality; the 2022 launch of the Indo-Pacific Economic Framework (IPEF) "work[s] with partners to ensure that citizens on both sides of the Pacific reap the benefits of these historic economic changes, while deepening [U.S.] integration."[123] However, the agreement, which focuses heavily on issues of importance to the U.S. population, such as 5G and artificial intelligence, and might not appeal to Southeast Asian countries.[124] According to Grossman, "the Biden administration still lacks a viable economic strategy that might position Washington to credibly counter Beijing's growing trade and investment ties in this critical region."[125]

The April 2024 announcement by the United States, Japan, and the Philippines of the Luzon Economic Corridor—the first corridor under U.S. President Joe Biden's Partnership for Global Infrastructure and Investment—appears to be a step in the right direction. Aimed at "high-impact infrastructure projects, including rail; ports modernization; clean energy and semiconductor supply chains and deployments; agribusiness; and civilian port upgrades at Subic Bay,"[126] the Luzon Economic Corridor will address chief concerns, such as climate change, infrastructure, and economic stagnation. However, to gain traction, Washington will need to make clear commitments to attract investors.

Investments should be expanded to reach Southeast Asian economies that are vulnerable to Chinese economic coercion. Regional allies, such as Japan and Australia, can be key partners investing in these corridors. Japan is already a contributor in the Luzon Economic Corridor, and

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[122] Seah et al., 2024, pp. 12–13.

[123] White House, *Indo-Pacific Strategy of the United States*, February 2022.

[124] MK Bhadrakumar, "IPEF Will be a Hard Sell in the Indo-Pacific," *Asia Times*, May 25, 2022.

[125] Derek Grossman, "The Good and the Bad for Biden in Southeast Asia," *Foreign Policy*, February 5, 2024.

[126] White House, "Joint Vision Statement from the Leaders of Japan, the Philippines, and the United States," April 11, 2024.

Australia recognizes that "Southeast Asia holds the key to reducing Australia's economic dependence on China."[127] The United States should work bilaterally with host nations and multilaterally with the regional economic hubs to promote diverse investments and ultimately harden regional countries from coercive actions by China that seek to economically isolate these countries.

Encourage Regional Countries to Resolve Their Disputes

U.S. support options are inhibited by territorial disputes among regional claimants. The United States should encourage resolution and act as a legal mediator for solving disputed territories among regional partners. China is not alone in contesting the sovereignty of the SCS, or even in the Senkaku Islands, and some countries share economic development disputes. In our discussions, an USINDOPACOM official expressed a high-level of concern over providing allies and partners with U.S. equipment, such as non-lethal weapons, out of fears that such equipment would be used against regional neighbors.[128] However, a number of allies and partners, including Japan, Taiwan, the Philippines, Indonesia, Malaysia, and Vietnam, have come to legal understandings over the boundaries or permitted operations in their EEZs. Resolution of regional territorial disputes decreases the likelihood of the misuse of U.S. equipment in intraregional conflicts and subsequently decreases the risk of U.S. military sales and cooperation. The United States should continue this momentum by using its strong international network of allies and partners to act as a mediator between countries so that they can come to mutually acceptable uses and demarcations of their international boundaries.

The United States should also encourage mediation and act as a mediator, when possible, to help regional countries come to independent settlements on the uses of their waters. Vietnam and Malaysia's 2009 decision to pursue joint economic development and Tokyo's decision to grant Taiwanese fishers with access to its waters sends a strong signal to Beijing. Specifically, when regional countries forego their self-interested legal interpretations and economic rights to come to less lucrative but mutually beneficial settlements over territorial waters, this demonstrates U.S. allies and partners' regional appetite for conflict mediation and dispute resolution to China. Regional resolutions can create not only a unified front against China's coercion but also a narrative that U.S. and regional media apparatuses can seize to paint China's claims as "winner takes all," which will hopefully push Beijing toward the diplomatic table. Furthermore, dispute resolution allows for better management and development of shared resources and strengthens regional countries' capacity to resist China's economic coercion.

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[127] Toru Takahashi, "Australia Shifts Focus from ASEAN to Individual Southeast Asian Nations," *Nikkei Asia*, April 29, 2024.

[128] USINDOPACOM official, interview with the authors, December 4, 2023.

Level of Effort III: Increase Regional Countries' Capacity to Deter and Defeat China in the Gray Zone

If Southeast Asian nations are to stand up to Chinese maritime gray-zone activities, then they need the appropriate capacity to do so. This report's companion highlights several recommendations for achieving this objective, such as continued U.S. military capacity building efforts, an expansion of U.S. Coast Guard exchanges and training efforts with regional coast guard forces, and an expansion of the Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA) that seeks to establish near-real-time, integrated, and cost-effective maritime domain data to maritime agencies in Southeast Asia and the Pacific.[129] That report also urged that the United States should consider more direct operational support to host nation maritime assets in the form of sustained U.S. Navy and Coast Guard operations.[130] Beyond these recommendations, we discuss two additional approaches that seem to have received less attention in the literature.

