

An aerial photograph of the South China Sea. In the upper left, a large grey Chinese coast guard ship with 'CHINA COAST GUARD' written on its side is visible. In the lower center, a smaller white fishing boat is moving across the water, leaving a white wake. In the background, a large island with a runway and several radar domes is visible. The sky is filled with dark, dramatic clouds.

# **CHINA'S MARITIME AGGRESSION AND THE SOUTH CHINA SEA**

**THE WORLD'S MOST CONTESTED WATERWAY**

# **\$3.4 Trillion** of Global Trade Flows Through the **World's Most Dangerous Geopolitical Flashpoint**

The South China Sea Carries One-Third of All Global Shipping — and China Is Turning It Into a Controlled Waterway



- Spans 3.5 million square kilometers between China, Taiwan, Vietnam, the Philippines, Malaysia, Brunei, and Indonesia.
- Carries an estimated one-third of all global shipping — approximately \$3.4 trillion annually.
- The Strait of Malacca is the world's second busiest sea lane.
- China is converting unilateral territorial claims into physical and legal facts on the ground.
- Senior officials warn of miscalculation triggering a conflict implicating U.S. treaty obligations.

# CHINA CLAIMS 90% OF THE SOUTH CHINA SEA — AND HAS REJECTED THE ONLY COURT THAT SAID NO

## The Permanent Court of Arbitration Ruled Definitively Against China in 2016 — Beijing Has Ignored It Ever Since

- China claims approximately 90% of the South China Sea under its so-called nine-dash line — a boundary with no basis in international law.
- The Permanent Court of Arbitration at The Hague definitively rejected China's claims in July 2016.
- China refused to recognise the ruling and has proceeded with island construction and military basing.
- China's island and reef facilities now host airstrips, radar installations, missile batteries, and coast guard facilities.
- The consequence: a legal vacuum in one of the world's most commercially critical maritime corridors.



# CHINA IS WAGING A DAILY CAMPAIGN OF COERCION AGAINST THE PHILIPPINES

WATER CANNONS, RAMMINGS, LASER TARGETING, AND SEIZED FOOD SUPPLIES — CHINA'S COAST GUARD OPERATES WITHOUT RESTRAINT

- Water cannon attacks on Philippine government vessels.
- Deliberate ramming of coast guard ships.
- Seizure of food supplies intended for Filipino forces at the grounded BRP Sierra Madre.
- Blocking of medical evacuations from Filipino personnel.
- Military-grade laser targeting of Philippine vessels.
- China's Coast Guard nearly tripled its patrols around Sabina Shoal in 2025.
- August 2025: A CCG vessel and a PLAN ship collided with each other during an operation to harass a Philippine vessel.



# The Philippines Is Fighting Back With Cameras — and the World Is Watching

Manila's Transparency Strategy Has Won International Support — But Has Not Deterred a Single Chinese Aggression

- The strategy has garnered significant international support while doing nothing to deter the underlying behaviour.
- PCG Commodore Jay Tarriela: "They are still depending on their water cannon... they are still stuck with that kind of tactic."
- March 24, 2026: PCG Commandant Admiral Ronnie Gil Gavan declared Philippine sovereignty "is non-negotiable."
- President Marcos Jr. warned that should a Philippine citizen lose their life, "we would have crossed the Rubicon."
- China expert Gordon Chang: China is "not respecting" the U.S.-Philippines Mutual Defense Treaty.



# THE CODE OF CONDUCT TALKS HAVE FAILED — AND CHINA WANTS IT THAT WAY

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## Beijing Is Deliberately Blocking a Binding Code of Conduct to Preserve Its Freedom to Coerce

- China prefers a non-binding, flexible arrangement avoiding external scrutiny and ASEAN-led monitoring.
- Beijing resists any framework that would meaningfully constrain its freedom of action or subject it to international adjudication.
- Without a binding COC, the South China Sea remains governed by competing unilateral claims and physical power.
- *SAIS Review* notes that if China's intimidation strategy fails, Beijing may move toward more drastic action as its strategic window closes.
- President Xi Jinping has consolidated power to the point where escalation could become the norm.



# Wall Around the South China Sea

## 500 Military Exercises, Typhon Missile Launchers, and a Deepening Alliance — America Is Drawing a Hard Line

- Typhon ground-based launcher deployed to Luzon in April 2024 — capable of firing Tomahawk cruise missiles with a 1,000-mile range.
- Navy-Marine Expeditionary Ship Interdiction System deployed in 2025 to Batan Island, facing the strategically critical Bashi Channel.
- U.S. expanding deployments of advanced missile systems in the northern Philippines (February 2026).
- 500+ military exercises with the Philippines committed for 2026 — a record level.
- Joint U.S.-Philippines statement condemned China's "illegal, coercive, aggressive and deceptive activities in the South China Sea".



# A Growing Coalition Is Pushing Back — But China Has Already Changed the Map

Japan, Australia, France, and the UK Are All Joining the Response — But China's Island-Building Has Already Shifted the Strategic Balance

- Japan solidified a mutual defence agreement with the Philippines and conducts joint patrols.
- Australia, Canada, France, and the UK have participated in multilateral exercises in the Philippine Sea.
- Coalition-building is significant, but it does not resolve the underlying structural tension.
- China's island-building has already changed the physical geography of the sea lane in Beijing's favour.
- Installations hosting airstrips, radar, and missile batteries cannot be removed by diplomatic statements.



