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**Is China Testing the Limits of a More
Permissive Strategic Environment?**

Gray-Zone Pressure Rises Across the First
Island Chain

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Is China Testing the Limits of a More Permissive Strategic Environment? *Gray-Zone Pressure Rises Across the First Island Chain*

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In the first eight months of 2026, China has escalated coercive activity at multiple points along much of the first island chain, from the Senkaku Islands through the waters around Taiwan to Scarborough Shoal and Second Thomas Shoal in the South China Sea. Each flashpoint has its own logic. Together, however, they raise an important question: is Beijing simply continuing a long-term trajectory of incremental coercion, or is it also exploiting a more permissive strategic environment—created both by U.S. preoccupation with the Middle East and by the relative stabilization of U.S.-China relations since the Trump-Xi summit in Busan last October—to increase pressure on U.S. allies and partners? The evidence for the first proposition is unambiguous. The second is plausible, but not yet proven.

The South China Sea has seen some of the sharpest examples of Chinese coercion this year. A series of confrontations began on July 20 at Second Thomas Shoal, where Philippine officials said a Chinese Coast Guard (CCG) inflatable boat came close to the *Sierra Madre*, the grounded Philippine warship, and Chinese personnel struck a member of the Philippines navy on the head with a wooden baton after two Philippine navy boats approached the Chinese vessel.¹ Four days later, Philippine authorities accused CCG vessels of using water cannons and dangerous maneuvers against Philippine vessels near Scarborough Shoal, including a vessel carrying a CNN crew.² On July 23, the CCG said it had driven away Philippine vessels near Scarborough Shoal, a day after Chinese Foreign Minister Wang Yi warned Manila that provocations backed by outside countries would leave the Philippines bearing the "bitter consequences" of its own making.³

Around Taiwan, the character of Chinese coercion has shifted. The most consequential episode came from Beijing's civilian maritime agencies rather than the PLA or CCG. From June 6 to 10, China's Ministry of Transport conducted what it called a "special maritime traffic law-enforcement and hydrographic survey operation" covering 1,030 nautical miles east of Taiwan. Beijing claimed the operation "inspected" 198 passing vessels and "rectified" violations by three ships.⁴ Crucially, Chinese authorities described the operation as an effort to exercise China's maritime administrative jurisdiction in the waters east of Taiwan. Taipei reported that Chinese vessels hailed Singapore-, Liberia-, and Benin-flagged merchant ships, asking for information about their ports of origin and destination and crew numbers while asserting Chinese jurisdiction.⁵ The operation fell short of an actual quarantine; no commercial vessel was stopped or boarded. But its combination of maritime-law enforcement, hydrographic surveying, and assertions of jurisdiction over international shipping represents a significant expansion of Beijing's gray-zone pressure around Taiwan. Analysts have interpreted the operation as a possible rehearsal for a future quarantine or blockade, in which China could seek to regulate access to Taiwan without immediately resorting to military force.⁶

Chinese government-vessel activity has also expanded geographically. Analysis conducted by CSIS Futures Lab in cooperation with Commonwealth Magazine shows CCG operations moving beyond Taiwan's southwestern waters and the Taiwan Strait median line

toward waters surrounding the entire island; Chinese government vessels were active in Taiwan's eastern waters on as many as nine days in the first half of 2026, compared with just two days in all of 2024.⁷ On June 7, four Chinese government vessels entered Taiwan's restricted waters approximately 30 nautical miles southwest of Eluanbi. One of the vessels claimed over radio that it was conducting maritime law-enforcement operations in waters under Chinese jurisdiction, stating that "both sides of the Taiwan Strait belong to one China."⁸ Chinese government vessels also entered the restricted waters around Taiwan-controlled Itu Aba Island for the first time. Earlier that month, a CCG vessel and a Chinese survey vessel conducted the first such recorded joint operation around Pratas Island.⁹

China has normalized a near-continuous presence around the Japan-controlled Senkaku Islands and has begun demonstrating more capable and consequential forms of that presence. In the first half of 2026, Chinese government vessels were present in the Senkakus contiguous zone every day, following 357 days of presence in 2025,¹⁰ but this year there have been notable episodes of occasional escalation. On February 1, for example, Japan reported that two 5,000-ton-class CCG vessels were simultaneously operating in the contiguous zone and that all four CCG vessels seen that day were equipped with autocannons.¹¹ On July 7, two CCG vessels entered Japan's territorial waters near Taisho Island and approached a Japanese fishing boat, prompting a confrontation that lasted roughly seven hours.¹² Beijing has also pushed beyond the Senkakus: a Chinese Luyang III-class guided-missile destroyer conducted a live-fire exercise roughly 180 kilometers southwest of Okinotori, within Japan's claimed Exclusive Economic Zone—the first such Chinese exercise there that Tokyo has publicly disclosed.¹³

