PART IV

TAIWAN AND HONG KONG

CHAPTER 9: TAIWAN: A CRUCIAL WINDOW FOR A CRITICAL PARTNER

Executive Summary

The next 24 months could shape cross-Strait relations for years. Beijing will assess Taiwan's 2026 and 2028 elections to gauge whether coercion and political pressure can move Taiwan toward unification. However, even an outcome the People's Republic of China (PRC) favors may not deliver what it expects. Taiwan's public remains overwhelmingly opposed to political integration with China, limiting how far any elected government can move toward Beijing. Xi Jinping could therefore reach 2028 with greater military capabilities and less confidence that political and economic pressure and other forms of coercion can achieve unification. This realization may increase the risk that China will take more aggressive coercive actions against Taiwan, including imposing a quarantine or blockade.

The stakes for the United States have never been higher. Taiwan is indispensable to the Indo-Pacific balance of power and to U.S. technological leadership and economic security. Taiwan's central geographic location in the first island chain and near key maritime routes constrains China's options and concurrently enhances U.S. access, capabilities, and operational freedom in the Indo-Pacific. In recent years, Taiwan's world-leading semiconductor industry has become foundational to U.S. leadership in advanced technologies, particularly artificial intelligence (AI). A change in Taiwan's status would alter the military balance in the Western Pacific, test confidence in U.S. alliances, and threaten critical technology supply chains.

Beijing is pursuing its objectives through coercion backed by a credible threat of force. China is seeking to weaken Taiwan's resistance through military and coast guard activity, cyber and information operations, economic leverage, lawfare, and political influence while building capabilities to blockade or invade the island. Taiwan has responded with increased defense spending, military reforms, investments in resilience, and stronger cooperation with the United States, but significant vulnerabilities remain. Political divisions have slowed defense investments, Taiwan depends heavily on imported energy, and nearly $30 billion in approved U.S. weapons remained undelivered as of August 2026.

The near-term challenge is therefore not only to deter invasion, but to prepare better for the coercion already happening and likely to escalate—sustained pressure designed to change the status quo without triggering war.

Key Findings

- The next 24 months will test Beijing's belief that it can move Taiwan toward unification through coercion and political influence rather than force. This coercion strategy hinges on eventually having a conciliatory government in Taipei, but Taiwan's public overwhelmingly favors the status quo, constraining how far any elected government can move toward Beijing. Even electoral outcomes in 2026 and 2028 that Beijing favors may fail to produce the political movement toward unification it expects. If China concludes its political strategy is failing, Beijing may turn to greater coercion to force progress on its terms, including through imposing a quarantine or blockade.
- Taiwan is a first-order U.S. national security interest. A crisis in the Strait would threaten U.S. military power and economic security simultaneously.
- Taiwan's continued autonomy is critical to the military balance in the Western Pacific, and its security is closely tied to allied confidence in U.S. commitments. Taiwan's geographic location denies the PLA a forward military position between Japan and the Philippines and complicates its access to the Western Pacific. Taiwan's own surveillance, coastal defense, air defense, and maritime capabilities force the PLA to account for threats from the island, while U.S. and allied forces elsewhere along the first island chain further constrain its operations. Chinese control of Taiwan would shift these advantages toward Beijing, extending PLA power in the Western Pacific.
- Taiwan's technology ecosystem is at the foundation of U.S. advantage in AI. Taiwan dominates advanced semiconductor production and supplies critical hardware across the AI stack. U.S. reshoring is building domestic capacity but remains deeply dependent on Taiwan's companies, technology, workforce, and supply chains, making the two economies more integrated rather than making Taiwan dispensable.
- Coercion and military buildup are mutually reinforcing components of Beijing's dual-track strategy rather than alternative paths to unification. Political influence, economic pressure, cyber and information operations, lawfare, and other gray zone activities work to erode Taiwan's will to resist, while the PLA's growing military capabilities make those efforts more credible and preserve Beijing's option to impose unification by force if they fail. U.S. and Taiwan planning remains more heavily oriented toward countering an inva-

sion, leaving both less prepared for the challenge likely to come first.

- China is intensifying its efforts to intimidate and coerce supporters of Taiwan's autonomy, moving beyond symbolic legal threats toward more concrete efforts to punish opposition to Chinese malign influence and to deter support for Taiwan. Over the past year, Beijing introduced new legal authorities, launched criminal investigations, and took public enforcement actions to intimidate a broader range of Taiwan officials, civil society leaders, and public figures, regardless of their location.
- Taiwan is strengthening its military and national resilience, but domestic political divisions and persistent vulnerabilities threaten to slow progress during a critical period. Taipei is strengthening its asymmetric defenses, civil preparedness, critical infrastructure resilience, and counterintelligence efforts, but legislative gridlock has delayed or reduced investments that could produce near-term capabilities. Taiwan's heavy dependence on imported energy also leaves it particularly vulnerable to the quarantine or blockade scenarios Beijing is increasingly rehearsing.
- Delays in U.S. foreign military sales are hindering Taiwan's ability to field critical military capabilities and weakening deterrence even as Chinese pressure increases. A backlog of undelivered weapons, compounded by delays in finalizing additional arms sales, is pushing needed capabilities further into the future. These challenges slow Taiwan's ability to enhance its capacity to resist Chinese coercion, blockade, or invasion.

Introduction

Beijing's goal is to take Taiwan without firing a shot, and it is working to weaken Taiwan's resistance, exploit political divisions, and create an opening for unification on Beijing's terms. At the same time, the PLA is building the military capabilities to conduct a blockade or invade Taiwan and make U.S. and allied intervention more difficult and costly. Beijing's coercion campaign and its military buildup are complementary components of the same strategy. Political influence, economic pressure, cyber and information operations, lawfare, and other gray zone activities* seek to weaken Taiwan's will to resist, while growing military capabilities give that pressure greater weight and provide Beijing credible options to use

*The U.S. National Intelligence Council defines gray zone as "peaceful interstate diplomacy, economic activity, and people-to-people contact on one end of the spectrum and armed conflict on the other." Activities conducted by a state in the gray zone could be coercive or subversive actions "to achieve objectives at the expense of others in contravention or in the absence of internation al norms." Gray zone activities fall below a threshold for military action and take place across a range of domains. For more on China's persistent use of destabilizing gray zone activities, including activities in the military and security, cyber, economic, information, legal, and space domains, see U.S.-China Economic and Security Review Commission, Chapter 2, "U.S.-China Security and Foreign Affairs (Year in Review)," in *2025 Annual Report to Congress*, November 2025, 96–97; U.S. National Intelligence Council, *Updated IC Gray Zone Lexicon: Key Terms and Definitions*, July 2024, 1.

force if coercion fails. Together, this two-pronged approach advances Beijing's political objective and complicates Taipei and Washington's efforts to build resilience and respond effectively.

Taiwan's importance to the United States has never been higher. Taiwan's status is critical to U.S. power in the Western Pacific. Chinese Communist Party (CCP) control of Taiwan would create grave threats to U.S. defense treaty allies and constrain U.S. options in the region. Taiwan's indispensable role in advanced semiconductors puts it at the epicenter of the AI revolution and U.S. efforts to prevent China from taking the lead in advanced technologies.

The United States must be prepared to counter Beijing's coercion while continuing to deter military aggression. Congress built the legal architecture of U.S. support for Taiwan and has repeatedly strengthened it—often over the objections of the executive branch of the day—from the Taiwan Relations Act in 1979 through the Taiwan Enhanced Resilience Act in 2022. That framework was commensurate with the threat it was built to counter, with policy oriented chiefly toward deterring and defeating an outright invasion. While that work remains essential, the more probable danger in the short run is not a sudden assault but rather sustained coercion calibrated to bend Taiwan's choices while denying Washington a clean moment to act. The question facing Washington is therefore not simply whether it can deter an invasion but whether it can prevent Beijing from changing the status quo without one.*

A Critical 24 Months for Deterrence

The next 24 months could be the most consequential period for Taiwan in decades. During that time, there will be a convergence of significant political, military, and strategic developments affecting Beijing's calculus for action, including Taiwan's political direction, the People's Liberation Army's (PLA) readiness, and China's assessment of U.S. willingness and ability to respond, among other considerations.[1] Taiwan's upcoming elections will shape Beijing's judgment about whether it can move Taiwan toward unification through coercion and co-optation or whether greater military pressure is necessary. Between those elections falls 2027, the year by which General Secretary of the CCP Xi Jinping has reportedly directed the PLA to be capable of conducting a successful invasion of Taiwan.[2] While the benchmark is about having developed the capability, not a date for an invasion, the PLA continues to improve its joint combat proficiency, readiness, and posture should China's leaders determine that military action (e.g. blockade, strike, invasion) is necessary.[3] The Department of Defense also assessed that the PLA has linked achievement of its 2027 goals to its ability to build up its strategic deterrence to sufficiently deter or restrain U.S. military involvement and to credibly prevail in a Taiwan conflict.[4] By 2028, Beijing will have a clearer picture of whether its political strategy is working—and a broader set of military options if it concludes that it is not.

*This chapter's findings are based on meetings with the Taiwan Economic and Cultural Representative Office; the American Institute in Taiwan; the 2026 SelectUSA Taiwan Delegation; and the Research Institute for Democracy, Society, and Emerging Technology as well as open-source research.

Beijing continues to describe peaceful unification as its preferred outcome and seeks to create political conditions conducive to negotiations, devoting resources to cultivate political elites and societal actors capable of influencing Taiwan's policy debate.[5] But that strategy depends on a government in Taipei willing and able to move cross-Strait relations in China's preferred direction.[6] Taiwan's November 2026 local elections, and above all its 2028 presidential and legislative elections, may alter China's perceptions of the viability of a non-military solution to Taiwan. If the Democratic Progressive Party (DPP) retains the presidency for an unprecedented fourth term, Beijing may conclude that the chances of more favorable leadership in Taipei have dwindled. But even a win by the opposition Kuomintang (KMT) may alter China's calculus. Taiwan's public remains overwhelmingly opposed to political integration with China, limiting how far any elected government can move toward a policy of accommodation.[7] The gap between what Beijing expects and what any Taiwan government will actually do presents a realistic escalation risk. Beijing may conclude in 2028 that no political outcome can yield leadership willing or able to move in Beijing's preferred direction and timeline and therefore begin a sharper escalation of pressure.

