

Grey Zone Warfare and Maritime Power Politics in the Indo-Pacific

Lucas Olaciregui Company

School of Politics, Economics and Global Affairs, IE University, Madrid, Spain.
Bachelor of International Relations

E-mail: lolaciregui.ieu2022@student.ie.edu

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Abstract

This article analyses how China's grey zone warfare in the Indo-Pacific has reshaped the maritime balance of power and challenged existing United States and allied strategies. Grey zone warfare refers to coercive activities that remain below the threshold of traditional armed conflict and exploit the ambiguity between peace and war through gradual, incremental and plausibly deniable actions. In the Indo-Pacific, these tactics appear through persistent, low-intensity forms of coercion designed to destabilize and revise the regional order. The article interprets these behaviours through structural realism and deterrence theory, arguing that China's actions reflect its pursuit of regional hegemony and its willingness to operate under the stability–instability paradox created by nuclear deterrence. The study outlines China's strategy, including its use of military operations other than war and the “Three Warfares” doctrine, and examines how the China coastguard and the Chinese Maritime Militia have become central instruments for asserting de facto jurisdiction. Case studies of the Scarborough Shoal, Second Thomas Shoal and the Senkaku Islands demonstrate the consistent use of harassment, interference and a sustained presence to alter facts on the ground without triggering open conflict. These activities have weakened conventional deterrence by creating a gap between U.S. military superiority and its ability to counter coercion, while also prompting shifts in the behaviour of regional actors such as Japan, Australia and the Philippines. The article concludes that existing U.S. responses remain insufficient and that an effective strategy must integrate military, legal and economic tools. Strengthened regional coordination, legal reinforcement of maritime norms, transparency initiatives and economic deterrence are necessary to counter China's calibrated coercion and uphold stability in the Indo-Pacific.

Keywords: grey Zone Warfare, China, Coercion, Indo-Pacific, Geopolitics, Power Politics

1. Introduction

The Indo-Pacific has emerged as the central theater of geopolitical contestation in the twenty-first century, shaped by strategies that exploit the ambiguous space between peace and war. China's use of grey zone warfare stands out

as a deliberate and sophisticated effort to revise the regional order while avoiding the costs and risks of overt military confrontation. Beijing has utilised a combination of paramilitary forces, legal mechanisms, information operations and economic coercion to expand its maritime presence in the area, shifting regional power struggles in its

favour. This paper analyses China's grey zone activities in the Indo-Pacific through the dual lenses of structural realism and the deterrence theory, offering a theoretical grounding for understanding why such tactics are both attractive and effective for such a powerful regional player.

2. Theoretical Framework

The term "grey zone warfare" refers to the spectrum of coercive activities among state and non-state actors that lay between routine statecraft and open warfare. The United States Department of Defense (D.o.D) describes such activities as being "coercive actions short of war that remain below the threshold of traditional armed conflict."¹ The threshold referred to by the D.o.D includes both the North Atlantic Treaty Organization's (NATO) Article 5 and the necessary level of violence required to justify a United Nations Security Council Resolution.² Conflicts of this nature exploit the ambiguity between peace and war in order to propel strategic goals without triggering a military response. Coercion through such tactics is characterized by being incremental, gradual, and carried out through ambiguous actions, allowing the actor in question to maintain a level of plausible deniability whilst gaining an advantage. Ultimately, it is a blend of military, paramilitary, informational, economic, and legal instruments used to harness gains found in the limbo between peace and war.

In terms of the Indo-Pacific, grey zone warfare manifests itself through gradual, persistent and low-intensity forms of coercion, aimed at destabilising and reshaping the regional order.

As the definition of grey zone warfare is not a concrete one, it often overlaps with other concepts, and its differentiation is important to note. Although grey zone operations do indeed share several characteristics with notions such as hybrid warfare, coercive diplomacy and lawfare, it fundamentally differs in its threshold and intent. Hybrid warfare is the synchronized use of multiple instruments of warfare, both conventional and irregular, to achieve linear and non-linear strategic effects.³ grey zone tactics, on the other hand, maintain persistent ambiguity through plausible deniability and the use of legal justifications. Lawfare is the use of legal arguments and institutions to advance strategic claims. It is, indeed, a critical factor used by those who employ grey zone tactics but is not itself categorized as grey zone warfare.

