The Gray Zone Issue: Implications for US-China Relations

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EXECUTIVE SUMMARY

The issue of gray zone conflict between the US and China has attracted much attention in recent years. “Gray” indicates actions below the threshold of war, yet beyond normal diplomacy. The fundamental characteristics of gray zone activity include that they are well-planned, designed to be ambiguous amid strategic competition, and intended to leave opponents unable to launch an effective response. What demands special attention is that gray zone activity could cause unintended escalation, and that assertive responses to them may not be the best option. For instance, the United States’ gray zone retaliation to China’s activities in the South China Sea is hardly helpful to contain China’s activities, but certainly slow the pace of resolving the South China Sea dispute through negotiation and dialogue and jeopardize bilateral strategic stability.

In the United States, current studies on the gray zone issue view the activity conducted by “measured revisionists” (such as Russia, China and Iran) as a major challenge to US national interest and the US-led international order. Today, as China and the United States are dancing on the precipice of a trade war, the geopolitical rivalry between the two countries raises major concerns and the possibility of a new Cold War has been discussed with increasing frequency. Although the United States and China are highly interconnected in many ways, entanglement also creates friction. In this context, the gray zone issue between China and the United States has a significant role in the relationship. How do we understand gray zone conflict? What challenges does the current gray zone activity pose to China and the United States? What measures should be taken to address such challenges?

This paper argues that because gray zone activity undermines strategic stability, disrupts policymaking, and causes unintended escalation, these actions have become a “gray zone challenge” to both China and the United States. Given the difference between gray zone conflict and traditional conflict, traditional measures will not work well to address the “gray zone challenge,” the best antidote for it is multilateral norm building, not a competitive strategy. This paper concludes with four key policy recommendations to address the challenge.

- Both parties should work together to engage other countries in strengthening and in some cases developing multilateral mechanisms to address gray zone disputes.
- Both parties should recognize that systematic narrative campaigns that attack the other come with high risk and should be avoided.
- Both parties should prioritize work on creating a code of conduct on cyber security, promoting nonproliferation of cyber-attack techniques, and cooperatively enhancing the resilience of critical infrastructure.
INTRODUCTION

Recently, the “gray zone issue” has attracted much attention in the realm of international relations. While gray zone activity increasingly appears in strategic competition, what demands special attention is that this activity could cause unintended escalation and that assertive responses may not be the best option. As an example, the conflict between China and the United States in the South China Sea shows how gray zone actions drive a conflict into an upward spiral. To retaliate against China’s activities, the United States has engaged in several gray zone actions. It has revoked China’s invitation to participate in the RIMPAC exercise, implemented sanctions against certain Chinese military officers, conducted freedom of navigation operations near China’s islands and reefs, and sold new military hardware to Taiwan. These actions are hardly helpful in containing China’s activities, but they certainly slow the pace of resolving the South China Sea dispute through negotiation and dialogue and jeopardize bilateral strategic stability.

Some experts view systematic gray zone activity as a new form of conflict, defining it as conflict between parties seeking an advantage in strategic competition by avoiding direct confrontation through asymmetry, ambiguity, and incrementalism. “Gray” indicates actions below the threshold of war, yet beyond normal diplomacy. The fundamental characteristics of gray zone activity include that they are well-planned, designed to be ambiguous amid strategic competition, and intended to leave opponents unable to launch an effective response.

The emergence of gray zone activity is complex. Some experts view gray zone conflict as a reflection of a power transition, arguing that rising powers engage in gray zone activity to advance their interests by challenging the status quo, which is maintained by a capable dominant power. This hypothesis provides an explanation for some incremental behavior of rising...
powers, however, it fails to reveal the essence of the gray zone issue. In this paper, I argue that the conceptualization of gray zone is based on different perspectives on interpretation of rules. A rising power (such as China) engages in gray zone activity because it is underrepresented in the rulemaking process. To compensate, it interprets rules in a way that favors its interests, or discovers gray zones in rules, and practices incrementalism. Similarly, when circumstances become unfavorable to a dominant power (such as the United States), it also seeks to reinterpret the rules in its favor and creates vague space to contain the rising power with coercion. Therefore, both rising and dominant powers adopt gray zone strategies. In general, gray zone activity is conducted in areas that lack codes of conduct and usually involves limited, gradual, and constrained forms of non-kinetic conflict.