Beijing has strong incentives to intensify its influence operations ahead of Taiwan's January 2028 presidential election as it seeks to improve the prospects for its broader political strategy. In the past, Beijing's efforts to tip the scale of public opinion in Taiwan often have backfired, instead creating a "rally around the flag" effect that benefited the DPP.[8] Beijing recognizes, however, that it does not have to convince Taiwan's citizenry of the merits of joining China, only that unification is inevitable and that resistance is futile and will incur steep costs.[9] Despite Beijing's efforts, public opinion polls show only marginal progress in fostering a sense of fatalism amid Taiwan's current political division and uncertainty around U.S. policy.[10] Only 4 percent of respondents in Taiwan say they support unification with China and 30 percent believe it will occur (up from 22 percent in 2020).[11]

The period immediately following Taiwan's election will also coincide with the opening stages of the 2028 U.S. presidential election. Because Beijing's assessment of U.S. resolve is one factor in its broader calculus over Taiwan, Chinese leaders are also likely to consider that political timing, regardless of whether their perceptions accurately reflect U.S. policy or capabilities.[12]

If developments over the next two years lead Beijing to conclude that its political efforts are not likely to be successful in moving Taiwan closer to unification on its terms, the more immediate challenge may not be invasion but a sharper escalation of the coercive campaign China is already conducting. One possibility is a "customs quarantine" requiring ships bound for Taiwan to first clear customs on the Mainland, potentially accompanied by other restrictions on Taiwan's access to the outside world.[13] Such measures could combine coast guard, military, cyber, and economic pressure while remaining below the threshold of conventional war, forcing the United States and its partners to decide how to counter more aggressive coercion that falls short of an outright attack.[14] As discussed in the

Commission's 2025 Annual Report, China is actively expanding its export control laws and testing their effectiveness through specific campaigns, such as the restrictions it placed on critical minerals.[15]

The next two years are therefore a window for strengthening deterrence. Taiwan and the United States have time to improve Taiwan's military and societal resilience, field needed military capabilities, prepare for quarantine and blockade scenarios, and develop credible economic and diplomatic responses to escalating coercion. As discussed below, maintaining deterrence in an evolving risk environment is critical because of Taiwan's significance to U.S. geostrategic, technological, and economic security.

Taiwan Is a First-Order U.S. National Security Interest

Taiwan's growing importance to U.S. national security reflects a convergence of military, technological, economic, and geopolitical trends that have fundamentally raised the stakes of preserving peace and stability in the Taiwan Strait. Taiwan is critical to maintaining a favorable military balance in the Indo-Pacific, sustaining U.S. technological leadership, protecting economic security, and preserving confidence in the U.S.-led alliance network. As Beijing's capabilities and ambitions have expanded, the consequences of Taiwan's future have likewise grown well beyond the island.

If Beijing were to bring Taiwan under its control, the consequences would extend across each of these areas simultaneously. China's control of Taiwan would strengthen the PLA's strategic position in the Western Pacific, undermine allied confidence in U.S. security commitments, increase Beijing's leverage over critical technology supply chains, and impose significant costs on U.S. economic and national security.

Taiwan Is Central to Preserving a Favorable U.S. Military Balance in the Indo-Pacific and Maintaining Alliance Credibility

In 1950, General of the Army Douglas MacArthur, then–Commander-in-Chief, Far East Command, called Taiwan an "unsinkable aircraft carrier"* that the United States should not allow to be "dominated by a power hostile to the United States."[16] The geography has not changed, but the challenge from China has grown markedly. Since the enactment of the Taiwan Relations Act (TRA) in 1979, China has transformed from a regional military power with limited ability to coerce Taiwan into a competitor to the United States capable of exerting sustained military, economic, and political pressure across the Taiwan Strait and throughout the Western Pacific. Taiwan's security is now more consequential to preserving U.S. power in the Indo-Pacific—and therefore globally. Recognizing these growing stakes, Congress has consistently reaffirmed U.S. support for Taiwan's self-defense and made clear that any effort by China to dictate Taiwan's future through coercion or other non-peaceful

*General MacArthur's specific "unsinkable aircraft carrier" reference was that if the United States allowed Taiwan to fall under hostile control, it would become an unsinkable aircraft carrier to communist forces in the Western Pacific, threatening U.S. forces and alliances in the region. U.S. Department of State, Office of the Historian, *Memorandum of Conversation, by the Ambassador at Large (Jessup),* June 25, 1950.

means would threaten regional peace and stability and be of "grave concern to the United States."[17]

Taiwan Helps Constrain PLA Power in the Western Pacific

Taiwan matters to the regional military balance because its status affects where and how easily the PLA can operate in the Western Pacific. Taiwan sits near the center of the first island chain, between Japan to the north and the Philippines to the south, along the maritime approaches connecting China's near seas to the Philippine Sea and wider Pacific. As long as Taiwan remains outside Beijing's control, the PLA must operate through or around this geography to move major naval and air forces eastward. The Miyako Strait to Taiwan's northeast and the Bashi Channel and Luzon Strait to its south are important approaches for Chinese forces moving between the East and South China Seas and the deeper waters of the Western Pacific.[18] Taiwan does not prevent the PLA from operating beyond the first island chain, but its continued autonomy makes projecting and sustaining Chinese military power more difficult.

Taiwan is located between principal U.S. military positions in Japan and growing U.S. access in the Philippines, a mutual defense treaty ally, making its status important to how U.S. and allied forces operate along the first island chain (see Figure 1 below).[19] Although the United States does not station combat forces on the island,* an autonomous Taiwan denies the PLA the ability to use it as a forward military position between these U.S. allies.[20] Taiwan's own surveillance, coastal defense, air defense, and maritime capabilities also force the PLA to account for military threats from the island when operating around the Taiwan Strait and nearby approaches.[21] These conditions complicate PLA efforts to establish control over the waters and airspace between China's coast and the wider Pacific.

Control of Taiwan would change that geography in Beijing's favor. The PLA could operate aircraft, missiles, sensors, naval forces, and other capabilities from Taiwan. This would move Chinese military power roughly 100 miles east of the Mainland, provide more direct access to the deep waters of the Philippine Sea, and place PLA forces closer to Japan's southwestern islands and the northern Philippines.[22] Chinese forces operating from Taiwan could make it more difficult for U.S. and allied forces to move through and operate inside the first island chain, could expand the area in which the PLA could contest U.S. naval and air operations, and could increase military pressure on two U.S. treaty allies.[23] Chinese control of Taiwan could turn the island from a constraint on PLA power projection into a forward position for projecting Chinese military power deeper into the Western Pacific.

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*The United States reportedly maintains a number of military trainers on Taiwan. Seth Robson, "'It Needs to be a Thousand': US has 500 Military Trainers on Taiwan, Retired Admiral Says," *Stars and Stripes*, May 27, 2025; U.S. House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, *Hearing on Deterrence amid Rising Tensions: Preventing CCP Aggression on Taiwan*, May 15, 2025, 42.

Figure 1: The U.S. Military Presence Along the First Island Chain



Note: The Ryukyu Islands are under the administration, legislation, and jurisdiction of Japan. Mark Manyin, "The Senkakus (Diaoyu/Diaoyutai) Dispute: U.S. Treaty Obligations," *Congressional Research Service*, (Report No. R42761), March 1, 2021.

Source: Various.[24] Created for the U.S.-China Economic and Security Review Commission. Names and boundary representation are not necessarily authoritative.

The PLA understands the strategic significance of Taiwan. A Chinese military strategist views control of Taiwan as "shatter[ing]" the first island chain, which is viewed as "the semi-sealed predicament of China's sea areas"* and would establish the PLA's maritime military superiority over the deep waters east of Taiwan.[25] In turn, the PLA would further exert its military influence over the Miyako Strait and the Bashi Channel, alleviating the chokepoints PLA strategic ballistic missile submarines would have passed through.[26] China's control of Taiwan would form a new defensive perimeter that preserves decision space for Beijing in a conflict.[27] Such control would further complicate U.S. military operations in the Indo-Pacific, worsening the anti-access/area denial (A2/AD) challenge.[28] Jonathan D. Caverley, professor at the U.S. Naval War College, assessed that control of Taiwan would allow the PLA to saturate the waters 1,300 kilometers (807 miles) from China's Mainland, including the Philippine Sea, with short-range munitions rather than expensive long-range missiles.[29] The threat to U.S. naval ships within the first island chain during a kinetic conflict could push the U.S. 7th Fleet even farther from China's shores.[30] Chinese views of the military and strategic benefits to its control over Taiwan dovetail with Xi Jinping's assertion that Taiwan's status is centrally linked to Beijing's goals of national rejuvenation.[31]

Taiwan's military significance is compounded by the volume of global commerce that passes through the surrounding waters. The maritime approaches around Taiwan carry critical trade and energy flows between Northeast Asia, the South China Sea, and the wider Pacific. In 2023, approximately 28 million barrels per day of petroleum and petroleum products—about 37 percent of such global maritime shipments—traveled through the South China Sea.[32] The Taiwan Strait itself is a major commercial artery: Japan, South Korea, and the Philippines together shipped $755 billion worth of goods through it in 2024, while approximately $986 billion of electrical and machinery goods transited the Strait.[33] Alternative routes exist, but a crisis that forced large volumes of commercial traffic away from these routes around Taiwan would still impose costs and disruption. As recent events in the Strait of Hormuz demonstrate, threats to freedom of navigation on major commercial maritime routes can quickly lead to increased transportation and energy costs and supply constraints.[34]

Beijing's control of Taiwan would offer greater leverage over the commercial routes surrounding the island. In a crisis, the PLA could threaten shipping through or around the Taiwan Strait while operating closer to the routes connecting the South China Sea and Philippine Sea, raising the costs and risks of commercial access to some of the world's largest economies. Beijing's gray zone activities in the South and East China Seas already demonstrate its willingness to use maritime power to pressure neighboring states short of war.