To effectively interpret China's grey zone behaviour as it applies to the Indo-Pacific region, this paper will analyze its behaviours through two theoretical perspectives: structural realism and deterrence.

¹ Geopol UK, "Understanding grey Zone Conflict: Tactics and Implications," *Geopol*, 2022, <https://www.geopol.uk/understanding-grey-zone-conflict-tactics-and-implications/>.

² Antulio J. Echevarria II, *Operating in the Grey Zone: An Alternative Paradigm for U.S. Military Strategy* (Carlisle, PA: U.S. Army War College Press, Strategic Studies Institute, 2016), <https://press.armywarcollege.edu/monographs/425/>.

³ Patrick J. Cullen and Erik Reichborn-Kjennerud, *Understanding Hybrid Warfare*, Multinational Capability Development Campaign (MCDC), Countering Hybrid Warfare Project (London: Ministry of Defence Development, Concepts and Doctrine Centre, January 2017), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/647776/dar_mcdc_hybrid_warfare.pdf.

From a realist perspective, grey zone warfare is a logical expression of China's pursuit of regional hegemony. The Indo-Pacific region is a key arena in which several of the world's largest powers compete for influence. Due to this, it serves as a global stage for the ongoing power transition between the declining United States and its rising challenger (China). Traditional offensive realism suggests that states maximize their power to ensure security.⁴ Thus, Beijing's grey zone approach serves as a low-cost, low risk, yet effective measure to revise the regional order without provoking open conflict with the United States and other regional powers.

Given that both the United States and China are nuclear powers, the geopolitical situation of the Indo-Pacific has demonstrated the paradoxes that arise from the conflictual deterrence brought about by such arms of war. Known as the stability-instability paradox,⁵ when two states possess nuclear weapons, strategic stability is likely.⁶ But due to such strategic stability, the involved states may be more enthusiastic about engaging in smaller, indirect confrontations. The gradual and calibrated coercion techniques exhibited by China illustrate this

logic. Strategic stability through the possession of nuclear weapons between China and the United States has been achieved, allowing China to operate through ambiguous methods, knowing it will not evolve into war.

3. China's grey Zone Strategy in the Indo-Pacific

Before this paper analyses the several historical incidents in which the Chinese application of grey zone tactics was made evident, it is important to understand the People's Republic of China (PRC) underlying strategy and how it views such operations. According to RAND research, the Chinese Communist Party (CCP) views its use of grey zone operations as actions natural to a state of its size and influence.⁷ Nonetheless, the CCP does not refer to its operations as being of a "grey zone" nature, preferring to describe them as military operations other than war (MOOTW). The CCP does not view such operations as being of hostile nature but rather as a strategic tool to achieve its political objectives in the region. Since its founding in 1949, the PRC's primary goal has been the assertion and protection of its territorial claims, over both the sovereignty of lands and waters. On December 26, 2020, Chinese President Xi Jinping enacted the Law of the People's Republic of China on National

⁴ Steven E. Lobell, "Structural Realism/Offensive and Defensive Realism," *Oxford Research Encyclopedia of International Studies* (Oxford University Press, December 22, 2017), <https://oxfordre.com/internationalstudies/display/10.1093/acrefore/9780190846626.013.304>.

⁵ S. Paul Kapur, "Stability-Instability Paradox," in *The SAGE Encyclopedia of Political Behaviour*, ed. Fathali M. Moghaddam (Thousand Oaks, CA: SAGE Publications, 2017), 799–801, https://nps.edu/documents/105858948/106279825/Kapur_Sage+Encyclopedia_Stability-Instability_Oct17.

