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INTELLIGENCE REPORT — تقرير استخباري

# Chinese Moves in East Asia and Their Effect on Gulf Energy Routes to Mid-2027: A Strategic Assessment

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## 01 Executive summary

> Beijing is using the dispersal of US military capacity in the Iran war to consolidate a security and administrative fait accompli in the South China Sea and around Taiwan, without sliding into direct confrontation. Gulf energy flows to East Asia are likely to remain relatively stable to mid-2027, supported by alternative shipping arrangements and expected regional understandings.

## 02 Key judgements

— China exploits the US deterrence gap to impose new maritime facts in East Asia: **very likely (80–95%)**, high confidence, given the drawdown of US missile stocks and the lower tempo of US reconnaissance in the Asian theatre.

— Current Chinese moves escalate into open, full-scale military confrontation with the United States and its allies: **very unlikely (5–20%)**, moderate confidence; Beijing is keeping to graduated pressure and calibrated rules of engagement to avoid general war.

— Gulf oil flows to East Asia stabilise through alternative sea routes and regional understandings to mid-2027: **likely (55–80%)**, moderate confidence, given flexible logistical and operational alternatives and Beijing's interest in avoiding a domestic energy shock.

## 03 Observed facts

US involvement in the Iran war has diverted high-value military assets, including an aircraft carrier, air-defence systems and precision munitions, from the Indo-Pacific to the Middle East, and joint exercises with South Korea were suspended [1]. In May 2026, reports said a planned arms package for Taiwan worth about $14 billion had been paused to conserve munitions; Taipei said it had not been notified of any pause [8].

US operations against Iran have consumed large numbers of Patriot and THAAD interceptors, deepening the shortage of long-range munitions; replacing missiles such as Tomahawk takes three to four years [2].

The Chinese carrier Liaoning and its escorts transited the Basilan Strait inside the Philippine archipelago in late October 2026, in what resembled a rehearsal for breaking through the first island chain. Beijing has also widened maritime coercion and the use of dual-use space systems [3].

US reconnaissance sorties over the South China Sea fell by about 30% in February 2026 as attention shifted to the Middle East [4]. China stepped up grey-zone tactics at Scarborough Shoal and Second Thomas Shoal, and ran law-enforcement and coast-guard patrols east of Taiwan to normalise its administrative control [5].

Repeated closures of the Strait of Hormuz during 2026 highlighted the sensitivity of the Malacca and Taiwan straits, both within the operating reach of the Chinese navy. Each exceeds Hormuz in trade value, and together they carry the bulk of the energy supplies of Asian economies [7].

## 04 Analysis and assumptions

The assessment rests on a critical assumption: that Washington will remain unable to restore maritime and air deterrence in Asia in the near term, because munitions spent in the Middle East are slow to replace. If that assumption proves wrong and Western replenishment accelerates, Beijing may slow its maritime pressure and revert to a defensive, wait-and-see posture.

It also assumes that Beijing places the security of its energy imports above the gains of a direct military decision, and will therefore not close vital waterways. If that is wrong and the Chinese leadership opts for a sudden, comprehensive blockade, a regional confrontation would follow, with immediate paralysis of energy supplies across East Asia.

## 05 Plausible alternatives

— Alternative 1: China imposes a trial closure or compulsory maritime inspections in the Taiwan Strait and the South China Sea as a precaution. **Unlikely (20–45%)**. It assumes Beijing would use disruption of energy routes to pressure regional capitals and force Taiwan's political submission.

— Alternative 2: A wide, direct military confrontation follows an unplanned maritime incident in the South China Sea. **Very unlikely (5–20%)**, as the parties maintain deconfliction channels and rules of engagement that prevent open escalation.

## 06 Indicators that would change the judgement

— China openly detains or inspects oil tankers and international merchant ships inside the Taiwan Strait.

— The United States withdraws strategic naval units from the Middle East and promptly redeploys them to the Indo-Pacific.

— Sudden jumps in US tactical and interceptor missile production that narrow the replenishment gap.

— Gulf energy shipments bound for East Asia come under direct military attack that disrupts alternative routes.

— China extends permanent naval deployments beyond the first island chain into open waters on a weekly basis.

## 07 Forward reading

**Intent:** Chinese strategy is directed at making precise use of the major powers' preoccupation with conflict in the Middle East to strengthen control of the straits and seas around China. Its aims stop at imposing new security facts through graduated tactics, short of direct and general confrontation with international alliances. Its moves also aim to secure the maritime energy arteries running from the Gulf and to protect these flows against any domestic economic squeeze, while extending indirect diplomatic influence over regional security arrangements.