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*Toshi Yoshihara, senior fellow at the Center for Strategic and Budgetary Assessment and adjunct professor at Georgetown University's Walsh School of Foreign Service, assessed Chinese analysts' description of the first island chain—which is occupied by those formally or closely aligned with the United States—as a feature that "imprisons China in a 'semi-sealed state.'" Toshi Yoshihara, "Chinese Views of Taiwan's Geostrategic Value," *Sasakawa Peace Foundation*, December 4, 2023.

Taiwan Is Central to U.S. Alliance Credibility in the Indo-Pacific

Taiwan's security is inextricably tied to the credibility of U.S. security commitments throughout the Indo-Pacific. As China's military power has expanded, key U.S. allies, including Japan, the Philippines, and Australia, have strengthened defense cooperation with the United States, increased defense spending, expanded military access agreements, and deepened trilateral and multilateral security partnerships.[35] Japanese officials have emphasized that peace and stability across the Taiwan Strait are "paramount" to Japan and the wider international community.[36] Philippine President Ferdinand Marcos Jr. has likewise described the external threat from conflict in the Taiwan Strait as "more pronounced" and "more worrisome."[37] He noted that it is "very hard to imagine a scenario where the Philippines will not somehow get involved" in a cross-Strait conflict.[38] A perceived U.S. failure to prevent Beijing from coercively changing Taiwan's status would raise serious questions among allies about the reliability of U.S. security commitments and could accelerate regional hedging toward China.

The credibility of U.S. security commitments has long shaped the strategic choices of Asian allies and encouraged regional states to align their security policies with the United States.[39] Converging threat perceptions and allies and partners' confidence in U.S. commitments influence whether they deepen security cooperation with Washington, expand defense capabilities, or hedge by not fully aligning with either the United States or China.[40] Official communiqués and joint statements now highlight peace and stability across the Taiwan Strait as "indispensable" to regional and even global security and prosperity, reflecting a broadening recognition among Indo-Pacific governments and G7 partners of Taiwan's broader strategic importance.[41] The U.S. position in the Indo-Pacific would be undermined not only by Chinese control of Taiwan but also by diminished confidence in U.S. alliances as countries realized they need to adjust to a more powerful China in the Indo-Pacific.

Japan Increasingly Views Taiwan's Security as Tied to Its Own

Japanese Prime Minister Sanae Takaichi's November 2025 statement that a blockade or attack on Taiwan could threaten Japan's survival underscores how Tokyo increasingly views Taiwan's security as intertwined with Japan's own security and alliance obligations.[42] Japan's westernmost islands lie a short distance from Taiwan.*[43] In response to a question during a parliamentary session about whether a Taiwan contingency involving a Chinese naval blockade would qualify as a "survival-threatening situation," Prime Minister Takaichi noted, "If warships are used, accompanied by the exercise of military force… it could be a situation posing an existential threat to [Japan]."[44] Under Japan's 2015 security legislation, a survival-threatening situation poten-

*Japan's Yonaguni Island is its westernmost island and lies only about 70 miles away from Taiwan. Anthony Kuhn, "On Japan's Yonaguni Island, Fears of Being on the Front Line of a Taiwan Conflict," *NPR*, August 5, 2022.

Japan Increasingly Views Taiwan's Security as Tied to Its Own—*Continued*

tially allows Japan to exercise its right of collective self-defense in support of a "foreign country that is in a close relationship with Japan," including the United States.*[45] China's expanding military capabilities and increasingly assertive regional behavior have fundamentally reshaped Japan's threat perceptions, leading Tokyo to view China as its foremost security challenge.[46]

The stakes extend beyond military alliances to the future of the regional order itself. Taiwan's autonomy is important to maintaining a regional order founded on the peaceful resolution of disputes, the rule of law, and freedom of navigation. Defending this order requires sustaining a favorable military balance in the Indo-Pacific and deterring coercive or unilateral attempts to alter Taiwan's status. As successive U.S. strategy documents have argued, Taiwan is about far more than the future of one democracy. It is a test of whether the United States and its allies can preserve the military balance and regional order that have underpinned Indo-Pacific stability for decades, or whether China can use coercion to unilaterally change the status quo by force, weaken alliances, and reshape that order in its favor.[47] While China is seeking to refashion the Indo-Pacific and broader international environment to suit its interests, Taiwan is a frontline democracy embodying the very principles now under authoritarian pressure.[48] Taiwan is therefore a critical test as to whether the region successfully bands together to resist coercive changes to regional stability.

Taiwan Is Integral to U.S. Technological Advantage and Economic Security

Taiwan's role in semiconductor supply chains, particularly advanced semiconductors, makes it critical for U.S. advantage in AI and related technologies. Even as the United States has been reshoring semiconductor production and enhancing its ability to produce cutting-edge chips, its technological ties with Taiwan have deepened. Aside from U.S. reliance on Taiwan as its advanced semiconductor foundry, the two are in a strategic partnership integral to U.S. buildout of capacity in AI. The long timelines and complexity of establishing a broad advanced semiconductor manufacturing ecosystem within the United States ensure that production capacity on the island will remain crucial to core U.S. economic and national security interests for the foreseeable future. Taiwan's cooperation with U.S. export controls has helped ensure the United States retains an advantage over China in advanced compute for AI. Taiwan is also an important part of U.S. efforts to diversify supply chains away from China.

*Japanese law defines a survival-threatening situation as one in which "an armed attack against a foreign country that has a close relationship with Japan occurs, and as a result, threatens Japan's survival and poses a clear danger of fundamentally overturning people's right to life, liberty and pursuit of happiness." Government of Japan, *Act on the Peace and Independence of Japan and Maintenance of the Security of the Nation and the People in Armed Attack Situations, etc., and Survival-Threatening Situations*, Act No. 79 of June 13, 2003 (as amended). Japanese Law Translation.

Taiwan's Hardware Underpins U.S. AI Advantage

Taiwan's hardware and know-how enable the emerging technologies that will define the 21st century economically, technologically, and militarily and are thus at the heart of U.S.-China strategic competition. Advanced computing—especially AI—is a central arena in this competition owing to its ability to accelerate innovation across other domains like biotechnology, quantum computing, and robotics. (For more on China's plans to use AI to grow its capabilities across each of those domains, see Chapter 1, "U.S.-China Economic and Trade Relations (Year in Review).") Though U.S. companies lead in the design and software layers of the AI technology stack, Taiwan remains dominant in producing the advanced semiconductors at the core of the stack.[49]

Taiwan is crucial to the U.S. effort to remain at the forefront of AI. A key U.S. advantage over China in AI is total compute.* Frontier models from U.S. AI labs have continued to outperform Chinese counterparts due to advantages in access to compute resources, especially during the training phase.†[50] AI hyperscalers are rapidly building data centers, each powered by tens of millions of semiconductors, including AI accelerators, graphics processing units (GPUs), high-bandwidth memory chips, etc.[51] This unprecedented demand for physical compute infrastructure is fueling a massive influx of hardware from Taiwan's chip companies, as semiconductors account for roughly 95 percent of the hardware value in AI server racks that power data centers (see Figure 3).[52]

The unmatched capabilities of Taiwan's leading firms in semiconductor fabrication, as well as the preeminence of its companies throughout the broader semiconductor and information and communications technology (ICT) ecosystem, make it indispensable to global technology supply chains. Taiwan produces over 90 percent of all advanced semiconductors worldwide.[53] The flagship of Taiwan's tech ecosystem is Taiwan Semiconductor Manufacturing Company (TSMC), which as a contract manufacturer for Apple, Nvidia, and other leading chip designers has captured 72 percent of the global foundry revenue, well ahead of next-largest competitor Samsung's 7 percent.[54] Taiwan also maintains significant production capacity for foundational chips used across a wide variety of applications.[55] Furthermore, Taiwan hosts advanced assembly, test, and packaging (ATP) technologies, including its Chips-on-Wafer-on-Substrate (CoWoS) technology that integrates logic and memory chips in a single package for high-performance AI accelerators like Nvidia's Blackwell GPUs.[56]

TSMC's disproportionate value creation and dominant position at the leading edge make it the most notable company, but Taiwan's technology manufacturing industry comprises far more than leading foundries. For example, Nvidia sources more than one million components from over 500 Taiwan firms for its new Vera Rubin infrastructure used to train agentic AI.[57] These in-

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*Compute is a generic term related to software computation, which includes processing power, memory, networking, storage, and other resources necessary to run a program or calculation. "What Is Compute?" *Amazon*, 2026.

†For more on U.S.-China AI competition, see Ngor Luong, "Two Loops: How China's Open AI Strategy Reinforces Its Industrial Dominance," *U.S.-China Economic and Security Review Commission*, March 23, 2026.

clude companies like Foxconn, Wistron, and Quanta Computer, which all contribute to building AI servers and infrastructure, as well as numerous small- and medium-sized enterprise component suppliers.[58] Taiwan's Asia Vital Components (AVC) is a global leader in liquid cooling technology to prevent AI chips from overheating, supplying hyperscalers like Amazon and Microsoft.[59]

The competitiveness of Taiwan's hardware manufacturing ecosystem is very difficult to replicate.* It is the result of decades of localized production networks that have grown adept at pivoting to meet demand from foreign contract buyers. Unlike the state-led development that gave rise to conglomerates in Japan and Korea, Taiwan's industrial landscape is defined by a dense concentration of small- and medium-sized enterprises that offer relative nimbleness and flexibility, especially in low-quantity specialty products.[60] This tight concentration of suppliers in industrial clusters connected by fast and efficient transportation enhances the efficiency of the AI ecosystem. In May 2026, Nvidia CEO Jensen Huang said the company's annual spending in Taiwan was set to reach approximately $150 billion. At the same event, Huang also further outlined plans for a new Taiwan headquarters to strengthen Nvidia's collaboration with local manufacturing partners.[61]