⁶ Strategic stability is brought about due to both (or all) actors possessing nuclear weapons. The concept of mutually assured destruction (MAD) deters actors from engaging in open conflict.

⁷ Bonny Lin et al., *Competition in the Grey Zone: Countering China's Coercion Against U.S. Allies and Partners in the Indo-Pacific* (Santa Monica, CA: RAND Corporation, 2022), https://www.rand.org/pubs/research_reports/RRA594-1.html, doi:10.7249/RRA594-1.

Defense.⁸ As per Articles 7 and 56 of the order, Chinese citizens were not only delegated certain powers to uphold aspects of national security, but it was made their “sacred duty” to “defend the country and resist aggression”. It is clear through such rhetoric that China has adopted an all-nation approach, enabling it to synergize the nation’s resources to achieve regional dominance.

As it pertains to the Indo-Pacific, China’s grey zone approach is rooted in the guidelines and regulations of the Chinese People’s Liberation Army (PLA). Released in 2003 by the CCP Central Committee and the Central Military Commission, the new regulations on political work of the PLA included three offensive aspects: public opinion warfare, psychological warfare, and legal warfare. This pronged approach to geopolitical interactions is known as the “Three Warfares” doctrine.⁹ The doctrine has been the cornerstone for Chinese maritime power dynamics since. The CCP utilizes traditional and contemporary media sources to shape public opinion and control its narrative in the region. It uses international arbitration and legal challenges to bolster its territorial (in terms of islands) and water disputes in its surrounding seas. China’s most notable application of the doctrine has been through its delegation of coercion to traditionally non-military forces via institutional and legal reforms. In 2018, Beijing

transferred the China coastguard (CCG) to the People’s Armed Police which has since been under direct command of the CCP.¹⁰ Since its overhaul, the CCG has renounced the majority of its non-military activities and now serves as one of China’s main vehicles for the propulsion of grey zone tactics in the maritime arena. It routinely activates blocking, ramming and high pressure water cannon employments. It controls sea-lanes, shoals, reefs. It escorts militias and other Chinese vessels, asserting not only its dominance, but its jurisdiction. The CCG is supported by a military body colloquially known as China’s third sea force, the Chinese Maritime Militia (CMM). Also under PLA control, the CMM has been involved in numerous international sea incidents supporting national defence efforts.¹¹ Both of these groups serve a crucial role in China’s Indo-Pacific coercion strategy. As they are not officially Chinese military branches, the CCP can claim deniability for their actions whilst reaping the benefits of an active military sea patrol.

The majority of grey zone tactics employed by the PRC pertain to their assertion of jurisdiction over certain territories and waterways. The following section will analyze a couple of cases in which Chinese “paramilitary” intervention has caused international incidents.

⁸ National People’s Congress of the People’s Republic of China, *Law of the People’s Republic of China on National Defense* (Beijing: NPC, September 14, 2021), http://www.npc.gov.cn/englishnpc/c2759/c23934/202109/t20210914_384857.html.

⁹ Stanford University Libraries, *The Three Warfares: China’s Political Warfare Doctrine*, Stanford Digital Repository, accessed November 30, 2025, <https://purl.stanford.edu/yx245st1937>.

¹⁰ Andrew S. Erickson, “China Welcomes Its Newest Armed Force: The Coastguard,” *War on the Rocks*, April 9, 2018, <https://warontherocks.com/2018/04/china-welcomes-its-newest-armed-force-the-coast-guard>.

¹¹ Andrew S. Erickson and David D. Yang, *China’s Navy Extends Its Reach: Maritime Strategy and Operations in the Western Pacific*, CMSI Maritime Report No. 1 (Newport, RI: U.S. Naval War College, China Maritime Studies Institute, 2009), <https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=1000&context=cmsi-maritime-reports>.