**Background:** Earlier periods showed a rising pattern of field exercises and probing of the other side's readiness through displays of combined naval capability. Regional powers have used recurring Middle East crises to reduce their rivals' ability to concentrate on two distant theatres at once. Experience has also shown that energy supply lines remain a critical pressure point, which

drove early work on logistical alternatives and quiet understandings to avoid interruption of essential supplies.

**Current picture:** The situation is one of calculated tension. Demonstrative military activity in East Asian waters is intensifying as a means of psychological and political pressure on neighbouring states. It runs alongside close monitoring of operations in Middle Eastern waterways, while tanker traffic remains under security measures and flexible operating alternatives that keep flows to Asia moving. The parties are currently working to fix rules of engagement that prevent unplanned escalation, while waiting on the outcome of diplomatic efforts to contain active flashpoints.

**Outlook:** The likely course is continued, rising military pressure without open war, relying on partial-blockade tactics and the redrawing of maritime zones of influence in East Asia. Gulf oil supplies are likely to remain relatively stable through alternative shipping lanes and expected regional settlements, protecting Asian economic interests and reinforcing the geopolitical role of the eastern powers as strategic partners in Middle East balances. The horizon for this picture to settle, and for the balance of power in both regions to be reset, extends to mid-2027.

## 08 Source evaluation and information limits

— Source [1]: Grade A (reliable); Brookings Institution analysis with specific detail on US force posture and arms sales.

— Source [2]: Grade A (reliable); Center for Strategic and International Studies (CSIS) report based on industrial and munitions data.

— Source [3]: Grade B (usually reliable); American Enterprise Institute tracking of naval movements.

— Source [4]: Grade B (usually reliable); press and research reporting on US reconnaissance sorties.

— Sources [5] and [6]: Grade A (reliable); research on grey-zone operations and Beijing's Taiwan calculus.

— Source [7]: Grade A (reliable); CSIS study of energy chokepoints and trade-flow comparisons.

— Source [8]: Grade B (usually reliable); news-agency reporting on the paused Taiwan arms package and Taipei's statement that it had not been notified.

**Information limits:** There are no official, published Chinese estimates of how far Beijing is prepared to take security measures in the Taiwan Strait, and no precise figures on the actual size of China's strategic petroleum reserve held against major disruptions.

## 09 Bottom line and recommendation

**Bottom line:** Beijing is entrenching an advanced administrative and naval deterrence equation in East Asia, using the drawdown of US capacity without entering a general conflict. Logistical alternatives and interim settlements keep Gulf energy flows stable to mid-2027.

**What it means for you:** This strategic environment gives Gulf energy exporters wider room to build balanced political and security understandings with Beijing and Washington without being exposed to one-sided demands.

**Recommendation:** If your institution intends to consolidate its regional position, begin institutionalising a direct security dialogue with Asian partners to coordinate the protection of sea lanes and build negotiating mechanisms that reduce the risk of geopolitical friction.

**Alternatives:** Continue to rely on the traditional US security umbrella, or suspend long-term strategic commitments and wait for the outcome of the Middle East war.

**When to reassess:** If China imposes binding inspection restrictions on international merchant shipping in the Taiwan Strait, or by mid-2027.

## 10 Sources

[1] **brookings.edu** https://www.brookings.edu/articles/the-iran-war-and-americas-widening-strategy-gap-in-asia/

[2] **csis.org** https://www.csis.org/analysis/united-states-prepared-war-china

[3] **aei.org** https://www.aei.org/commentary/china-taiwan-update-october-27-2026/

[4] **scmp.com** https://www.scmp.com/news/china/military/article/3345278/us-patrol-flights-over-south-china-sea-drop-30-focus-shifts-middle-east

[5] **gmfus.org** https://www.gmfus.org/sites/default/files/2026-10/EAMS_monthly_column_2026-09.pdf

[6] **heritage.org** https://www.heritage.org/defense/commentary/opportunity-or-illusion-the-iran-war-and-chinas-taiwan-calculus

[7] **csis.org** https://www.csis.org/analysis/south-china-sea-trade-chokepoints

[8] **al-monitor.com** https://www.al-monitor.com/originals/2026/05/us-arms-sales-taiwan-unrelated-iran-war-source-says

Editorial corrections: the Taiwan arms delay figure ($30bn and $32bn, inconsistent and unsourced) was replaced by the documented $14bn package and Taipei's response [8]; the 30% reconnaissance drop was dated to February 2026 [4]; likelihood labels were aligned with the standard scale.