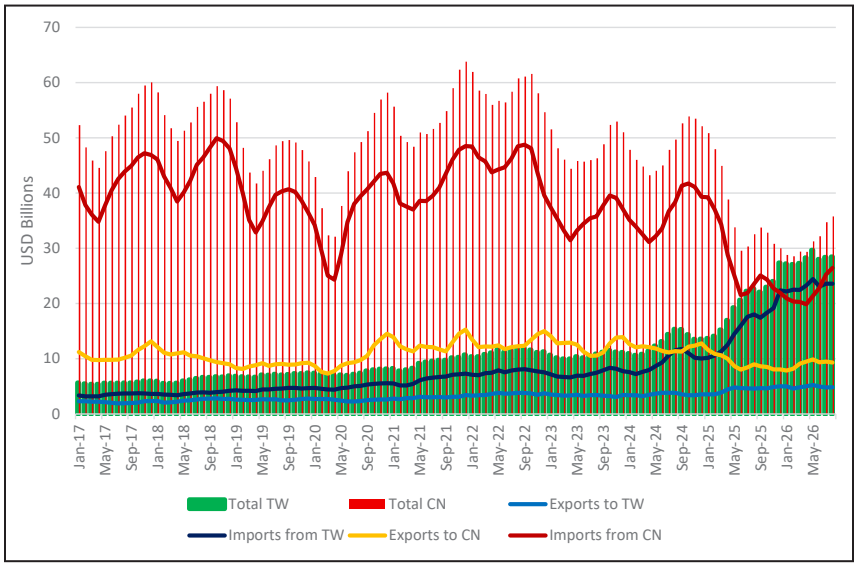
Total U.S. Trade with Taiwan Surpasses Bilateral Trade with China

While Taiwan historically has been among the top trade partners for the United States, the current AI boom has significantly increased U.S. imports of high-value hardware from Taiwan. Total bilateral goods trade with Taiwan may overtake goods trade with China in 2026 (see Figure 2). In 2025, U.S. imports from Taiwan reached $201.4 billion, a 73 percent increase year-on-year.[62] Most of this growth reflects U.S. demand for advanced hardware and equipment from Taiwan to power the AI buildout—imports of these products grew 141 percent, from $51.5 billion in 2024 to $124.4 billion in 2025.[63]

Beyond semiconductors, Taiwan is a significant market for U.S. exporters. Taiwan is the ninth-largest market for U.S. goods exports totaling $54.8 billion in 2025, a 29 percent increase year-over-year.[64] Top exports included electronic integrated circuits ($7.3 billion), petroleum products ($6 billion), and agricultural goods ($4.3 billion).[65] U.S. service exports to Taiwan in 2024 totaled another $13.7 billion.[66]

*As discussed below, even as the United States has been investing in developing the most advanced semiconductor manufacturing capacity, these efforts have merely changed the nature of the dependency on Taiwan, not reduced the level of dependency.

Figure 2: U.S. Trade with Taiwan and China (Three-Month Moving Average), 2017–August 2026



Source: U.S. Department of Commerce, Bureau of Economic Analysis, *U.S. Trade in Goods by Country*.

Disruption to Taiwan's Semiconductor Ecosystem Would Have Profound Consequences for the U.S. and Global Economies

Taiwan is a crucial and currently irreplaceable node in global semiconductor production. If the United States loses access to Taiwan's semiconductor ecosystem, significant harm to the economy would follow. Semiconductor manufacturing is one of the most complex and internationally integrated processes in the world, with Taiwan playing a key role in these fragile supply chains. As the world saw during the COVID-19 pandemic, these supply chains are highly susceptible to disruption, with cascading economic consequences due to the ubiquity of semiconductors in modern products. The ripple effect from chip production disruptions was acute in the auto industry during 2021–2022, when some Western automakers cut production by over half and Ford alone produced 1.3 million fewer cars over this two-year span owing to foundational semiconductor supply constraints.[67]

A disruption of commercial activity around Taiwan would have severe consequences for the global economy given its vital industries and geographic position astride key shipping routes. The scale of adverse economic impact would depend on the nature and duration of any such disruption, but global markets would immediately be roiled from the prospect of halted supply of high-tech products and potential for escalation between the world's superpowers. The ongoing conflicts in both Ukraine and Iran demonstrate worldwide economic disruption that would pale in comparison to a Taiwan contingency. If a conflict or blockade persisted, shortages of Taiwan-produced semiconductors could bring supply chains for smartphones, data centers, automobiles, and countless other products to a halt,

with repercussions for businesses and consumers reverberating far beyond the Indo-Pacific. According to public assessments, the economic damage from Chinese military action could inflict greater economic damage globally than either the COVID-19 pandemic or the 2007–2009 Global Financial Crisis.[68] *Bloomberg Economics* estimates that the most extreme scenario of a U.S.-China conflict in the Taiwan Strait would reduce global GDP by $10.6 trillion in the first year, leaving output 9.6 percent below baseline.[69] Separate assessments warn that a conflict disrupting Taiwan's semiconductor supply could trigger a global depression and the largest economic crisis since the Great Depression.[70] In a more limited scenario involving a one-year Chinese blockade of Taiwan, *Bloomberg Economics* estimates global GDP would still fall by 5.3 percent below baseline, comparable to its estimate that global GDP was 5.9 percent below baseline within the first year of both the 2009 Global Financial Crisis and the COVID-19 pandemic.[71]

The supply shock from a Taiwan crisis would likely be worsened by governments rationing to hoard and compete for limited chip supply. The European Commission is drafting emergency powers to intervene in European chip supply chains during disruptions, according to a May 2026 report by the *Financial Times*.[72] The draft law would allow the Commission to fine companies for failing to provide supply chain capacity and to act as a common purchaser to exert pricing power and limit intra-European demand competition; it would also compel companies to override existing contracts to prioritize orders in critical sectors.[73]

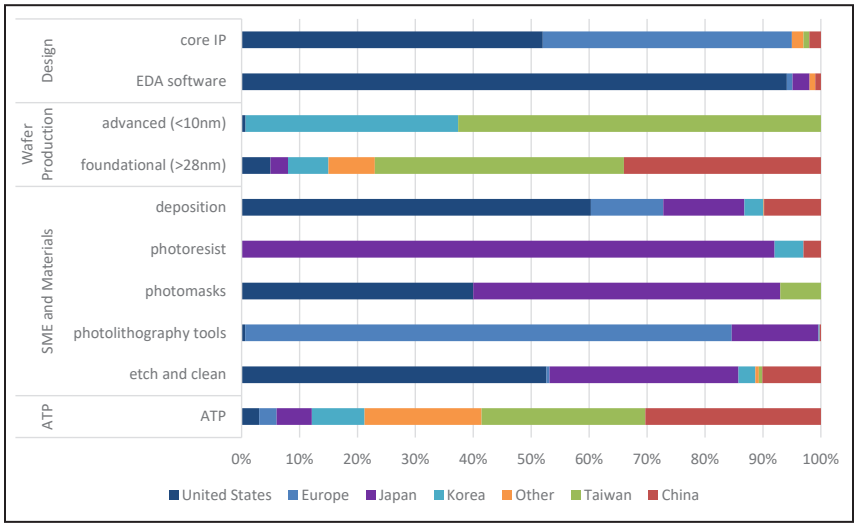
Chinese Control of Taiwan Could Fundamentally Shift Technology Competition in Its Favor

Far worse than disruption to Taiwan's semiconductor ecosystem would be Chinese control of it, which would give Beijing new tools to win the technology competition with the United States and its allies. If China achieved its unification objective without a costly war, Taiwan's companies could be forced by Beijing to transfer technology and comply with Chinese export controls. If TSMC and other key Taiwan companies capitulated, China would gain a decisive chokehold over multiple stages of semiconductor supply chains (see Figure 3). Combined foundational chip production in China and Taiwan is over 75 percent of global supply and set to rise as China continues to build out capacity.[74] While China makes less than 1 percent of advanced semiconductors today, successfully gaining control over TSMC operations would give it a virtual monopoly, with priority access to leading-edge technology and the ability to "flip the script" on export controls—limiting U.S. access to the most advanced chips, as U.S. controls have limited China's access since October 2022. The United States and allies like Japan and the Netherlands could try to cut off China's use of Taiwan's advanced semiconductor manufacturing equipment and restrict certain key inputs.* China would,

*While ASML would continue to control extreme ultraviolet (EUV) technology critical to making the most advanced semiconductors at scale, China would control the most sophisticated EUV foundries in Taiwan. New advanced semiconductor foundries typically take several years to build and bring into production. According to TSMC, construction takes two to three years, followed by another one to two years to ramp up production. "Edited Transcript: 2330.TW – Q1 2026 Taiwan Semiconductor Manufacturing Co Ltd Earnings Call (Chinese, English)," *TSMC*, April 16, 2026, 9–10.

however, have new coercive and retaliatory tools that could swiftly incapacitate industries in each country, potentially undermining their leverage and resolve to do so.[75]

Figure 3: Semiconductor Value Chain Segment Market Share by Region



Note: "EDA" = electronic design automation; "SME" = semiconductor manufacturing equipment; "ATP" = assembly, test, and packaging.

Note: There is no widely accepted definition distinguishing advanced logic chips from foundational ones. Although Chapter 8: "Silicon to Sovereignty: China's Bid to Control the AI Stack from Wafer to Weights, Part One" defines advanced semiconductors as those fabricated at or below 7 nanometers (nm), due to data availability, this figure uses node size below 10 nm for advanced and above 28 nm for foundational. Taiwan's market share for cutting edge logic chips is even more highly concentrated.

Note: Data are current as of September 2026 except for photoresist (May 2024), wafer production for foundational chips (April 2024), and wafer production for advanced chips (June 2023).