In the United States, current studies on the gray zone issue view the activity conducted by “measured revisionists” (such as Russia, China and Iran) as a major challenge to the United States’ national interest and the US-led international order. Today, as China and the United States are dancing on the precipice of a trade war, the geopolitical rivalry between the two countries raises major concerns and the possibility of a new Cold War has been discussed with increasing frequency. Although the United States and China are highly interconnected in many ways, which provides a critical ballast for the relationship, entanglement also creates friction. In this context, the gray zone issue between China and the United States has a significant role in the relationship. How do we understand gray zone conflict? What challenges does the current gray zone activity pose to China and the United States? What measures should be taken to address such challenges?

This paper starts by summarizing current gray zone actions conducted by China and the United States, which include cyber and information operations, economic coercion, and utilizing non-kinetic military techniques. It argues that since gray zone activity undermines strategic stability, disrupts policymaking, and causes unintended escalation, these actions have become a “gray zone challenge” to both China and the United States. Given the difference between gray zone conflict and traditional conflict, traditional responses will not work well to address the “gray zone challenge.” Therefore, the best antidote is multilateral norm building, not a competitive strategy. This paper seeks to provide a balanced overview of the gray zone conflict between China and the United States, discuss the imminent “gray zone challenge” that both countries face, and provide policy recommendations to address the challenge.

The Contemporary gray zone conflict between China and the US

In the United States, many government agencies and non-governmental institutes have conducted research on the gray zone issue between China and the United States. Most of these studies conclude that China has been one of the most prominent gray zone challengers.

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However, the existing literature on the gray zone issue between China and the United States has limitations. Researchers seldom view the gray zone conflict between China and the United States as posing a challenge to both countries, even fewer believe gray zone conflict needs to be restrained or managed. Since most existing research is based on a US perspective, China’s gray zone activity is seen as revisionist and dangerous or illegal, while suggesting that the United States should confront the activity with “strength and resolution.” Meanwhile, China’s view on gray zone challenge is largely absent. As a partial remedy, it is useful to offer a balanced overview of the gray zone conflict between China and the United States, and discuss the imminent gray zone challenge that facing to both countries.

*Gray zone actions employed by China and the US*

Based on existing research, gray zone actions include economic coercion, cyber and Information operation, use of ambiguous forces, coercion by signaling, and deniable military operations. As shown in the following table, gray zone actions between China and the United States largely fall into the categories of cyber and information operation, economic coercion, and the complex gray zone conflict related to the South China Sea, which is an integrated application of multiple gray zone tools. Given that there are clear linkages between different gray zone activities between China and the United States, the conflict should be viewed as one complex whole rather many minor conflicts.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Category</th>
<th>China Actions</th>
<th>US Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pursues political objectives through integrated campaigns</td>
<td>Cyber and information operation</td>
<td>Legal activities on South China Sea issue; propaganda via Confucius Institutes; cyber operation and espionage</td>
<td>Intervene in China’s domestic affairs; cyber operations/surveillance; propaganda against China’s BRI and human rights record</td>
</tr>
<tr>
<td></td>
<td>Economic coercion</td>
<td>Retaliation on THAAD, cut off Japanese access to rare earth metals</td>
<td>Sanction against and restrict exports to China</td>
</tr>
<tr>
<td>Utilize non-kinetic military techniques</td>
<td>Coercion by signaling</td>
<td>Conduct military exercises, weapon tests</td>
<td>Uninvited China to RIMPAC; legislative action on China’s domestic issues</td>
</tr>
<tr>
<td></td>
<td>Use of ambiguous Forces</td>
<td>Paramilitary force in the South China Sea confrontation</td>
<td>Maritime reconnaissance activities; freedom of navigation activities in Chinese maritime zones</td>
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</table>
The South China Sea issue is a classic case in the US-China gray zone conflict. In recent years, China’s territorial disputes with regional states and island-building activities have received much attention and are a source of controversy. However, the conflict in the area started long before China’s island-building activity. China has consistently opposed US maritime reconnaissance operations in the South China Sea and argues that foreign military actions should be regulated within a coastal state’s Exclusive Economic Zone, while the United States insists that coastal states do not have the right to restrict military operations beyond their territorial seas. Such a dispute on the interpretation of international law has been a major source of tension between China and the United States. Since 2009 at the latest, China began to adopt typical gray zone actions to advance its maritime claims and to challenge other actors operating in the seas and airspace near its coastline. This has included using maritime law enforcement and fishing vessels to interrupt US reconnaissance operations such as undersea intelligence collection and electronic reconnaissance.