# FREIGHT RATES DOUBLED IN 2024 — AND THAT WAS BEFORE THE NEXT ESCALATION

MARKETS ARE ALREADY PRICING SOUTH CHINA SEA INSTABILITY INTO GLOBAL SHIPPING COSTS — AND THE WORST HAS NOT YET HAPPENED



Freight rates on key Asian routes more than doubled between January and July 2024.



Insurance premiums for South China Sea transits rose in tandem as markets began pricing regional instability into voyage costs.



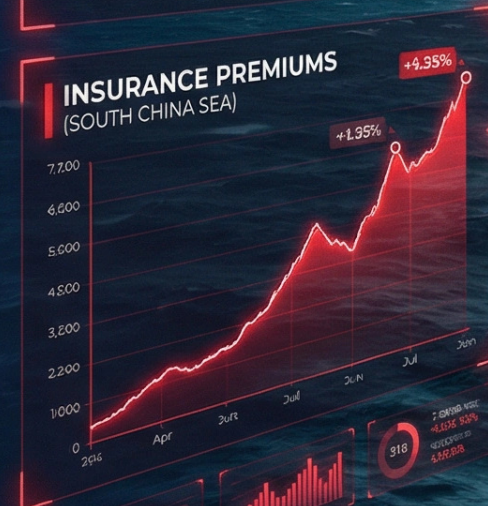
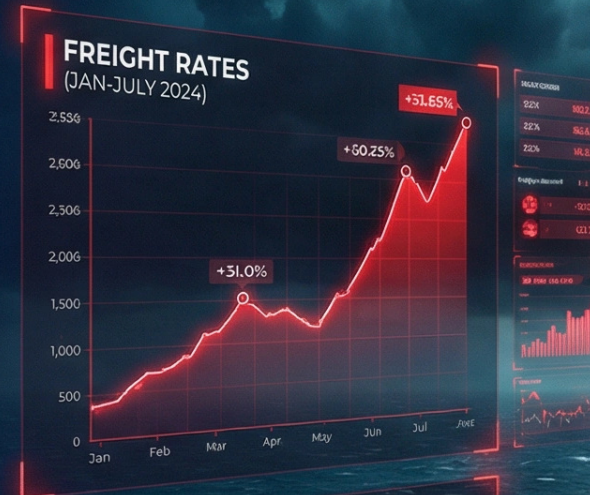
Over 64% of China's own maritime trade transited the South China Sea in 2016 — and has grown since.



If left unchallenged, China's excessive maritime claims could restrict freedom of navigation across more than one-third of the world's oceans.



A Malacca Strait closure scenario could drop worldwide production of key goods by 30% while prices skyrocketed.



**! MALACCA STRAIT SCENARIO: PRODUCTION -30%, PRICES SKYROCKETING**

# CHINA'S INTERNAL CONTRADICTION: ASSERTING SOVEREIGNTY WHILE DEPENDING ON THE SAME SEA LANE

## China Claims 90% of the South China Sea — But 64% of Its Own Trade Flows Through the Waters It Is Militarising

- Beijing asserts sovereignty maximally while insisting commercially that nothing has changed.
- Over 64% of China's maritime trade transited the South China Sea.
- Its military and coast guard activities threaten to make the waterway less commercially navigable.
- Island-building and coercive operations risk triggering economic disruption that would harm China most.
- Reflects Beijing's calculation that short-term coercive gains outweigh long-term commercial risks.



# THE RISK IS NOT JUST WAR — IT IS THE CREEPING NORMALISATION OF COERCION

If China's Daily Campaign of Harassment Becomes the New Normal, the Rules of the Sea Will Be Rewritten for Every Nation

- The real risk is the creeping normalisation of coercion in one of the world's most critical maritime commons.
- A normalisation that, if allowed to solidify, will redefine the rules of the sea for every nation that depends on them.
- China has established a comprehensive coercive infrastructure across the Spratly and Paracel Islands.
- It is deploying its coast guard and maritime militia on an almost daily basis.
- It has rejected the only authoritative international legal ruling on its claims.
- It is resisting any binding code of conduct that would constrain its actions.
- The underlying physical and legal facts in Beijing's favour have already been established.



# **THE LINE BETWEEN MARITIME SECURITY AND MILITARY CONFRONTATION IS NARROWING BY THE WEEK**

## **The South China Sea in 2026 Is a Body of Water Where a Single Miscalculation Could Convulse the Global Economy**

- The U.S. has responded with a significant military build-up, treaty reaffirmations, and expanded alliance architecture.
- But the underlying physical and legal facts in Beijing's favour have already been established.
- The risk is not just of a regional war with catastrophic consequences for global trade.
- It is of a creeping normalisation of coercion in one of the world's most critical maritime commons.

**“A normalisation that, if allowed to solidify, will redefine the rules of the sea for every nation that depends on them.”**