Source: Various.[76]

Several factors complicate the prospect of China integrating Taiwan's semiconductor ecosystem to become a technological hegemon. First and foremost, China would have to gain control of Taiwan without destroying key production facilities or causing a prolonged shutdown of their operations. Analysts largely agree that any forced seizure of TSMC's Taiwan-based fabs would render them inoperable, especially for advanced chips that require extreme ultraviolet (EUV) technology.[77] When fabs idle under controlled conditions, they can take weeks to restart; any unplanned shutdown would require longer startup times.[78] Keeping these facilities running during a conflict would be impractical given their proximity to probable contested areas and dependence on logistics infrastructure that would likely become less reliable.*[79]

Even if the facilities were captured intact, production at Taiwan's leading-edge fabs relies on elaborate international supplier networks and a specialized, motivated workforce. TSMC's semicon-

*Some of TSMC's most state-of-the-art facilities are located a short distance from the few beaches in Taiwan suitable to land troops during an amphibious invasion, in particular near the southern cities of Tainan and Kaohsiung. "TSMC Fabs," *Taiwan Semiconductor Manufacturing Company*; "Visualization: PLA's Barge Capability and Taiwan," *Taiwan Security Monitor*, 2026.

ductor fabrication process requires constant replenishment of consumable materials and specialty parts, often sourced from a handful of suppliers in the United States, Japan, and allied countries that would presumably move quickly to cut off these critical inputs.*[80]

Further, even with control over TSMC with limited disruption, China would remain dependent on broad compliance of a highly specialized workforce that operates under a unique corporate culture of dedication.[81] Even absent deliberate sabotage, cooperation of TSMC's workforce might be challenging, as many workers may feel compelled to flee, quit, or quietly dissent as a patriotic act.[82]

Together, the costs of interrupted operations, real-time reliance on global supplier networks, and securing compliance from TSMC's Taiwan and foreign workforce would make sustaining leading-edge production in Taiwan extremely difficult for China in an involuntary takeover. This scenario would mean, however, that global chip supplies were most certainly disrupted—with attendant negative economic consequences discussed above. It would also alter U.S.-China technology competition in ways that favor China in almost every respect: China would have access to the most advanced semiconductor manufacturing equipment and the engineers and workers who knew how to use it, it would possess the bulk of key aspects of global semiconductor manufacturing capacity, and it would gain new leverage over the United States and its allies and partners.

U.S. Reshoring of Semiconductor Fabrication Deepens U.S.-Taiwan Economic Integration

As a long-term response to the threat of disruption to Taiwan's semiconductor ecosystem, the United States has appropriately sought to reshore advanced semiconductor fabrication. Rather than diminishing Taiwan's importance to the United States, these efforts have deepened the partnership. U.S. efforts like the CHIPS Act have put the United States on a trajectory to reshore a significant portion of chipmaking, with the current Administration aiming to reach 40 percent of domestic semiconductor production by 2029.[83]

Taiwan is crucial to these efforts, contributing large investment outlays and enhanced cooperation to build AI manufacturing and innovation hubs across the United States. TSMC continues construction of its industrial park in Phoenix, Arizona, which at $265 billion in committed investment is the largest-ever greenfield foreign direct investment project in the United States.[84] When complete, this industrial cluster will comprise 12 new facilities, including ten semiconductor wafer fabs and two advanced packaging facilities, as well as a research and development (R&D) center producing advanced chips for AI and high-performance computing applications.[85] Production of 4-nm node technology commenced at the first fab in late 2024—ahead of schedule—with yields comparable to TSMC's facilities in Taiwan.[86] The first three fabrication facilities are set to all be online by the end of the decade.[87]

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*Dutch company ASML is the sole maker of EUV machines used in TSMC's most advanced fabs. In 2024, public reporting indicated ASML and TSMC maintain the capability to remotely disable semiconductor manufacturing equipment in the event of a Chinese invasion. Diederik Baazil, Cagan Koc, and Jordan Robertson. "ASML and TSMC Can Disable Chip Machines if China Invades Taiwan," *Bloomberg*, May 21, 2024.

While establishing needed redundancy in fabrication, new production in the United States remains closely integrated with Taiwan. Currently, all the semiconductors produced by TSMC in Arizona are sent to Taiwan to be packaged.[88] In June 2026, TSMC and U.S. company Amkor Technology announced a ten-year agreement to build advanced packaging facilities in Arizona.[89] U.S. workforce challenges have also slowed progress on the effort, and half of the workers in TSMC's Arizona factories are from Taiwan as of 2025.* [90]

U.S.-Taiwan Trade Proposal Seeks to Formalize Economic Security Cooperation

Negotiators from the United States and Taiwan finalized the Agreement on Reciprocal Trade (ART) in February 2026, building on a January 2026 investment memorandum of understanding. The proposed agreement reduces tariffs on most U.S. exports to Taiwan while capping most U.S. tariffs on imports from Taiwan at 15 percent.[91] It also contains purchase commitments for U.S. products and establishes a plan for large investments by Taiwan's companies in the United States totaling at least $250 billion and supported by an additional $250 billion in credit guarantees by Taiwan's government. Proposed investment is concentrated in U.S. advanced semiconductor, energy, and AI sectors, with a focus on building industrial clusters like the TSMC campus in Arizona.[92]

The ART goes beyond addressing the growing trade deficit with Taiwan by including binding provisions to create a shared economic security architecture between the United States and Taiwan. Article 5.2 of the agreement on Export Controls, Sanctions, and Related Matters states that the Taipei Economic and Cultural Representative Office in the United States shall adhere to multilateral export control regimes and align with U.S. export controls. It further requires Taiwan to enhance measures to prevent diversion of advanced semiconductors and related equipment, machine tools, advanced computing items, and other critical technologies to China and other "covered nations," as defined in 10 U.S.C. §4872, and requires Taiwan to align its export controls with those of the United States, especially with regards to the U.S. Foreign Direct Product Rule on semiconductors and related technology.[93] The United States reserves the right to terminate the agreement if Taiwan enters into a new bilateral trade or digital trade agreement with China, though previous bilateral agreements like the cross-Strait Economic Cooperation Framework Agreement (ECFA) from 2010 and multilateral agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are not prohibited.[94] Finally, the ART includes a clause reaffirming Taiwan's commitment to spend more than 3 percent of its GDP on defense.[95]

The ART must still be ratified by Taiwan's Legislative Yuan, where it has faced calls for renegotiation following the U.S. Supreme Court's February ruling on tariff authorities under the International Emergency Economic Powers Act.

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*In 2024, 26,760 electrical engineering degrees were awarded in the United States, compared to roughly 25,000 in Taiwan, which has a population 1/15th that of the United States. Jeremy Olivier, "Taiwan Tests the Limits with Artificial Intelligence," *Taiwan Business TOPICS*, May 15, 2020; "Electrical Engineering," *datausa*.

Taiwan's Global Contributions Strengthen U.S. Security, Resilience, and Alliances

Taiwan has been a reliable partner to the United States, with various international contributions that advance U.S. security and resilience as well as U.S. alliances. Taiwan often works with the United States to support development and providing technical assistance to countries in need.[96] Taiwan's international development assistance, focused on its diplomatic partners in the Pacific, Latin America, the Caribbean, and Africa, reinforces traditional U.S. priorities on international security and public health.[97] Taiwan's government channels its official development assistance through Taiwan's International Cooperation and Development Fund (Taiwan ICDF) that has offered humanitarian assistance and supported agricultural development in over 80 countries, underscoring Taiwan's capacity to act as a reliable development partner.*[98]

Taiwan's substantial aid to Ukraine following Russia's invasion highlights its alignment with democratic countries resisting military aggression and its willingness to support U.S. defense partners.† Since 2022, Taiwan has provided more than $126 million in humanitarian and reconstruction assistance to Ukraine.‡[99] Taiwan's assistance to Ukraine deepened its ties with Central and Eastern European democracies, showcasing how its aid diplomacy simultaneously advanced alignment with U.S. and European partners and built practical partnerships that strengthen its own security and standing.

Taiwan's repeated role as a major disaster relief donor to U.S. allies and partners displays its capacity to contribute meaningfully to international humanitarian relief and deepens the dense network of relationships that underpin U.S. regional influence. After Japan's 2011 Tōhoku earthquake and tsunami, Taiwan was one of the largest sources of foreign assistance.§[100] Taiwan has also been a provider of disaster relief to the Philippines.[101] Taiwan's aid has

*The most recent publicly available data for Taiwan's official development assistance were released in 2023, totaling approximately $468 million. Taiwan's Ministry of Foreign Affairs, *Official Development Assistance*.

†Taiwan was quick to condemn Russia's military aggression as a unilateral change of the status quo by force, joined international economic sanctions against Russia, and called for Ukraine's sovereignty and territorial integrity to be respected. Taiwan's Ministry of Foreign Affairs, *The Republic of China (Taiwan) Government Strongly Condemns Russia's Invasion of Ukraine in Violation of the UN Charter, Joins International Economic Sanctions Against Russia*, February 25, 2022.

‡Taiwan's aid has provided medical supplies, healthcare, social services, food assistance and other forms of humanitarian relief to affected communities. Taiwan has also supported efforts to rebuild Ukraine's critical infrastructure. Due to the absence of formal diplomatic relations between Taiwan and Ukraine, Taiwan's aid to Ukraine was delivered through Central and Eastern European Countries (CEE) and associated non-government offices in the CEE region, such as Poland, Romania, Lithuania, Estonia, and the Czech Republic. Vladimíra Ličková and Kristina Kironska, "Taiwan's Aid Diplomacy to Ukraine: Catching Two Birds with One Stone," *CEIAS Insights*, November 1, 2024; Taiwan's Ministry of Foreign Affairs, "Taiwan and Czech Republic Cooperate to Assist Ukraine in Reconstructing Critical Infrastructure," November 10, 2023.

§Taiwan provided more than $240 million in aid and dispatched rescue teams to Japan within 72 hours of the disaster. Taiwan's generosity toward Japan has led to reciprocal aid between the two neighbors. After a 6.4 earthquake hit southern Taiwan in 2016, Japan sent an assessment team within 14 hours to assist with disaster relief; it also provided $1 million in aid to the Red Cross Society of Taiwan and other organizations. In 2024, Japan also pledged to donate $1 million in post-disaster reconstruction aid after a 7.4 earthquake struck Taiwan. *Taipei Times*, "Lai Marks 15 Years Since Tohoku Quake and Tsunami," March 12, 2026; Japan's Ministry of Foreign Affairs, *Emergency Grant Aid for the Damage of Earthquake in Eastern Taiwan*, April 9, 2024; Wayne Change, Nectar Gan, and Ivan Watson, "Taiwan Shaken but Unbowed as Biggest Quake in 25 Years Spotlights Preparedness—and Lessons Learned," *CNN*, April 5, 2024; Japan's Ministry of Foreign Affairs, *Japan's Response to the Earthquake in Southern Taiwan*, February 9, 2016.

flowed globally under the banner of "Taiwan can help, and Taiwan is helping," providing disaster relief to Turkey following an earthquake in 2023.[102] These high-profile acts of solidarity with U.S. allies and partners have built goodwill that translates into diplomatic support for Taiwan and could reinforce a regional and even global coalition that the United States and Taiwan are likely to rely on in a crisis involving China.