In addition, China has built several artificial islands since 2013. According to CSIS’s Asia Maritime Transparency Initiative, China has created 3,200 acres of new land in the Spratlys and expanded its military presence in the Paracels, and some islands in the Spratlys. In response, the United States retaliated with gray zone actions: dispatching warships to escort reconnaissance vessels, more assertive freedom of navigation operations in the South China Sea, threatening to treat China’s Coast Guard and militia vessels the same as military warships, and improving defense relationships with regional states and encouraging them to confront China. In short, the US-China gray zone conflict in the South China Sea is based on a pair of contradictions: a dispute over the legitimacy of military activity in Exclusive Economic Zones, and a dispute over China’s maritime sovereignty claims. Regarding escalation dynamics, both parties have shown an intent to avoid intense confrontation, which is reflected in both states’ efforts to seek a diplomatic solution before dramatic escalation, while continuing to compete in other realms.

Economic coercion is another realm of the US-China gray zone conflict. By Mazarr’s definition, economic coercion includes offering direct aid or favorable trade deals, signing access

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9 In regard to US maritime surveillance operations, Chinese experts and military officers believe there is clear distinction between strategic reconnaissance and tactical reconnaissance/surveillance. According to some experts, strategic reconnaissance provides strategic transparency as part of its outcome, therefore “as we oppose, to some extent it is understandable.” However tactical reconnaissance/surveillance is very provocative, it is “aggressive and not unacceptable.” To Chinese experts, offshore ocean surveillance such as undersea intelligence collection should be consider as tactical reconnaissance and surveillance. Interviews conducted by the author, Beijing, China, November 2018, Hawaii, United States, June 2019.
agreements or joint development deals, and threatening or imposing sanctions.\textsuperscript{10} In fact, economic coercion such as imposition of sanctions has played an important role in the US’s China policy for many decades. The longstanding US sanctions on China are designed for many purposes: punishing China for buying Russian weapons, putting pressure on North Korea, preventing China’s oil purchases from Iran, and punishing China’s arms sales to certain countries. US sanctions have taken many forms to include restrictions on Chinese banks and firms, listing Chinese firms on a so-called “entity list,” and targeted sanctions on certain Chinese officials. Although the effectiveness of targeted financial sanctions remains controversial in academic circles, the strategic policy community in the US generally believes that sanctions play an important role in promoting US interests. This has encouraged the United States to utilize economic coercion to address gray zone challenges by its competitors.\textsuperscript{11}

As China’s economic influence has increased, it also has adopted economic coercion as a policy tool. US officials have accused China of using economic leverage to shape other counties’ behavior and criticized China for conducting “predatory economic activities.” As Chairman Xi Jinping’s signature economic and foreign policy project, the Belt and Road Initiative (BRI) has received much criticism. While China has claimed the program is mutually beneficial and promotes trade and infrastructure development, Washington has criticized the initiative as predatory economics and argued that BRI’s “debt-trap diplomacy” creates opportunities for China to introduce military forces into the recipient countries.\textsuperscript{12} The accusation that China has employed economic punishment for political objectives rests primarily on two cases. During the 2010 China-Japan maritime dispute, China is accused of cutting off Japan’s access to rare earth metals. In 2015-2017, as retaliation against the deployment of the Terminal High Altitude Area Defense (THAAD) system, China was accused of imposing sanctions on South Korea.\textsuperscript{13}

Despite its effectiveness and less violent nature, economic coercion could disrupt global supply chains and poison the economic environment, leading to dangerous chain reactions both in the global market and bilateral relations. The mutual recriminations on economic coercion between China and the United States are based on self-interested interpretation on rules; both countries need to show constraint and prioritize the development of a code of conduct to promote global economic development.

Both China and the United States are believed to be conducting cyber and information operations. Since they are difficult to identify, most of these actions remain ambiguous and deniable. The United States has accused China of conducting cyber operations for not only

