



GEOPOLITICAL RISK MONITORING

Paracel Islands, South China Sea

Rapid assessment of people, assets, priority risks, decision triggers, disruption exposure, and accountability.

| LOCATION / AREA OF CONCERN                                  | WHY IT MATTERS                                                                                                                                                                                                                                                                     | STATUS              | LAST REVIEWED |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|
| Paracel Islands, especially Yagong Island and Antelope Reef | China is building a runway-capable artificial island at Antelope Reef, roughly 1,460 acres, with new radar-type construction 14 km away on Yagong Island. Together they extend surveillance and operating reach over a trade corridor carrying major oil, LNG and container flows. | Elevated<br>-Rising | 31 AUG 2026   |

PEOPLE AND ASSETS EXPOSED

| PERSONNEL                                                                             | FACILITIES / EQUIPMENT                                                                        | SUPPLY CHAIN / DATA                                                                    | CUSTOMERS / COMMITMENTS                                                              |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Merchant crews, offshore workers, naval and coast guard personnel, regional travelers | Commercial vessels, ports, offshore energy assets, navigation systems and regional air routes | Asia-Europe supply chains, fuel/LNG cargoes, container schedules, AIS and routing data | Carriers, importers, exporters, manufacturers, energy buyers, insurers and customers |

PRIORITY RISK AND BUSINESS EXPOSURE

| # | RISK EVENT                                                                                                  | WHO ABSORBS IMPACT                                                                      | LIKELIHOOD | IMPACT | DISRUPTION COST | OPERATIONAL EFFECT                                                                                                                                                 |
|---|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------|--------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Antelope Reef build-out continues toward a runway-equipped forward base; Yagong radar extends early warning | Carriers and offshore operators first; insurers, shippers and regional businesses later | H          | H      | Severe   \$1M+  | Persistent air and maritime presence over the western Paracels raises monitoring, routing caution and war-risk scrutiny without requiring a closure.               |
| 2 | Military or coast guard confrontation creates temporary navigation or airspace restrictions                 | Vessels, airlines and crews first; importers, exporters and customers later             | M          | H      | Severe   \$1M+  | Exclusion zones, delays or diversions can disrupt schedules, inventory timing and energy deliveries. Vietnam's 29 Aug protest raises the odds of a friction event. |
| 3 | Escalation involving China, Vietnam or U.S./allied forces broadens beyond the Paracels                      | Regional supply chains, energy markets, insurers, manufacturers and customers           | M          | H      | Severe   \$1M+  | Wider rerouting and war-risk pricing can transmit cost across Asian production and global trade lanes.                                                             |

DECISION TRIGGERS

| # | OBSERVABLE TRIGGER                                                                                                 | THRESHOLD / SOURCE                                                                                              | REQUIRED ACTION                                                                                                         |
|---|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| 1 | Runway paving, hangar or fuel/munitions construction, or first aircraft operations confirmed at Antelope Reef      | Commercial satellite imagery (Vantor, Planet), AMTI/CSIS reporting, PLA/PRC notices, regional defense reporting | Raise monitoring. Map exposed lanes, vessels and suppliers; review insurance, routing and alternate-port options.       |
| 2 | Operational radar, air-defense or sustained military deployment confirmed at Yagong Island                         | Commercial satellite imagery, OSINT tracking, regional defense reporting and corroborated maritime intelligence | Raise monitoring. Brief leadership on surveillance reach over transit lanes; confirm carrier contingency thresholds.    |
| 3 | NAVWARN, exclusion zone, unsafe encounter or carrier advisory materially restricts traffic near the Paracels       | China/Vietnam maritime notices, carrier alerts, AIS disruption or verified military/coast guard incident        | Escalate. Model 7-, 14- and 30-day delay/diversion cases; protect critical inventory and communicate customer exposure. |
| 4 | Construction pauses, no military activation is observed, and China/Vietnam maritime consultations hold for 60 days | Imagery showing no new work, absence of NAVWARNs, official readouts of bilateral maritime consultations         | Downgrade to routine monitoring. Return to quarterly review; retain lane mapping and insurance terms on file.           |

ANALYST ASSESSMENT / COST BASIS / KEY GAP

**Assessment:** Verified facts: AMTI/CSIS reported 14 Aug that runway excavation has begun at Antelope Reef, 4,300 feet of an assessed 10,000-foot strip on 1,460 acres dredged since October 2025. Reuters reported 25 Aug new structures on Yagong Island, 14 km northeast, imaged 17 Aug by Vantor and assessed as a probable early-warning radar, unconfirmed. Vietnam demanded a halt on 29 Aug. EIA: 28M b/d of petroleum liquids (37% of seaborne shipments) and 6.7 Tcf of LNG (34% of LNG trade) crossed the South China Sea in 2023. Judgment: monitoring and security friction first, insurance and routing pressure second, supply-chain delay and energy-price transmission third.

**Cost basis:** Severe (\$1M+) assumes 7-30 days affecting multiple shipments: war-risk premiums, delay, diversion, demurrage, inventory carrying and penalties. Exposure falls toward High (\$250K-\$1M) if construction stays passive; it exceeds \$1M with exclusion zones, repeated incidents or multi-lane rerouting.

**So what:** Construction alone is not the decision point. The runway is: a paved airstrip with hangars turns the western Paracels from surveillance into power projection. Track paving, aircraft basing, navigation warnings and carrier behavior, not acreage.

**Key gap:** Unresolved: Yagong's function, Antelope's timeline and basing plan, rules of engagement, carrier thresholds, lane exposure and insurance terms.

**Sources:** AMTI/CSIS, 14 Aug and 19 Mar 2026; Reuters, 25 and 29 Aug 2026; SCMP, 29 Aug 2026; EIA South China Sea, Feb 2024; DoD CMAPR, Dec 2025.