3.1 Scarborough Shoal Incident

The Scarborough Shoal standoff is a long held dispute between the Philippines and China, exemplifying the PRC's use of grey zone tactics in the Indo-Pacific. Tensions arose in 2012 when the Filipino navy attempted to detain eight Chinese fishing vessels anchored around the atoll. The incident resulted in the damaging of three fishing vessels, one patrol vessel, as well as two injured fishermen. Chinese authorities responded with a series of trade tariffs and bans. China restricted the importation of Filipino fruit, suspended tours to the Philippines, and enacted a unilateral fishing ban in the surrounding area of the shoal. Chinese presence continues to this day. In 2014 and 2015, Chinese vessels fired water cannons at Filipino fishermen. In 2021 Chinese fishing vessels illegally harvested over 260 tons of fish products from the region. On August 11, 2025, two Chinese vessels, one coastguard and the other navy, collided while attempting to overrun a Filipino coastguard vessel at the shoal.¹² As is made clear, the Scarborough Shoal has been an area of tension and dispute with China for over a decade. The continued presence of CCP sanctioned fishing vessels in the region, the Chinese coastguard, and the use of water cannons are all exemplifications of China's grey zone tactics at work. It is in the implementation of such tactics, and the provocation of these incidents, that China is able to assert its de facto jurisdiction in disputed territories.

¹² James E. Fanell, "Scarborough Shoal Incident 2.0: The PLAN Inches Closer to War," Proceedings 151, no. 8 (August 2025), U.S. Naval Institute, <https://www.usni.org/magazines/proceedings/2025/august/scarborough-shoal-incident-20-plan-inches-closer-war>.

3.2 Second Thomas Shoal

Laying 105 nautical miles west of Palawan, Philippines, the Second Thomas Shoal is a strategically significant submerged reef, another point of tension and dispute between China and the Philippines. In 1999, the Philippines purposefully grounded a World War II era landing ship in the shoal to assert its territorial claim.¹³ Nonetheless, China continues to maintain its claim to the reef. The Philippines, Taiwan, and Vietnam all hold claims to the shoal and in a 2016 opinion by the Permanent Court of Arbitration, it was ruled that the Second Thomas Shoal does not generate an entitlement to a territorial sea or an exclusive economic zone. Despite this, in 2024 the Chinese coastguard interfered with a Filipino resupply mission by the Philippine Navy with reports of arms brandishing and use of water cannons. Consequently, the United States established the Task Force Ayungin to continue to support Philippine maritime operations in the area.

3.3 Senkaku Islands

The Senkaku Islands are yet another chain of islands disputed by China and Japan. In 2008, the first intrusion of Chinese vessels was recorded which initiated a chain of Chinese contestation of the territorial status quo and forms of coercion. In 2010, a Chinese fishing vessel purposefully crashed into Japanese coastguard patrol vessels. Since then, Chinese vessels continue to intrude into

¹³ Nick Danby, "By, With, and Through at the Second Thomas Shoal," War on the Rocks, May 20, 2024, <https://warontherocks.com/2024/05/by-with-and-through-at-the-second-thomas-shoal/>.

Japanese waters, harassing Japanese fishing vessels. In 2024, Chinese ships patrolled the waters for 286 consecutive days, demonstrating a show of force and aiming at intimidating local fishermen.¹⁴ Throughout this time, Chinese coastguard vessel numbers grew from 40 to 161, demonstrating an unmistakable build-up of forces.¹⁵ By normalizing this large Chinese presence in and around the Senkaku islands, Beijing aims to change the status quo and claim its sovereignty over the disputed fishing islands.

By saturating contested areas with militia and CCG ships, China seeks de facto jurisdiction without the need for formal annexation. This produces a gradual shift in regional authority as seen through the Scarborough and the Second Thomas shoals incidents.¹⁶ Such incidents effectively bypass American deterrence efforts, as they reside below U.S. force deployment thresholds, yet above regional coastguard capacity. In essence, the CMM and the CCG impose enough authority to subdue regional coastguard services, but not enough to constitute military intervention from the United States. The PRC is successfully expanding its foothold on regional maritime power distributions through the use of its “paramilitary” and civilian enforcement mechanisms. It couples such

¹⁴ *The Diplomat*, “China Sets Record for Activity near Senkaku/Diaoyu Islands in 2024,” January 2, 2025, <https://thediplomat.com/2025/01/china-sets-record-for-activity-near-senkaku-diaoyu-islands-in-2024/>.