\textsuperscript{10} Michael J. Mazarr, \textit{Mastering the gray zone}, p 84.
economic purpose, but also espionage and intelligence gathering. In recent years, the United States seems to have undertaken a public “naming and shaming” campaign with China’s cyber activities. US officials criticize China’s cyber and information activities in public, impose targeted sanctions on certain Chinese citizens, and stress the challenge posed by Chinese cyber activities in a number of high-level strategy documents, including the 2018 National Cyber Strategy and the Department of Defense Cyber Strategy. In 2018, the United States Cyber Command acknowledged gray zone competition at the strategic level shortly after its elevation to the status as a combatant command, and named China explicitly as a cyber-threat. The United States also criticized China for jeopardizing domestic political processes in the US, arguing that it was employing “espionage” via Confucius Institutes and engaging in a public relations campaign aimed at undermining farm-state support for President Donald Trump's escalating trade war. Meanwhile, China has fought back by claiming that, “It is no longer a secret that the United States conducts large-scale monitoring campaigns watching foreign governments, enterprises and individuals.” In 2014, China’s State Council Information Office published The U.S. Global Surveillance Record and pointed out “The United States’ monitoring has gone beyond the normal, weakening the mutual trust between countries, and poses serious violation on privacy. With the rapid changes in Internet technology, there is an urgent need to establish rules and international order in the Internet realm.” China consistently criticizes the United States for intervening in its domestic affairs, arguing that the United States is at least partially responsible for many political subversions and attempts to promote “peaceful revolution,” which aims to overthrow the Chinese Communist Party’s rule. This type of “blame game” may not be crucial to strategic relations, but it certainly has undermined mutual trust and introduced much uncertainty in bilateral relations.

The examples reflect the many ways gray zone actions are employed in the context of US-China strategic competition. First, the self-interested interpretation of rules and the absence of a code of conduct created the gray zone in US-China competition. Second, the gray zone conflict between China and the United States emerged in many realms. Even though there is no significant direct confrontation, the risk of escalation remains high in many aspects of the relationship. Third, the gray zone conflict may not be visible in all realms. There are many cases

where the two countries have sought to ease tensions while attempting to regain advantage in other realms. As a Chinese proverb says, “while you play your game, I play mine” (你打我我打你的).

The challenge gray zone conflict poses to China and the US

By and large, US experts view gray zone conflict between China and the United States as an imminent threat to US national interests, and have called on policymakers to meet this threat with more assertive policy, and to commence a counter-gray zone campaign. However, a more assertive counter-gray zone campaign might not be the best way to resolve the conflict. Both China and the United States interpret rules in favor of their own interests, creating a vague space in which they are able to act without restriction. This situation creates obstacles for crisis management: in gray zone conflict, states often cannot resist retaliating against a gray zone action with a more assertive gray zone technique. By doing so, both sides become committed to breaking the status quo, which could unintentionally escalate gray zone conflict. Therefore, the current gray zone conflict poses a challenge to both China and the United States since this new mode of conflict undermines strategic stability and increases the possibility of unintended crisis, spreads distrust and phobia in both societies, increases the possibility of unintended crisis, and creates a tense US-China relationship that will certainly jeopardize global cooperation and development.

The employment of gray zone actions in competition would jeopardize strategic stability between China and the United States. Traditional game theory assumes that players interact with relatively clear interests and intentions. In such a situation, risk and interest are objective, signal passing is fairly transparent despite some inevitable misinterpretation, and players expect an action-reaction dynamic in escalation. However, in a gray zone conflict, players find it is difficult to reliably recognize the intentions of other players, the ambiguity and incrementalism complicate signal passing and undermine deterrence, making strategic interactions far more ambiguous. Thomas Schelling has argued regarding signaling theory that small violations of deterrent threats could accumulate and that “Once they (the aggressors) cross a line into a new class of aggression, into a set of areas or assets that we always claimed we would protect, we may even deceive them if we do not react vigorously.”19 The gray zone conflict between China and the United States is consistent with that theory – both countries are attempting to “cross the line” by conducting well-designed actions that prevent other parties to “react vigorously.” Traditional deterrence cannot adapt to such a scenario. Given that incrementalism does not provide opportunity for escalation, threat of military retaliation is overreacting and not credible. Deniability of such actions weakens the credibility of actor’s purpose. Given the significant cultural and ideological gap between the US and China, mutual trust is fragile and relying on ambiguity and incrementalism only makes it worse and creates dangerous misperceptions. For instance, the United States dispatched a carrier strike group to sail through the Taiwan Strait during the third Taiwan Strait Crisis in 1996, which has been viewed very differently by experts from China and the United States. While the US strategic community saw the dispatch as intended to ease the tension and “deescalate the crisis” by separating the forces from both sides of the strait, Chinese experts regarded this action as a serious provocation on behalf of Taiwan.

It is surprising that unintended ambiguity could result in such a cognitive difference and one assumes intentional ambiguity would lead the US-China strategic relationship to a more suspicious and vicious future.