The timing of these operations invites a hypothesis: is China exploiting a moment when U.S. attention and forward-deployed assets are drawn toward the Middle East and President Trump is keen to preserve stability in US-China relations? Asian allies have expressed concern that the war with Iran could divert U.S. military resources and weaken deterrence against China. In March, Reuters reported that Japanese, Taiwanese and other Asian officials were concerned that a prolonged conflict could create a gap in regional defenses; the Philippines' defense secretary later warned that China could try to exploit any perceived opening.¹⁴ In mid-August, the United States withdrew its only forward-deployed aircraft carrier, the *USS George Washington*, from the Western Pacific to the Middle East, temporarily leaving the region without a U.S. carrier strike group.¹⁵

Taiwanese officials have drawn the connection explicitly: In March, following the resumption of large-scale Chinese air-force activity around Taiwan after an unusual lull, a senior Taiwanese security official told Reuters that Beijing was trying to take advantage of the redeployment of U.S. forces to the Middle East. "This is a moment for China to exercise influence," the official said, adding that Beijing was seeking to create "a sense that when the U.S. shifts forces away and Indo-Pacific strength is redirected to the Middle East, tension and instability should be manufactured."¹⁶ In addition, Taiwanese analysts have warned that Beijing is exploiting the new U.S.-China stability framework to test how much pressure it can exert below the threshold of conflict. Taiwanese analyst and president of the Prospect Foundation Lai I-chung maintained that China's behavior toward Taiwan, Japan, and the Philippines became "more forceful and aggressive" after establishing a constructive relationship of strategic stability with the United States in mid-May. "It seems that China has regarded this strategic-stability

relationship as a blank check from the United States to pressure countries along the first island chain,” he asserted.¹⁷

The Iran war and the US-China truce have very likely provided Beijing with an opportunity to conduct more assertive jurisdictional operations while U.S. military and diplomatic attention was heavily concentrated elsewhere, though the causal link between the two remains an inference rather than a demonstrated fact. Much of what China has done in 2026 builds on campaigns that began well before the Iran war: routine CCG patrols around the Senkakus, pressure around the Kinmen Islands, increasingly persistent activity around Pratas Island, and the progressive expansion of Chinese maritime operations around Taiwan. The June operation east of Taiwan is particularly revealing. It was organized by China's Ministry of Transport, involved multiple maritime agencies, and was explicitly described by Beijing as an exercise of Chinese maritime administrative jurisdiction.¹⁸ That is not simply a military maneuver calibrated to U.S. force deployments. It is part of a persistent effort to normalize Chinese administrative authority in waters Beijing claims.

The more plausible interpretation is therefore that Beijing is doing both: pursuing a longstanding strategy while testing whether the current strategic environment allows it to push farther and faster. That environment has two important features: U.S. military and diplomatic attention is heavily focused elsewhere, while the relative stabilization of U.S.-China relations since the Busan summit may give Beijing greater latitude to pressure U.S. allies without directly challenging Washington. China's actions appear calibrated to remain below the threshold that would compel a major U.S. military response, while simultaneously creating new precedents. The June incidents around Taiping and Pratas tested whether Chinese government vessels could enter waters administered by Taiwan and assert a law-enforcement role; the Ministry of Transport operation tested whether Beijing could extend that claim to commercial shipping in international waters east of Taiwan. The same logic is visible, in different forms, around the Senkakus and in the South China Sea. The evidence does not yet prove that Beijing is systematically exploiting U.S. distraction, but it suggests that China is prepared to use a more permissive strategic environment to test the limits of what it can accomplish below the threshold of war.

That makes such developments worth watching. If Chinese forces sustain or increase pressure in places where U.S. responses are difficult to calibrate, particularly around Taiwan's outlying islands and the eastern approaches to Taiwan, that would suggest Beijing sees an opportunity in the current strategic environment. If the additional pressure diminishes as U.S. attention and forces return to the Indo-Pacific, the case for Iran war opportunism would become stronger. If pressure persists despite the restoration of U.S. attention to the region, it could instead suggest that Beijing has concluded the broader stabilization of U.S. China relations gives it greater latitude to pressure American allies and partners. Either way, the current episode is a useful reminder that gray-zone coercion does not require China to choose between long-term strategy and short-term opportunity. Beijing can pursue both simultaneously: the strategy may remain constant, while its assessment of the costs and risks of pushing further changes with the strategic environment.

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