¹⁵ Ministry of Foreign Affairs of Japan, Trends in China coastguard and Other Vessels in the Waters Surrounding the Senkaku Islands (Tokyo: MOFA, November 1, 2025), https://www.mofa.go.jp/region/page23e_000021.html.

¹⁶ Gregory B. Poling, “Counter-Co at Scarborough Standoff,” *Asia Maritime Transparency Initiative*, Center for Strategic and International Studies, September 2014, <https://amti.csis.org/counter-co-scarborough-standoff>.

instruments with an effective understanding of the threshold limits and boundaries of the United States and its allies.

4. Impact on the Maritime Balance of Power

The behaviour of the PRC in the Indo-Pacific has served to erode the power and potential of conventional deterrence methods used by the United States. As previously mentioned, U.S. military capabilities deter large scale conflicts but it is not an effective measure for the gradual and calibrated coercion methods of the PRC. Ergo, a deterrence gap arises. China can effectively change facts on the ground faster than the U.S. can politically justify potentially military countermeasures.¹⁷

Not only have China’s coercive measures altered the deterrence dynamics put in place, they have catalyzed shifts in the behaviours of other regional stakeholders. Japan has expanded its coastguard fleet and reinterpreted collective self defence laws.¹⁸ Australia has sought to strengthen and deepen its defence cooperation through AUKUS. The Philippines reinstated the Visiting Forces Agreement with the United States in 2021 and granted new base access under the Enhanced Defense Cooperation Agreement (EDCA). Nonetheless, China has succeeded in creating division amongst other international agreements in the Indochina region, such as in the ASEAN. Vietnamese and

¹⁷ Mazarr, M.J. (2018) *Understanding Deterrence*. RAND Perspective PE-295-RC.

¹⁸ Hughes, C.W. (2020) *Japan’s Remilitarisation*. Routledge.

Filipino resistance to Chinese aggression is opposed by the accommodating attitudes of Cambodia and Laos.¹⁹

5. U.S. Strategic Response and Policy Evaluation

The United States is aware of and has recognized Chinese grey zone coercion as a principle strategic challenge in the Indo-Pacific. In 2022 under the Biden administration, the United States produced two major national security documents: the National Security Strategy and the National Defense Strategy (NDS).²⁰ These documents outline the United States' overarching strategy to combat grey zone warfare measures globally: integrated deterrence. Integrated deterrence aims to create a deterrent mechanism for both open conflicts, and those which coast below the threshold of war. This concept accepts the importance of network capabilities and the dispersion of information as pertains to the containment of Chinese expansionism in the Indo-Pacific region. Furthermore, the documents ascertain that the United States can best reinforce deterrence through closer cooperation and integration with its regional allies and adopting a tailored approach to deterrence. The idea is that allied integration efforts will result in notable synergies in terms of military readiness and warfighting abilities.

The United States in the last couple of years has begun to bolster its fight against grey zone tactics in the Indo-Pacific region. In March of 2023, the U.S.

Department of Defense requested a congressional budget allocation of over \$9 billion in support of the Pacific Deterrence Initiative. Congress approved the request and allocated a total of \$14.71 billion to the initiative with an emphasis on improving capabilities available to the U.S. Indo-Pacific command, building partner capabilities and strengthening its presence.²¹ Furthermore, the United States committed itself to upholding Freedom of Navigation Operations (FONOPs) in the Indo-Pacific theater. These are operations conducted by the U.S. naval and air forces that uphold and reinforce rights and freedoms dictated by the United Nations Convention on the Law of the Sea (UNCLOS).²² The missions are aimed at signalling non-recognition of excessive territorial and water disputes. The United States conducted its first FONOP on October 27, 2015. The CCP keeps a watchful eye, using such incidents to spread anti-American propaganda in the region, denouncing FONOPs as American acts of provocation.²³

American regional allies have also reacted to China's grey zone tactics in the area. In 2015 Japan bolstered its defence agreements with the United States through the 2015 U.S.-Japan Defense Guidelines. The defence

¹⁹ Liff, A.P. (2019) 'China and the U.S. Alliance System', *The Washington Quarterly*, 42(1), pp. 79–100.