Public relations campaigns and information operations could amplify antagonism and cause unexpected chain reactions. There is evidence to suggest that China’s information campaign may be related to domestic conversations on national security. Many Chinese believe that a large portion of destabilization (i.e. separatist movements and the “peaceful revolution”) are driven by foreign influence, leading them to conclude that pursuing a favorable international environment is crucial for domestic stability and national security. In the 2013 edition of *Science of Military Strategy* produced by the Chinese Academy of Military Science, Chinese experts argued that internal stability requires “opening up to the peripheral, stabilizing the peripheral, and molding the peripheral.” Such a goal requires China to “conduct integrated policy with political, economic, diplomatic, cultural and other means under the unified coordinate of the state to create and maintain long-term stability.”

Judging from verified cases, most of China’s informational campaigns in the United States should be considered as part of a charm offensive. They are not designed to jeopardize the democratic process or disrupt political order in the United States. Although some US information operations in China may aim to encourage regime change or peaceful revolution, many cases indicate China may just be paranoid about foreign intervention. The result of these campaigns is frustrating. China’s charm offensive along with its cyber activities have been identified as the source of espionage and worry of a new McCarthyism. Meanwhile, US efforts to promote human rights and democracy in China have become indistinguishable from intervening in domestic affairs and aroused strong indignation. As a result, there could be a wide gap between the intention and the ultimate effect of the whole process of gray zone activity. It is extremely difficult to reliably interpret the purpose of ambiguous and incrementalism action. Therefore, states tend to prepare for the worst-case scenario and consider any information operation as offensive. Even though information operations are not intensive, they may have crucial implications for US-China relations by limiting flexibility of policymaking, exacerbating the domestic political climate, and amplifying nationalist sentiment.

**Implications of gray zone conflict for international relations**

Although the potential for traditional military conflict will remain in the foreseeable future, gray zone conflicts seem to play an increasingly important role in international relations. While most states recognize that they have vital interests in the current rules-based world order, the multipolar nature of global politics drives states to seek influence and power. Yet, the increasing political and financial price associated with military conflict makes traditional war unaffordable in every sense, which makes gray zone conflict a more likely threat to national security. Therefore, a discussion on escalation dynamics of gray zone conflict and its impact on modes of conflict would be helpful for understanding the essence of gray zone challenge.

**Escalation dynamics in gray zone conflict**

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Since military planners tend to be dichotomous between war and peace, the gray zone may be a helpful concept to adapt to new operational environments. However, the concept is familiar ground for international relations experts and historians as the Cold War could be viewed as a complex gray zone conflict with relatively high intensity over an extended period. During the Cold War, the United States and the Soviet Union faced a high possibility of a nuclear exchange and engaged in intensive ideological competition, hence both states sought to gain advantage through some ambiguous, incremental ways. The Soviet Union infiltrated the United States government, the business community, news agencies, and even cultural and creative industries, not only to gain access to secrets but also to influence US society. The United States responded by establishing the Central Intelligence Agency (CIA), which was responsible for covert operations and espionage against the Soviet Union. Both countries operated in the gray zone and both intended to attack its adversaries’ vulnerabilities, from mutual denigration to launching a proxy war. While gray zone conflict is hardly new, post-Cold War gray zone conflict is different in terms of means and the escalation dynamic. This section discusses why states engage in gray zone conflict and articulates the escalation dynamic.

The cause of post-Cold War gray zone conflict is complex. To some extent, the conceptualization of the gray zone is based on different perspectives regarding rules interpretation. A rising power (such as China) conducts gray zone activity because it feels underrepresented in the rulemaking process. To compensate, it interprets rules in a way that favors its interests, or discovers gray zones in the existing rules, and practices incrementalism. Similarly, when circumstances become unfavorable to a dominant power (such as the United States), it also seeks to reinterpret the rules in its favor, and creates vague space to contain the rising power with coercion based on that interpretation. There are also significant changes in competition methods and the security environment. New techniques, such as cyber operations and economic coercion, provide non-kinetic competition tools for policymakers, and the increasing political and financial price makes traditional kinetic war more unaffordable. In short, gray zone conflict emerges because international coordination mechanisms are failing, different interpretations of rules lead countries to revise norms, and new competitive elements drive countries to gray zone activity.

If one accepts the idea that the gray zone actor usually views the current norm/situation as being against its interests, then taking immediate action becomes the preferred solution. However, high-intensity activity comes with accountability, which is inconsistent with incrementalism and reduces the benefit to the gray zone actor. The relationship between the intensity and outcome of gray zone activity is shown in the following diagram:

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Figure 2-1. The relation between intensity and outcome of gray zone conflict

The new competitive elements limit the intensity of gray zone conflict, which in fact determines the form of gray zone conflict. Gray zone conflict usually emerges in areas where rules are vague or that lack defined principles. It often starts when a party finds the current international system/norm unfavorable and sees an opportunity to take advantage of the ambiguity. The dissatisfied party usually seeks to change the status quo through non-kinetic coercion, while the other party retaliates with similar actions, making the gray zone conflict a series of tit-for-tat actions that escalate in an upward spiral. Recently, there has been an increase in this type of competition, not only between great powers, but among regional powers as well.