Beijing Pursues Unification through Coercion, Co-optation, and the Threat of Force

As Beijing presses toward unification, it is not choosing between coercion, co-option, and military force to reshape the cross-Strait status quo—it is pursuing them as complementary and mutually reinforcing lines of effort. China is mobilizing all instruments of statecraft to erode Taiwan's autonomy and weaken its willingness to resist. The CCP is leveraging government institutions, economic incentives, and societal linkages in an attempt to cultivate support for unification and expand Beijing's influence in Taiwan. The PLA is conducting daily gray zone activities around Taiwan's airspace and waters to intimidate Taiwan and U.S. allies and reduce warning time for a PLA attack. The PLA is also refining the military capabilities needed to conduct a blockade or invade the island, and it is creating conditions to delay, deter, or defeat outside military intervention long enough to achieve Beijing's objectives. Together, these efforts are intended to make coercion more effective by backing it with a credible threat of force while trying to shape the political environment so that the use of force is not necessary.

China Expands Its Comprehensive Campaign of Coercion to Achieve Unification

In 2026, China has continued its coordinated coercion campaign against Taiwan across a range of synergistic lines of effort. Together, China's activities serve mutually reinforcing purposes: weaken Taiwan's international standing and willingness to resist annexation, erode Taiwan's control over its surrounding space while normalizing a militarized Chinese presence, and set conditions for a future conflict.

China expanded the geographic scope of its encroachment around Taiwan utilizing a mix of military, law enforcement, and civilian capabilities. Increasing China Coast Guard (CCG) activity, scientific vessels, and other official presence in gray zone operations around Taiwan illustrate China's use of lawfare to achieve condition-setting and battlespace preparation while adding a veneer of legitimacy to its operations under the guise of law enforcement or research.

- During the PLA's Justice Mission-2025 exercise in December 2025, PLA Navy and CCG ships entered Taiwan's contiguous zone and approached its territorial waters.*[103] (For more on the PLA's Justice Mission, see "China Rehearses Counterintervention Operations to Support a Taiwan Blockade or Inva-

*Consistent with UN Convention on the Law of the Sea (UNCLOS) regulations, Taiwan defines its territorial sea as extending up to 12 nautical miles from its baseline and its contiguous zone extending 24 nautical miles from its baseline. UN Convention on the Law of the Sea, Part II, "Territorial Sea and Contiguous Zone," Section 2, Article 3, and Section 4, Article 33, 1982.

sion" later in this chapter as well as Figure 4 below.) China's encroachment into Taiwan's contiguous zone demonstrates its use of routinized blockade exercises closer to Taiwan's shores, eroding the sea space that would give Taiwan time to detect and respond to threats.

Figure 4: PLA Justice Mission-2025 Exercise



Note: Ship positions are approximate; placements are adapted from reproductions and adjusted slightly for legibility.
Source: Various.[104] Created for the U.S.-China Economic and Security Review Commission. Names and boundary representation are not necessarily authoritative.

- In December 2025 and January 2026, China demonstrated the potential for civilian vessels to augment its maritime pressure campaign as thousands of Chinese fishing vessels formed a dense barrier more than 200 miles long in the East China Sea. Former Defense Intelligence Officer Lonnie Henley stated that a swarm of such size could obstruct U.S. naval maneuvering, illustrating China's ability to mobilize civilian assets to support its A2/AD strategy.[105] (For more on Chinese fishing vessels forming a maritime barrier in the East China Sea, see Chapter 2, "U.S.-China Security and Foreign Affairs (Year in Review).")
- China continued to normalize coast guard incursions into the restricted waters—equivalent to a contiguous zone—around Taiwan's Pratas Island in the South China Sea, which became a focus of CCG gray zone tactics in 2025. China has applied this strategy since 2024 to Taiwan's Kinmen and Matsu Islands, which lie close to China's southeastern coast.[106] Beijing introduced new assets into its pressure campaign around Pratas Island in 2026, using a PLA surveillance drone to violate the airspace above the island and sending a marine research vessel to accompany CCG ships during an incursion into the island's restricted waters.[107]
- Incursions by PLA aircraft into Taiwan's air defense identification zone (ADIZ) remain a near-daily occurrence but at a lower overall tempo in 2026 compared to the first two years of Lai Ching-te's presidency.[108] Reducing the frequency of PLA sorties around Taiwan may reflect an effort to restore the value of ADIZ incursions as a means of short-term political signaling.[109]
- Chinese law enforcement and official vessels took greater steps to normalize their presence in the waters east of Taiwan. In June 2026, China launched an interagency "special maritime traffic enforcement operation" to assert its law enforcement jurisdiction and conduct traffic control against international ships traversing the waters, marking a significant step in its lawfare efforts.[110] The operation, which took place within Taiwan's 200 nautical-mile-wide Exclusive Economic Zone (EEZ), focused on traffic management in the waters east of Taiwan—including a main shipping route to Taiwan's largest harbor, the Port of Kaohsiung—and enabled Chinese law enforcement vessels to rehearse maneuvers for a quarantine or blockade.*[111] The operation also featured seabed mapping and patrols around areas where subsea cables were laid.[112] Although Chinese state media described the operation in terms of maritime law enforcement and coastal governance, these activities seek to establish a new baseline for an expanded Chinese presence and assertions of legal authority in waters around Taiwan, with implications for future military contingencies.

*UN Convention on the Law of the Sea (UNCLOS) preserves freedom of navigation in EEZs and does not grant states general law enforcement authority over commercial ships merely transiting these waters. Even the coastal state enforcement authority is limited to specific areas recognized under UNCLOS, such as fishing and resource extraction. UN Convention on the Law of the Sea Part V, "Exclusive Economic Zone," Articles 56, 58, 73, 220, 1982.

Cyber Operations Target Taiwan's Critical Infrastructure and Crisis Response

China has long conducted cyber operations targeting Taiwan's critical infrastructure. More recently, these efforts have increasingly focused on infiltrating critical systems that would sustain Taiwan's crisis response.[113]

- In a January 2026 report that analyzed Chinese cyber threats to Taiwan's critical infrastructure, Taiwan's National Security Bureau (NSB) highlighted that cyber intrusions against targets in the energy sector focused on penetrating industrial control systems (ICS) with attempts to implant malware.[114] The potential for malware targeting ICS to disrupt power delivery, as demonstrated by Russia's 2015 cyberattack on Ukraine's electrical grid, aligns with China's wartime objectives of paralyzing Taiwan's critical infrastructure functions.[115]
- The same NSB report disclosed that energy facilities, emergency services, and hospitals experienced a disproportionate increase in cyber targeting in 2025—an approximately 1,000 percent increase for energy facilities and 54 percent increase for emergency services and hospitals, compared to an overall 6 percent increase in cyber intrusions against critical infrastructure networks as a whole.[116] Cyberattacks targeting energy infrastructure could weaken Taiwan's ability to endure an energy blockade and force its early capitulation; attacks on emergency facilities would likely be intended to weaken Taiwan's civil resilience.[117]
- A suspected China-sponsored threat actor conducted a cyber operation against targets in Taiwan in July 2026 that utilized open-source AI agents. The operation mapped Taiwan's government systems, compromised user accounts, and exfiltrated personnel data before shifting to attack the networks of Taiwan's nuclear safety agency and at least seven energy companies.[118]

China Uses Information Operations to Weaken Taiwan's Will to Resist

- China is intensifying information operations against Taiwan's population to weaken the public's willingness to resist annexation and to erode political support for the DPP. It also works to undermine the population's confidence that Taiwan can rely on sustained support from the United States during a crisis.[119] To advance these objectives, Beijing uses AI-generated content and automated technologies to increase the speed, scale, and targeting of its information campaigns; its coordinated disinformation campaigns flood Taiwan's information space, seeking to undermine confidence in the government and widen social and political divisions.*[120]

*China's state-sponsored information operations are conducted by a range of party-state and military actors, including PLA political-warfare units such as the Fuzhou-based Base 311, the Ministry of Public Security (MPS), and United Front Work Department (UFWD)-directed networks that covertly manipulate online discourse and target foreign and Taiwan audiences. Yu Kai-hsiang, "國安局揭中共認知戰5手法　動員網軍等傳散爭議訊息" [National Security Bureau Reveals 5 Methods of CCP Cognitive Warfare: Mobilizing Online Army to Spread Controversial Messages], *Central News Agency*, January 11, 2026; United States Attorney's Office Eastern

- At a December 2025 meeting of Taiwan's Mainland Affairs Council (MAC), Advisory Committee members stated that Chinese information operations on Taiwan's social media use algorithms to discern users' "emotional responses" on certain issues and spread targeted narratives accordingly.[121]

Beijing Expands Lawfare Against Supporters of Taiwan's Autonomy

China is expanding its efforts to intimidate and coerce supporters of Taiwan's autonomy, using legal tools to punish opposition to Chinese malign influence and deter support for DPP policies. Over the past year, Beijing introduced new legal authorities, criminal investigations, and public enforcement measures to intimidate a broader range of Taiwan officials, civil society leaders, and public figures. China's targeted investigations against Taiwan citizens build on earlier threatening measures, such as publishing a list of "Taiwan independence diehards"* and a set of legal guidelines that prescribe punishments, up to the death penalty, for "separatist" activity.[122]

- In October 2025, Chongqing authorities announced an investigation into DPP legislator Puma Shen Po-yang, an outspoken activist against Chinese malign influence, for "suspected secessionist crimes."[123]
- In November 2025, Quanzhou authorities issued reward notices for information concerning Taiwan YouTuber Pa Chiung and musician Minnan Wolf PYC, both of whom had previously published content exposing Chinese efforts to co-opt Taiwan celebrities.[124] The move signals a broadening of the target to youth-facing influencers who shape online public opinion.
- China's Ethnic Unity and Progress Promotion Law, which took effect in July 2026, raises the risk of persecution or coercion against Taiwan citizens who retain a Taiwan identity. The law authorizes extraterritorial prosecution of any individuals Beijing deems to undermine national unity.[125] Taiwan's National Security Bureau Director-General Tsai Ming-yen confirmed in December 2025 that Beijing stations personnel specializing in Taiwan affairs at embassies abroad, likely to surveil Taiwan citizens and officials.[126] Beijing could seek to use the law as an additional legal basis to conduct more aggressive transnational repression against Taiwan citizens abroad, increasing the risk of intimidation, harassment, or threats to personal safety.