²⁰ RAND Corporation, RAND Report PEA2263-1 (Santa Monica, CA: RAND, 2023).

²¹ Luke A. Nicastro, The Pacific Deterrence Initiative (Congressional Research Service, November 25, 2024), <https://www.congress.gov/crs-product/IF12303>.

²² Eleanor Freund, Freedom of Navigation in the South China Sea: A Practical Guide (Cambridge, MA: Belfer Center for Science and International Affairs, Harvard Kennedy School, June 2017), https://www.belfercenter.org/sites/default/files/pantheon_files/files/publication/SCS%20Report%20-%20web.pdf.

²³ Holmes, J.R. (2022) 'Maritime Coercion and the Law of the Sea: Grey-Zone Warfare in Context', *Journal of Indo-Pacific Affairs*, 5(3).

agreement revision aimed at enhancing mutual defence cooperation, expanding the alliance's mandate beyond strict territorial defence of Japanese soil to include a more comprehensive approach to regional defence applications.²⁴ Furthermore, Japan reinterpreted its constitution to allow limited collective self defence and has greatly increased the number of coastguard units which patrol its waterways. Australia has also committed itself to long-term plans of defence technology integration and enhanced strategic cooperation in the region.²⁵ Most notably, the Philippines revived their Enhanced Defense Cooperation Agreement with the United States in 2023.²⁶ The defence agreement serves of great strategic importance to the United States, as it grants it access to nine Filipino military bases in a geographic location which is highly advantageous to combat the PRC's ambiguous control of the surrounding waterways. The agreement has enhanced the interoperability of US-Filipino forces, it has strengthened U.S. regional maritime awareness and security, and has facilitated the modernization of the Armed Forces of the Philippines (AFP).²⁷ The United States has gained access to military bases which are in a strategic proximity to the

South China Sea and the Taiwan Strait. It is important to note that such agreements were not well received in Beijing. The PRC treats such actions as externalization of disputes and the risk of escalation persists.

6. Policy Recommendations

Although the United States and its allies have already taken steps to combat China's grey zone coercion tactics they have yet to establish an effective policy strategy. The United States should adopt a multidimensional strategy which integrates military, legal and economic aspects. This section will offer policy recommendations which the United States and its allies can implement to address the regional disputes.

Regional integration with allied countries is the basis for the establishment of a successful deterrence mechanism. A unified Indo-Pacific framework through coastguard and non-military coordination would facilitate and synchronise maritime patrols of Japanese, Filipino, and Australian waterways. An idea would be the creation of a Combined Maritime Law Enforcement Task Force, similar to the standing naval forces of NATO. This would allow a coordinated maritime presence which can adapt to the rapidly evolving situations in the area. Furthermore, the United States should look to invest in partner coastguard networks and promulgate access to shared intelligence sources. The objective of such would be the creation of a "transparent sea", deteriorating China's ability to employ ambiguous tactics.

²⁴Ministry of Foreign Affairs of Japan, Japan's Indo-Pacific Strategy (Tokyo: MOFA, 2015), <https://www.mofa.go.jp/files/000078188.pdf>.

²⁵ Ross, R.S. and Tunsjø, Ø. (2020) *Strategic Adjustment and the Rise of China: Power and Politics in East Asia*. Cornell University Press.

²⁶ It was originally signed on April 28, 2014 but due to legal challenges it had been revised and inaugurated.

²⁷U.S. Embassy in the Philippines, Enhanced Defense Cooperation Agreement (EDCA) Fact Sheet (Manila: U.S. Department of State, April 2014), <https://ph.usembassy.gov/enhanced-defence-cooperation-agreement-edca-fact-sheet/>.