Judging by its appearance, gray zone conflict seems mild when compared to traditional strategic competition. However, the limited intensity does not make gray zone conflict less vicious. Rather than escalate in one dimension, gray zone conflict tends to escalate in multiple dimensions and leads to unintended over-escalation, creating a nightmare for crisis management. For instance, it is not impossible for Iran to retaliate against US sanction in other realms (i.e., access denial to the Strait of Hormuz or a cyber-attack). The desire to compete without direct confrontation reduces the likelihood of full-scale war, but it also leaves gray zone conflict less space to escalate and makes the conflict more likely turn into a stalemate. Unfortunately, the stalemate is not the end of gray zone conflict since the motivation that drives the gray zone actor into competition will not simply disappear when the conflict reaches a stalemate. Instead, gray zone actors are likely to create conflict in other areas to regain the advantage, which could create a cluster of disputes and possibly end with a full-blown crisis. The escalation dynamic of gray zone conflict is shown in the following diagram:
The significant linkage between the Cuban Missile Crisis, the 1961 Berlin Crisis, and earlier deployment of *Jupiter* missiles in Turkey shows how intensive gray zone conflict escalates. The Soviet Union deploys intermediate-range ballistic missiles in Cuba as it seeks to balance the outcome of the US deployment of *Jupiter* missiles in Turkey; the United States attempts to respond with both resolve and caution, as it seeks to strengthen the credibility of its promise and manage the crisis below the threshold of war. Although the case is a bit extreme, the Cuban Missile Crisis represents how gray zone conflict can spread and escalate after the stalemate has been reached. This type of scenario coincides with the phenomenon known as the stability-instability paradox. This theory suggests that stability at higher levels of conflict, such as when both countries possess nuclear weapons, encourages opportunism at lower levels and unintentionally invites more conflicts. As Robert Jervis points out, “To the extent that the military balance is stable at the level of all-out nuclear war, it will become less stable at lower levels of violence.” In the case of the Cold War, scholars believe that the threat of mutually assured destruction between nuclear powers reduces the likelihood of full-scale war, but increases the possibility of minor or indirect conventional military conflicts such as proxy wars. In the post-Cold War era, the phenomenon of stability-instability paradox has been expanded. Instead of nuclear weapons (which created strategic stability between the United States and

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Soviet Union), the global antiwar political environment and the rising cost of waging traditional warfare created stability at higher levels of conflict, and the latest non-kinetic methods provide “usable” tools in lower levels of violence. As a result, countries engaged in strategic competition are more willing to engage in gray zone activity. When the contest comes to a standoff, they are likely to escalate in multiple dimensions. For instance, the United States has engaged in several gray zone actions to retaliate against China’s activities in the South China Sea. It revoked China’s invitation to participate in the RIMPAC naval exercise, implemented sanction against certain Chinese military officers, conducted freedom of navigation operations near islands and reefs claimed by China, and sold new weapons systems to Taiwan. These actions do not contain China’s activities, but certainly slow the pace of resolving the South China Sea issue through negotiation and dialogue. This is a classic case of gray zone conflict escalating in multiple dimensions with tit-for-tat escalations that are quite likely to trigger further escalation and create a vicious circle.

A shift on the mode of conflict

Although many gray zone tools have been well-developed and frequently used during the Cold War, implementing gray zone coercion has attracted much attention in recent years, not only because of new coercive techniques, but also because gray zone conflict poses significant implications for the mode of conflict. The emergence of gray zone conflict means states are turning to incremental approaches to achieve their interests and goals, which challenges global stability and traditional theories of conflict. To understand the challenge, a discussion of the differences between gray zone conflict and traditional conflict is necessary. Since gray zone conflict is a relatively new topic that needs more empirical study, the following discussion is more hypothetical than conclusive.

