

GREY ZONE AT SEA

China's Maritime Militia, Scarborough Shoal, and Commercial Shipping Risk



THE CHALLENGE

China's maritime militia operates in the grey zone—below the threshold of open conflict—using quasi-civilian forces to assert control, intimidate rivals, and increase risk to commercial shipping.

BY THE NUMBERS



200+

Maritime militia vessels
observed operating in the
South China Sea (2023)



160%

Increase in militia vessel
presence at Scarborough
Shoal (2018–2023)



88%

Of incidents near Scarborough
Shoal involved militia or
other non-state actors (2023)



60%

Of shipping companies report
increased risk when transiting
near Scarborough Shoal*

*Source: BIMCO Shipping Risk Survey 2023

KEY TAKEAWAYS

- The use of maritime militia enables Beijing to advance territorial claims without direct military confrontation.
- Commercial vessels face growing operational, legal, and reputational risks in contested waters.
- Awareness, vigilance, and scenario planning are essential to navigate the grey zone.



MULTIPLE MILITIA CONTACTS

AIS OFF
IDENTITY UNCERTAIN

GREY ZONE TACTICS

- Non-state actors
- Denial & Ambiguity
- Coercion Below Threshold



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THE SPRING 2026 CONFRONTATION

Weekly Escalations and the Normalization of the Abnormal



1. RADAR ILLUMINATION:

On March 7, 2026, the Chinese corvette Guang'an directed fire control radar at the Philippine frigate BRP Miguel Malvar, a weapons-targeting action.



2. PHYSICAL BARRIERS:

Satellite imagery from April 10–11, 2026, confirmed a 352-metre floating barrier installed by Chinese vessels across the entrance to Scarborough Shoal.



3. WATER CANNON DEPLOYMENT:

On April 30, 2026, Chinese coast guard ships fired water cannons at Philippine patrol vessels, causing structural damage at 1,000 yards.



4. INSTITUTIONAL SHIFT:

The Philippines activated its first dedicated Spratly Islands district command on April 9, 2026, signaling a permanent security investment.



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THE PEOPLE'S ARMED FORCES MARITIME MILITIA

“Little Blue Men” and the Paramilitary Force in Disguise



1. NOMINALLY CIVILIAN:

A force of fishing vessels formally acknowledged by the U.S. DoD to operate under direct command and control of the People's Liberation Army.



2. OPERATIONAL EVOLUTION:

CSIS AMTI analysis shows militia vessels now anchor at military outposts rather than unoccupied reefs, dropping the facade of fishing.



3. MASS PRESENCE:

In early January 2026, 41 Chinese vessels were documented across four disputed features, including warships, coast guard, and militia boats.



4. MULTI-FUNCTIONAL ROLE:

Militia vessels provide intelligence, logistics, and physical presence to overwhelm Philippine response capacity and establish control.



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THE GREY ZONE TOOLKIT: COERCIVE TACTICS

Calibrated Coercion Below the Threshold of Armed Conflict



1. VESSEL OBSTRUCTION:

Positioning ships to physically block resupply missions, characterized by Beijing as "professional, standardized, and legal."



2. SABOTAGE ALLEGATIONS:

April 2026 reports confirmed cyanide in bottles seized from militia boats, allegedly used to sabotage reef stability and outposts.



3. KINETIC CONSEQUENCES:

An August 11, 2025 incident saw a PLA Navy warship collide with a Chinese coast guard cutter during aggressive maneuvering.



4. WEAPONIZATION:

Following the 2025 collision, Chinese coast guard small boats at Scarborough Shoal were fitted with crew-served weapons, a direct escalation.



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LEGAL SUBVERSION AND ADMINISTRATIVE CONTROL

Creating Facts on the Ground to Supersede International Law



1. UNCLOS IRRELEVANCE:

Despite the 2016 PCA ruling that China's nine-dash line is inconsistent with UNCLOS, Beijing continues to expand its physical presence.



2. ADMINISTRATIVE MEASURES:

China announced a 'nature reserve' designation for Scarborough Shoal in 2026 as a coercive move to advance territorial claims.



3. PHYSICAL SUPREMACY:

The installation of floating barriers is a deliberate assertion that physical control supersedes international legal determinations.



4. STRATEGIC LOGIC:

Accumulating administrative control through sub-threshold actions that would require significant military force to reverse.