As was mentioned previously, Chinese grey zone tactics rely heavily on the use of lawfare mechanisms, allowing it to find loopholes in the applicable legal frameworks. The United States should leverage lawfare to reinforce the application of UNCLOS norms and regulations. This can be achieved through supporting partner states in formulating diplomatic protests and passing domestic legislation in alignment with American geopolitical strategies. The promotion of transparency initiatives such as the AMTI grey Zone Tracker²⁸ and Quad Maritime Transparency Platform²⁹ would allow the unified body to visualize and publicize Chinese violations, informing regional public opinion.

A final policy recommendation concerns the use of non-military instruments which will enhance grey zone deterrence. Pivotal to Chinese regional strategies is the use of economic coercion. China has employed trade restrictions, tourism bans and informal sanctions to punish regional challengers.³⁰ At its core, the PRC has made it costly for regional players to resist the imposition of Chinese geopolitical objectives. Thus, the United States should aim to enhance its economic deterrence and resilience in the region. Mechanisms such as the 2022 Indo-Pacific Economic Framework for Prosperity have already been implemented to diversify supply chains in

increasingly valuable sectors such as semiconductors, rare earths and maritime logistics.³¹ Regional actors have also entered into agreements such as the Quad Supply Chain Resilience Initiative, aimed at reducing the reliance on China by promoting supply chain diversification in Indian, Japanese and Australian markets.³² The United States could couple this with a combination of targeted sanctions and positive economic inducements to reshape regional behaviours. Targeted sanctions would form a deterrence mechanism by establishing a direct, tangible cost to actors who enable maritime coercion. This can be implemented through existing instruments such as the Global Magnitsky Act or the South China Sea Sanctions Act to counter entities which are involved in Chinese grey zone warfare. Furthermore, Washington should aim to expand economic incentives for Indo-Pacific partners which are susceptible to Chinese coercion and pressure. The United States could leverage institutions such as the U.S. International Development Finance Corporation and the Japan Bank for International Cooperation to offset the attraction of China's Belt and Road Initiative. Through concessional financing, infrastructure deals and trade preferences, the United States and its allies would successfully incentivize regional players to dissent from Chinese influence.

²⁸ The Asia Maritime Transparency Initiative is a public database that tracks and exposes the incidents which occur on disputed islands, fishing reefs and shoals in the Indo-Pacific:

²⁹ The Quad refers to the intergovernmental collaboration of India, Australia, Japan and the United States on security issues regarding the Indo-Pacific region.

³⁰ Zenglein, M. (2021) *Economic Coercion and China's State Capitalism*. MERICS Policy Brief.

³¹ White House (2022) *Fact Sheet: Indo-Pacific Economic Framework for Prosperity (IPEF)*. Available at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/indopacific-economic-framework-for-prosperity/>.

³² Felix Kim, "Quad Partners Push Supply Chain Resilience," Indo-Pacific Defense Forum, April 13, 2021, <https://ipdefenceforum.com/2021/04/quad-partners-push-supply-chain-resilience/>.

7. Conclusion

China's use of grey zone tactics in the Indo-Pacific has transformed the region's security landscape by exploiting the structural constraints and political sensitivities that limit conventional military responses. Through the sustained use of deniable coercion, China has incrementally expanded its operational reach and has been successful in eroding traditional U.S. led deterrence. It is clear through the several historical incidents analysed in this paper, that China has refined its ability to impose its preferred reality on contested spaces faster than regional actors can mobilize responsive measures.

These dynamics have revealed a persistent shift in the maritime balance of power, making it necessary for U.S regional allies to adapt their strategic positions in order to successfully counterbalance Chinese coercion methods. Although the United States and its allies have taken steps toward integrated deterrence, existing policies remain insufficient for addressing the grey zone nature of China's regional strategy. The future stability of the Indo-Pacific will depend on whether the United States and its allies can implement a thorough and coordinated strategy to sustain China's persistent and strategically calibrated assertiveness.

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