To start, gray zone conflict may change the essential view of conflict. There are strong reasons to believe that gray zone activity will play a significant role in future conflicts. Competitive and coercive tools have evolved greatly since the end of the Cold War, while the significance of kinetic military action has declined dramatically. Since the purpose of gray zone action is to create favorable political facts without significant use of kinetic military operations, incrementalism plays a more important role in competition, which may lead to a fundamentally different understanding of conflict. Success in gray zone conflict requires adaptation, resilience, and coordination across different military and government agencies, while traditional military conflict demands focus, concentration, speed, and decisiveness. The changes in principle originate from the nature of gray zone activity. It involves non-kinetic coercion to gradually create favorable political facts, could occur in diversified forms, and is intended to be ambiguous to avoid effective responses. Traditional military operations are designed to triumph in an intensive, focused, and relatively short confrontation. Gray zone conflict calls for adaptation, accurate understanding of the political environment, and resilience in a long-term, low-intensity confrontation. The success of gray zone conflict largely depends on whether actors manage to keep the conflict below the threshold of overt military action. Once the conflict crosses that threshold, the advantage of deniability has been lost, the conflict consumes more resources without ambiguity, and the risk of inadvertent war rises. Therefore, most gray zone conflicts have been conducted in the pre-combat stage while emphasizing narrative construction and legal activities rather than kinetic military combat. Traditional deterrence is no longer an efficient option to prevent gray zone conflict.
As gray zone conflict provides a potential alternative to kinetic exchange, it does not make strategic competition look more “harmonious.” While gray zone activity means countries intend to avoid overt military conflict, such action does create considerable risk on its own. In fact, competition through gray zone activity increases the potential for inadvertent war by fostering misperception. Gray zone activity is designed to be ambiguous and the techniques or purposes are usually deniable. Such ambiguity is dangerous as it leaves abundant space for conjecture and discretion, makes it difficult for actors to verify others' intentions, and encourages the tendency to prepare for the worst. In gray zone conflict, actors are competing without explicitly revealed goals and road maps, which undermine the value of red lines, making every move potentially risky with undefined danger. This misperception creates a self-reinforced escalation that could eventually generalize the conflict and spiral it into an intense crisis. Gray zone conflict may also provide more miscalculation because ambiguity makes actors less accountable, which may lead to a strong belief that they can manage escalation, making them more willing to be opportunistic and take risk. This might partly explain Russia’s paramilitary actions in Crimea. However, the value of deniability could be exaggerated. As Thomas Schelling points out, “It is the essence of a crisis that the participants are not fully in control of events,” overconfidence could increase the risk of overt military conflict. Finally, gray zone action increases the probability of an accident. Most tools in the gray zone toolkit are state-sponsored rather than state-executed. Often these tools are operated by paramilitary forces, narrative operatives, hackers, and proxies. Compared to government agencies, these entities are less cohesive and disciplined, their behaviors are difficult to anticipate, and even the initiator of the gray zone activity could find there are some obstacles in controlling the outcome. To some extent, gray zone activity means unleashing untamed power in a complicated environment and potentially amplifying disputes and creating a crisis. In short, gray zone actions come with misperception, miscalculation, and accidents, which are the most significant factors in causing an inadvertent war.

Since there are many new gray zone tools that have been brought into conflict in recent years, the absence of rules and codes of conduct is increasingly apparent. At present, gray zone actors can utilize non-kinetic tools to target weak points in a rival’s society. Targeting critical cyber infrastructure and the domestic political system present a significant threat to society and could potentially leave a complex aftermath. Since these attacks would take place in multiple realms, it could potentially generate an untamable crisis. Indeed, gray zone actors have little stake in a rival’s domestic stability or wellness, but unrestricted gray zone actions could also backfire and put critical interests in danger. Cyber operations such as utilizing a Trojan Horse or denial of service would endanger the entire internet ecosystem and cyber-attack techniques are easy to duplicate. Economic coercion such as sanctions and extra-territorial jurisdiction are traditional tools that have been employed for years. Yet, in the era of economic globalization, they could trigger disruption in the global supply chain and poison the economic environment. Information operations like propaganda campaigns and narrative warfare are even more dangerous as they disrupt domestic political processes, could cause dysfunction in the policymaking process, and generate unpredictable risks in bilateral relations. Without codes of conduct, or at least tacit agreement, the potential of risks mentioned above is very real.

The emergence of gray zone conflict demands that scholars and policymakers update their view on conflict. It appears that gray zone activity has created a new environment for competition

that is very different from traditional conflict. Some characteristics of gray zone activity increase the risk of inadvertent war, making codes of conduct necessary to reduce vague space and regulate gray zone behavior. Deterring gray zone actors with traditional thinking is highly improbable. Instead, to address the challenge posed by gray zone conflict requires an evolved view of conflict as the traditional paradigm might not work and could even be counterproductive.