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COMMERCIAL SHIPPING: THE \$3.4 TRILLION CORRIDOR

Strategic Chokepoints and the Impact of Global Rerouting



1. CRITICAL VOLUME:

Approximately one-third of global seaborne commerce transits the South China Sea, totaling an estimated \$3.4 trillion annually.



2. MALACCA STRATEGIC WEIGHT:

The closure of the Strait of Hormuz in February 2026 has significantly increased the strategic importance of the Malacca-SCS corridor.



3. TRANSIT DENSITY:

Kpler data from February 2026 documented 440 commercial vessels per day transiting the Malacca Strait, including 39 crude oil tankers.



4. OPERATIONAL OVERLAP:

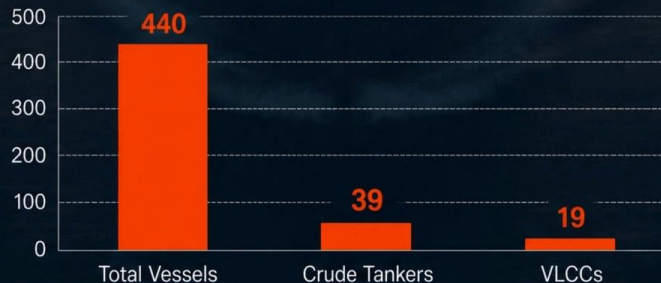
Commercial shipping lanes directly overlap with the Scarborough Shoal confrontation zone, creating a high-risk operational environment.



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Malacca Strait Daily Transit



COLLATERAL RISK AND MARITIME SAFETY HAZARDS

Navigating Through Active Coercive Operations



1. INADVERTENT INVOLVEMENT:

Commercial vessels transit waters where warships and militias engage in weekly confrontations, risking collateral involvement.



2. COMMUNICATION HARASSMENT:

Chinese vessels have employed radio interference against Philippine ships, creating a safety hazard for all nearby traffic.



3. MANEUVERING HAZARDS:

High-speed, multi-vessel maneuvering in contested areas generates collision risks that commercial operators cannot control.



4. INDISCRIMINATE CONSEQUENCES:

The August 2025 collision demonstrated that grey zone coordination failures generate hazards for any vessel in the vicinity.



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PORT SECURITY AND NATIONAL EMERGENCIES

The Impact of Regional Conflict on Logistics Infrastructure



1. ENERGY EMERGENCY:

The Philippines declared a national energy emergency in 2026 due to global oil disruptions, impacting port security and logistics.



2. ESCALATED POSTURE:

The activation of new coast guard commands signals increased military and law enforcement activity near commercial port approaches.



3. MILITIA PROXIMITY:

Chinese maritime militia vessels have been documented operating near Philippine port approaches, creating direct operational risks.



4. INFRASTRUCTURE VULNERABILITY:

Heightened security postures in regional ports handle significant commercial volumes, requiring updated risk assessments.



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INSURANCE REPRICING AND ROUTING ARCHITECTURE

The Looming Shift in Maritime Risk Valuation



1. REPRICING PRECEDENT:

The insurance market repriced Red Sea war risk from 0.07% to 0.5% of hull value within weeks of escalation; SCS is on a similar path.



2. THRESHOLD TRAJECTORY:

2026 incidents (radar locks, cyanide sabotage, warship near-misses) suggest the threshold for MARAD advisories is approaching.



3. RISK FRAMEWORK GAPS:

Most standard maritime risk assessments have not yet fully integrated the current trajectory of the SCS confrontation.



4. STRATEGIC DECISIONING:

Commercial operators must incorporate the escalating risk profile into routing and insurance decisions being made today.



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CONCLUSION: UPDATING THE RISK FRAMEWORK

Adapting to the Normalization of Grey Zone Coercion



1. LONG-DURATION STRATEGY:

China's toolkit is designed for administrative consolidation without the military cost of formal armed conflict.



2. MEASURABLE RISK:

Collateral involvement, communication disruption, and insurance repricing are all measurable and growing risks for shipping.



3. ABNORMAL AS ROUTINE:

The industry must update frameworks for an environment where warships nearly collide and radar locks are weekly occurrences.



4. OPERATIONAL REALITY:

440 commercial vessels per day transit waters where the confrontation is playing out alongside them, requiring proactive management.