Beijing Pressures Foreign Governments to Further Isolate Taiwan

China's efforts to stifle Taiwan's international engagement in the past year continue to demonstrate its willingness to use its political and economic leverage over third countries, including renewed efforts to obstruct Taiwan's routine diplomacy.

District of New York, *34 Officers of People's Republic of China National Police Charged with Perpetrating Transnational Repression Scheme Targeting U.S. Residents*, April 17, 2023; Chang Ling-ling, "中國大陸軍媒對臺認知作戰之研析" [Analysis of Chinese Mainland Military Media's Cognitive Warfare Against Taiwan], *Air Force Bimonthly Journal*, Issue 687 (April 2022): 65.

*Described by the CCP as "die hard Taiwan independence separatists."

- In April 2026, Seychelles, Mauritius, and Madagascar revoked overflight permits for President Lai Ching-te's chartered aircraft before a planned April trip to Taiwan's diplomatic ally Eswatini. The revocations resulted in the trip's postponement.[127] An unnamed Taiwan security official stated that China threatened to revoke previously granted debt relief, suspend financing, and impose economic sanctions on those countries if they did not comply with its demands.[128]
- In March 2026, host country Cameroon changed Taiwan's documentation for the WTO's 14th Ministerial Conference to "Taiwan, Province of China"—a label that conforms to Beijing's efforts to subvert Taiwan's status.[129] China has long obstructed Taiwan's accession to international organizations, but it has been a full participating member of the WTO for decades.
- In Paraguay, Taiwan's only diplomatic ally in South America, Beijing has made efforts to cultivate relationships with Paraguayan opposition politicians, including offering extravagant all-expenses-paid trips to China.[130] These efforts likely aim to create the impression that Taiwan's allies would benefit economically from establishing a formal diplomatic relationship with China.

China Seeks to Deepen Cross-Strait Ties to Cultivate Political Support for Unification

Alongside coercive pressure, Beijing pursued a parallel strategy of enticements and co-optation aimed at binding Taiwan closer to China and cultivating a domestic constituency for unification. In contrast to its much wider range of aggression and intimidation tactics, these efforts seek to erode Taiwan's autonomy in more subtle ways—deepening economic and social dependence, drawing in sympathetic elements, and courting the Taiwan public with United Front-driven programs.

China rolled out new policies over the past year centered on cross-Strait integration in an attempt to nurture Taiwan's economic dependence on China and make de-risking a politically unpopular policy. China has continued to operationalize its initiatives on a people-to-people basis at the provincial level rather than waiting for a favorable government in Taipei to endorse them.

- In December 2025, China's Fujian province released its fifth package of policies under its Fujian-Taiwan integration program offering a range of incentives for Taiwan citizens to live and do business in the province.[131] The Fujian city of Fuzhou followed in May with a third round of policies targeting closer local integration with Taiwan's Matsu Islands.[132] Despite no formal participation from the Taiwan government, China's Taiwan Affairs Office claimed in June 2026 that Beijing's integration programs yielded positive results, citing high growth in cross-Strait travel and the establishment of Taiwan enterprises in Fujian.[133]
- In April 2026, Xiamen, another city in Fujian, announced a package of benefits for Taiwan travelers entering China for the first time through Xiamen.[134] The package provides seven

days of free public transit, free entry to 15 tourist sites or projects, and hotel discounts.

Over the past year, China's political influence operations toward Taiwan have demonstrated stronger efforts to engage with preferred intermediaries to promote Beijing's cross-Strait agenda. China likely sees greater opportunity to advance its interests through engagement with the KMT under the new party chair, Cheng Li-wun, who is more accommodative toward China than much of the rest of her party.

- Cheng made a high-profile visit to China to meet with Xi Jinping in April 2026—the first meeting between KMT and CCP leaders in ten years.[135] Cheng's acquiescence to CCP narratives on cross-Strait relations, national identity, and the history of Japanese imperialism prompted DPP accusations that Cheng reinforced China's efforts to undermine Taiwan's autonomy and democracy.[136]
- Following the Cheng-Xi meeting, China released a raft of ten "goodwill measures" to strengthen cross-Strait infrastructure and economic linkages and increase engagement with the KMT.[137]
- In February 2026, China hosted a CCP-KMT think tank forum in Beijing, the first of its kind in nine years.[138] Top CCP ideologue and Taiwan policy-setter Wang Huning met KMT Deputy Chair Hsiao Hsu-tsen during the event and reportedly instructed Hsiao and the KMT to obstruct U.S. arms sales to Taiwan—a claim Hsiao denied.[139]

China Expands Military Capabilities to Support a Taiwan Blockade or Invasion

In 2026, the PLA continued to refine the forces and systems it would need to not only credibly threaten a blockade or invasion of Taiwan but also carry out such actions while holding U.S. forces at risk.[140] Through new platforms, exercises, and demonstrations, China offered a clearer picture of how military action could combine amphibious, naval, unmanned, and undersea capabilities.[141]

China Builds Amphibious and Naval Capabilities for a Taiwan Invasion

China is improving the amphibious lift and naval protection it would need to sustain forces in an invasion of Taiwan.[142] The PLA's new Type 076 amphibious assault ship and Type 055 destroyers are expected to increase China's ability to protect invasion forces within and beyond the Taiwan Strait and could be employed in operations against U.S. and allied forces.[143]

Table 1: PLA Amphibious Assault Ships and Destroyers

System	Mission	Capability
Type 076 Amphibious Assault Ship (*Sichuan)*	Support cross-Strait landings by extending PLA unmanned strike and intelligence, surveillance, and reconnaissance (ISR) coverage by launching fixed-wing uncrewed aerial vehicles (UAVs).[144]	Combine amphibious lift with an electromagnetic catapult-capable flight deck for fixed-wing UAVs and other aircraft intended to enable intelligence collection, targeting, and strike against coastal and maritime targets.[145]
Type 055 Destroyer (*Dongguan* and *Anqing)*	Capable of multiple missions, including protecting amphibious forces, helping establish local sea control around Taiwan, and countering foreign military intervention.[146]	Employ vertical launch systems to deliver anti-ship, land-attack, anti-air, and anti-submarine fires, providing area, air, and missile defense as well as offensive strikes that can threaten naval forces and secure amphibious groups in seas around and east of Taiwan.[147]

China Develops Uncrewed Systems for Diverse Operations Against Taiwan

China is expanding its inventory of uncrewed systems to include expendable, carrier-capable, swarming, and undersea autonomous platforms that could be used during an invasion of Taiwan.

Table 2: PLA Uncrewed Systems Across Domains

System	Mission	Capability
J-6 Expendable Unmanned Aircraft	Overwhelm Taiwan's air and missile defenses and force depletion of air defense systems.[148]	Repurposed supersonic fighters with limited avionics to serve as attritable drones, enabling high-volume strikes at relatively low cost.[149]
GJ-21 Carrier-Capable Combat Drone	Extend ISR and strike reach over Taiwan and surrounding waters and support maritime campaigns.[150]	Designed for catapult launch from carriers and Type 076 class ships, providing ISR and strike against targets.[151]
Atlas Drone Swarm System	Overwhelm air and missile defenses and/or conduct precision strikes by coordinating a large number of drones in a single operation.[152]	Command and launcher vehicles using autonomous algorithms and AI software to control up to 96 drones with configurable payloads (reconnaissance, strike, electronic warfare, communications) and sequencing, enabling rapid, large-scale swarm attacks with limited human input.[153]
HSU-100 and AJX-002 Extra Large Uncrewed Undersea Vehicles (XLUUVs)	Shape the undersea battlespace around Taiwan by conducting surveillance and mine laying to deter or damage U.S. and allied naval forces attempting to assist Taiwan or break a blockade.[154]	HSU-100 appears configured for surveillance and intelligence collection, while AJX-002 is identified as having minelaying capabilities. These platforms could increase undersea ISR and mine threats along approaches and chokepoints around Taiwan.[155]

China Rehearses Counterintervention Operations to Support a Taiwan Blockade or Invasion

During the Justice Mission-2025 military exercise, China rehearsed blockade, counterintervention, and assault operations around Taiwan.[156] (See Figure 4: PLA Justice Mission-2025 Exercise in the section above.) PLA Navy and CCG vessels simulated blockades of major Taiwan ports, including Kaohsiung, through which Taiwan receives much of its imported energy.[157] China also rehearsed some key elements of a PLA invasion of Taiwan.[158] According to Chinese state media, a Type 075 amphibious assault ship, *Hainan*, and its task group participated in "long-range rapid [assault]" drills.[159] State media also reported that to rehearse counterintervention operations, *Hainan* and its task group coordinated with H-6 bombers to simulate anti-ship strikes.[160]

In July 2026, Taiwan's National Security Bureau Director-General Tsai Ming-yen reported an "upward trend" in Chinese naval and maritime mobilizations during the peak exercise season, which he identified as July through September.[161] Separately, Taiwan's National Security Council Secretary-General Joseph Wu reported that Taiwan was tracking a record high of more than 110 Chinese military and Coast Guard ships along the first island chain.[162] (For more on the high-volume PLA Navy and CCG presence deployments, see Chapter 2: "U.S.-China Security and Foreign Affairs (Year in Review).")