Policy recommendations

Most existing research argues that the key to addressing the gray zone challenge is to "contain" revisionists and develop competitive strategies that can adapt to incrementalism.26 That type of recommendation is consistent with those offered by absolutist, results-oriented national security experts in the US. Yet these arguments are based on the premises that any revision of current norms is illegal and that confrontation is the only way to meet gray zone challenge. As mentioned earlier, these notions create significant risks, merely treats the symptoms of gray zone conflict, and overlooks the basic challenge that spawned gray zone actions – the integration of rising, quasi-revisionist powers into the international order. If the two major powers in the international system continue to interpret rules in their own favor, and go head-to-head in the gray zone, we are very likely to see them become more militant, nationalistic, and aggressive in many realms. Such a scenario is devastating for both countries. Therefore, the ultimate response to gray zone challenges is not developing counter-gray zone tactics, but should be creating a new set of multilateral norms that benefit both parties. Revising global norms with effective dispute resolution mechanisms could make gray zone competition pointless and any progress toward that goal would make gray zone actions less necessary and less dangerous. To achieve this, both the United States and China must invest in multilateralism, respect existing rules and institutions, and together work toward offering peaceful and constructive rising powers a greater say and stake in the system. To that end, the United States should adopt a long-term strategy, restrain its unilateral impulse, endorse partial revisionism, and allow rising powers to shape events without investing in gray zone action. For its part, China should be more engaged in rule-based mechanisms, be more transparent in its actions and purpose, and be more accountable on international affairs.

1. On the South China Sea issue, both parties should avoid using ambiguous force, while promoting dialogue and the development of a multilateral dispute settlement mechanism. United States should realize that containment and confrontation will not strengthen the existing norms and China should recognize that unilateralism is not the real path to its rejuvenation. One particularly counterproductive approach for the United States is to coordinate with its allies to attack China’s maritime policy. This approach cannot effectively deter China’s incrementalism and will only trigger nationalistic sentiment and encourage “spiral mode” in maritime disputes. Promoting the code of conduct negotiation between ASEAN and China should be a priority. This negotiation provides an important platform for China and regional countries to accommodate each other’s interest and to build consensus on law-based regulations. In that context, the United States could be a coordinator rather than a partial arbitrator.

2. In the narrative and informational realm, both parties should recognize that systematic narrative campaigns come with high risk. It is crucial to restrain aggressive propaganda and media campaigns. Seemingly, both China and the United States underestimated the complexity of the other society and their poorly planned campaigns have caused serious backlash. Although it is difficult to resist the temptation of what a successful narrative campaign could bring, it would be wise to act with restraint or at least stop the official campaign to discredit the other. As a rising country, China’s society’s sentiment is quite complicated, it is a mix of socialism, collectivism, and strong national pride in history and culture. China is still learning how to utilize its power in the international system. In that context, adopting “China phobia” and seeking to decouple is counterproductive. Instead, the United States and China should strengthen their personnel exchange mechanisms despite their disputes and build mutual understanding on facts rather than shaped narratives.

3. For economic coercion and cyber operations, the United States and China should prioritize work on creating a code of conduct, promoting nonproliferation of cyber-attack techniques, and cooperatively enhancing the resilience of critical infrastructure. Given the vulnerability of the global supply chain and critical infrastructure, indulging in unrestricted competition in such realms is highly dangerous and irresponsible. Considering China is the world’s second-largest economy and its rapid technological development, excluding it from norm-building is impossible. The United States and China should work together rather than compete in economic and cyber rule-building. Multilateral institutions such as the WTO, UN, and IMF are valuable platforms for regulating behavior and creating norms. The United States and China should strengthen their commitment to these institutions and continually engage to seek consensus and settle disputes. In the cyber realm, China is still under-represented in cyber rule-making and enforcement. China should have a greater voice in formulating a code of cyber conduct that would not only make China more accountable for cyber activities, but also accelerate the building of international norms of state behavior in cyberspace.

Conclusion

The gray zone issue between China and the United States is complicated. This paper has sought to provide a balanced overview of gray zone activity by both countries, elaborated the imminent gray zone challenges that face both countries, and discussed policy recommendations to address those challenges. Gray zone activity by China and the United States undermines strategic stability, disrupts policy making, is likely to cause unintended escalation, and brings challenges to both countries. Moreover, gray zone conflict causes a transformation in the mode of conflict, which suggests that addressing gray zone challenge through aggression is counterproductive. As the antidote, both countries should acknowledge the importance of multilateral mechanisms, and together build new norms that take both parties’ interests seriously.
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