Allied and partner fleets remain extremely limited in not only their numerical capacity but also their physical capacity to patrol and defend their waters.[131] This report's companion found that "the United States is conducting a host of activities to support the militaries and security posture of partners in the South China Sea."[132] The United States should conduct an analysis to tailor its procurements and development activities to meet the unique geostrategic circumstances of each nation and maximize the overall utility of its efforts. According to our interviews with U.S. regional subject-matter experts and review of the literature, the United States should focus broadly on three immediate concerns: maritime domain awareness, logistical sustainment capacity, and building hulls.

Reconsider Assumptions of China's Maritime Gray-Zone Escalation

Future research should explore the historic uses of force and their associated outcomes to gain insights into China's thresholds for escalation. Furthermore, the U.S. intelligence community should work to increase its understanding of the PRC's willingness to conduct kinetic operations in the SCS and Senkaku Islands if its gray-zone operations were to fail to yield the desired results. Previous research has operated under the assumption that if a country uses military or other types of force in the maritime domain, they will face PLAN military escalation. However, for several reasons, this might not always be the case. Indonesia's 2016 order to its frigate *Oswald Siahaan* to fire at Chinese fishing vessel *Gui Bei Yu-27088* and arrest its crew, despite CCG protection and the apparent retreat of CCG vessel *Haijing 5203* from an oil rig in the West Cappellas after the deployment of a Malaysian missile frigate demonstrate reasons to

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[129] Helmus et al., 2022.

[130] Such operations are highlighted as part of the *Proceedings of the U.S. Naval Institute*'s series on Maritime Counterinsurgency.

[131] Based on multiple interviews

[132] Helmus et al., 2024, Chapter 5.

reassess perceptions of China's risk tolerance.[133] in other words, prior incidents that used force suggest that China's thresholds for escalation are lower than previously theorized. If PLAN's escalation tolerance is lower than currently perceived, this finding would suggest that U.S. allies and partners should use more forceful measures to defend their claims. To potentially get ahead of the China's decision curve and ultimately deter or defeat gray-zone operations, future research should conduct a historical analysis of using force and the subsequent responses by China, and the U.S. intelligence community should be tasked to assess China's thresholds for military escalation in the SCS and Senkaku Islands.

Disincentivize the People's Armed Police Maritime Militia's and Chinese Fishing Fleets' Activities

Future research should investigate the incentive structures that drive Chinese citizens to join, conduct, or cease PAFMM activities. PAFMM, despite being subordinate to the Chinese Military Commission, is not a military or government force under the full ownership and direction of the PRC at all times. Instead, many of these forces are composed of subsidized fishers, mariners, and other civilians who use their boats "to perform 'official' missions on an ad hoc basis outside of their regular civilian commercial activities."[134] PAFMM compensation comes in the form of being paid a salary outside their regular fishing job and "extensive subsidies to encourage frequent operations in the Spratly Islands."[135] Despite China's Law of the People's Republic of China on National Defense that obligates citizens to "defend the country and resist aggression," the contractual-like compensation method alludes to a level of flexibility in which endeavors, if any, Chinese mariners pursue or not, which contrasts with CCG and PLAN sailors that are forced to comply or risk punishment by the superiors.[136] Furthermore, PAFMM vessels are more commonly spotted operating in the SCS than the ECS, which raises the question of why. By better understanding the incentives that lead PRC citizens to participate in PAFMM and illegal fishing activities, regional countries might be able take actions that dissuade Chinese citizens from participating in gray-zone operations or dampen the intensity at which they are conducted.

Pudjiastuti's tenure as Indonesia's Minister of Maritime Affairs and Fisheries and subsequent war against illegal fishing appears to demonstrate this dynamic. By sinking illegal fishing vessels, including those flagged as Chinese, Pudjiastuti raised the perceived opportunity cost for vessels that operate illegally in China's territorial waters. Chinese vessels, which were previously drawn into Indonesian waters for bountiful fishing stocks and potential PRC subsidies, now face a very real chance of being detained and their source of income (their boats) being destroyed.

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[133] Ankit Panda, "South China Sea: Indonesian Navy Fires at and Arrests Chinese Fishermen," *The Diplomat*, May 31, 2016; Asia Maritime Transparency Initiative, 2020.

[134] DoD, 2023, p. 81.

[135] Japan Ministry of Defense, 2023, p. 66.

[136] Order of the President of the People's Republic of China 67, 2020.

Under such circumstances, the reason for decreased intrusions by Chinese vessels becomes clear; such vessels have likely relocated to more-docile waters where the risk of punishment is lower. If regional countries are going to get serious about asserting their sovereignty and protecting local fisheries, they should consider implementing more-forceful measures to disincentive Chinese fishers, even though they will likely face economic retribution and escalation. The United States can support this effort directly by helping to identify vulnerabilities inherent to PAFMM and Chinese fishers while also mitigating the harmful effects of China's economic retribution and reassuring the United States' security commitments.

Abbreviations

ADIZ	air defense identification zone
ASEAN	Association of Southeast Asian Nations
DIMEFIL	diplomatic, informational, military, economic, financial, intelligence, and law enforcement
DoD	U.S. Department of Defense
CCG	Chinese Coast Guard
ECS	East China Sea
EEZ	exclusive economic zone
PAFMM	People's Armed Forces Maritime Militia
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
UNCLOS	United Nations Convention on the Law of the Sea
USINDOPACOM	U.S. Indo-Pacific Command
SCS	South China Sea

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