Additionally, China is normalizing naval operations beyond the first island chain to improve its ability to sustain operations in areas from which it could delay, disrupt, or deter U.S. and allied intervention in a Taiwan contingency.[163] In May-June 2026, the *Liaoning* aircraft carrier strike group completed combat training in the South China Sea and Western Pacific Ocean.[164] This included tactical flight training, live-fire exercises, and joint training with other warships, marking what Chinese military expert Zhang Junshe called the "longest far-sea, cross-regional training deployment since the *Liaoning* entered service."[165] These deployments and exercises demonstrate that the PLA is no longer focused solely on crossing the Taiwan Strait. It is preparing to contest the broader Western Pacific battlespace.

Global Conflicts Inform PLA Planning for Operations Against Taiwan

Global conflicts and military operations in 2026 gave Chinese planners real-world case studies for a Taiwan campaign, particularly in targeting enemy leadership and paralyzing defenses before Taiwan or the United States can respond. The PLA has built infrastructure and run urban combat drills consistent with "decapitation" operations, including mock replicas of districts housing Taiwan's Presidential Office.[166] Chinese official media studied the U.S. military's capture of Venezuelan leader Nicolás Maduro in January 2026 as a model of special operations, emphasizing the extensive intelligence preparation that enabled it and how simultaneous multi-domain strikes constrained Venezuela's ability to react.[167] Beijing likely also scrutinized Israel's attack

Global Conflicts Inform PLA Planning for Operations Against Taiwan—*Continued*

that killed Iranian Supreme Leader Khamenei in on February 28, 2026, which reportedly involved the AI-enabled fusion of surveillance data to track him.[168] Chinese official commentary on the broader U.S.-Israeli campaign against Iran emphasized the effectiveness of multi-domain attacks to inflict system-level damage.[169] "Decapitation" and simultaneous multi-domain strikes map onto the PLA's doctrinal approach to a joint firepower strike campaign against Taiwan.

Taiwan Works to Strengthen Deterrence Through Civil Resilience and Defense Reform

Taiwan is responding to Beijing's comprehensive campaign by strengthening the institutions needed to sustain government, society, and military operations during prolonged coercion or conflict. Building on reforms initiated under former President Tsai Ing-wen, President Lai has expanded civil resilience and defense preparedness designed to convince Beijing that unification cannot be achieved quickly and without grave cost. However, persistent legislative gridlock on long-term defense investments threatens to slow President Lai's reforms to strengthen deterrence and provides opportunities for Beijing to exploit Taiwan's political divisions ahead of the upcoming election.

Taiwan Builds National Resilience Against Coercion and Conflict

The Lai Administration is transforming societal resilience from a strategic concept into operational capability. The Whole-of-Society Defense and Resilience Committee (WSDRC), a flagship Lai Administration initiative, has introduced new measures over the past year to strengthen Taiwan's survivability during a crisis.[170]

Taiwan is integrating civilian and military institutions to improve crisis response and continuity of government. The establishment of the Central Joint Emergency Operation Center (CJEOC) in February 2025 marked a significant step toward translating the WSDRC's resilience concepts into a functioning emergency command mechanism—integrating central and local military-civilian wartime and disaster response.[171] Taiwan activated the CJEOC from April 12 to April 21, 2026, in conjunction with annual Han Kuang military drills, during which it prepared medical facilities and shelters, maintained energy and critical infrastructure, and oversaw the provisions and distribution of essential resources.[172] The All-Out Defense Mobilization Agency, under Taiwan's Ministry of National Defense, coordinated a series of local civil defense and emergency response drills from April to August 2026 that focused on national defense mobilization, critical infrastructure protection, and air defense.[173] The growing emphasis on integrating civil preparedness with military defense under crisis conditions reflects Taiwan's practical approach to assessing its vulnerabilities and a more serious commitment to addressing them.

Taiwan Strengthens Critical Infrastructure for Crisis and Conflict

Taiwan views critical infrastructure resilience as a prerequisite for sustaining national resistance during conflict. Across communications, cyber defense, and energy, the Lai Administration has introduced new legal authorities, infrastructure upgrades, and civil defense exercises with the shared goal of ensuring continuity of operations under attack.

Taiwan's civil defense exercises emphasize keeping essential services operating under wartime conditions rather than simply responding to disasters. Taiwan's 2026 Urban Resilience exercises placed significant focus on restoring critical infrastructure functions. During a drill in July 2026, Taiwan forces simulated shooting down a Chinese drone threatening a power plant.[174] Other scenarios included physical sabotage, cyberattacks, and a drone attack on a response center that prompted plans to activate a backup operations command center.[175]

Taiwan is reducing vulnerabilities in its communications architecture by building greater redundancy and survivability into critical networks, pursuing a heterogeneous sea-land-air architecture that combines fiber, microwave, mobile networks, and multi-orbit satellites.[176] Traffic is prioritized through a primary, alternate, contingency, emergency (PACE) framework for military, government, rescue, and infrastructure functions.[177] In January 2026, the Ministry of Digital Affairs announced efforts to improve the maintenance of non-geostationary orbit satellite networks to continue securing government communications during emergencies.[178]

Taiwan Expands Efforts to Counter PRC Infiltration and Political Influence

The Lai Administration is treating Beijing's infiltration and political influence operations as threats to Taiwan's national resilience. Taiwan broadened its counterintelligence focus beyond traditional espionage to disrupt CCP recruitment, coercion, and political influence efforts as well. In January 2026, the Lai Administration instituted identity document screening for military personnel, civil servants, and public school employees to verify that they do not hold PRC household registration or identity documents.[179] Taiwan also tightened controls on travel to China for senior civil servants and personnel with national security or core technology responsibilities, increasing scrutiny around a key vector for PRC coercion, cultivation, and recruitment.[180]

Taiwan is strengthening legal authorities to deny Beijing the organizational access, funding channels, and institutional footholds it has used to expand influence inside Taiwan. In December 2025, the Lai Administration proposed revisions to a series of laws to expand liability for participation in hostile organizations, strengthen legal tools to punish public advocacy tied to malign foreign influence, and root out fifth column elements across military, political, and social institutions.[181]

Taiwan is treating election security as a national security issue rather than solely an electoral administration challenge. In February 2026, Taiwan's NSB launched an election contingency project

platform ahead of November municipal elections that integrates intelligence, scrutiny of cross-border funding, monitoring of illicit betting, and identification of PRC-linked disinformation.[182]

Taiwan Seeks to Strengthen Military Credibility and Asymmetric Defense

President Lai's military reforms aim to make Taiwan's defense posture more credible by enhancing its asymmetric capabilities and its operational readiness.[183] His "peace through strength" defense strategy seeks to make any Chinese attempt at coercion prohibitively costly and deny Beijing a quick victory. Toward these ends, President Lai is restructuring forces, institutionalizing decentralized command and control and applying it in realistic defense exercises, and working to rapidly field asymmetric capabilities such as coastal missiles and drones.[184]

Taiwan's military continues to implement reforms to restructure its forces to be better positioned to respond to adversary threats and future warfare scenarios.[185] In 2026, Taiwan established the Littoral Combat Command (LCC) to unify coastal defense into one force.[186] The LCC is equipped with mobile *Hsiung Feng* and Harpoon coastal anti-ship missiles, coastal radar, and uncrewed surface vessels to defend against an amphibious PLA operation and to counter China's maritime coercive activities.[187] Taiwan's army redesignated four armored and three mechanized infantry brigades to improve readiness and combat effectiveness as well as respond rapidly in the opening stages of a PLA attack.[188] One of the new brigades was featured in Taiwan's recent combat readiness exercise, deploying with M1A2T Abrams tanks that practiced defending invasion corridors under realistic wartime conditions.[189]

Taiwan's military reforms are complemented by continued emphasis on decentralized command and control in realistic exercises that help frontline units continue fighting in the event the PLA targets command centers, communications, and senior leadership early in a conflict.*[190] For example, in July 2026, a joint defense exercise simulating the detection of hostile vessels entering Taiwan's territorial waters tested the decentralized command structures of Marine Corps forces.[191] The annual Han Kuang exercise in August also tested dispersed command and control operations, with field commanders revising orders in response to unexpected enemy actions.[192]

In 2026, Taiwan accelerated the fielding of asymmetric capabilities designed to make its forces more survivable and costly for the PLA to defeat.[193] Taiwan established dedicated drone battalions across Taiwan and on the Penghu islands to expand its surveillance and attritable strike capabilities.[194] Adopting asymmetric tactics exhibited in the Ukraine war, the army debuted first-person-view drones with armor-piercing warheads against armored vehicles and tanks in live-fire exercises.[195] Taiwan has also demonstrated its capacity to deploy mobile missile launchers across the island during a five-day

*Taiwan's Ministry of National Defense 2023 *National Defense Report* was the earliest documented reference in an official strategic publication to explicitly state that Taiwan seeks to "improve defense operational resilience with decentralized command and control." Taiwan's Ministry of National Defense, *ROC National Defense Report 2023*, September 2023, 63; Steve Trimble, "New Taiwan Defense Paper Champions Decentralize C2," *Aviation Week*, September 13, 2023; Taiwan's Ministry of National Defense, *ROC National Defense Report 2021*, *U.S.-Taiwan Business Council*, October 2021.

defense drill in July 2026, such as the M142 High Mobility Artillery Rocket Systems (HIMARS) and *Hsiung Feng* anti-ship launchers.[196] The implementation of Taiwan's military reforms reflects a broad institutional modernization toward defense and layered deterrence, preparing the military's ability to quickly and asymmetrically respond to a range of conflict contingencies from blockade to gray zone escalation or a full-on surprise attack from the PLA.[197]

Through these efforts, Taiwan is building a more resilient posture that can impose higher costs on the PLA. Taiwan's military reforms work in tandem with whole-of-society resilience initiatives to strengthen its ability to sustain defense operations and national resistance during a prolonged conflict, further reinforcing the credibility of its deterrence against Chinese aggression.

Taiwan Accelerates Defense Investment, but Political Gridlock Slows Procurement

The Lai Administration is using higher defense spending and a multi-year special budget to accelerate military reforms and strengthen Taiwan's ability to resist growing PLA pressure. The Administration has committed to increasing defense spending to 3.3 percent of GDP, framing this as a necessary investment to make "peace through strength" credible while setting a longer-term goal of five percent of GDP by 2030.[198] In November 2025, the Lai Administration introduced a New Taiwan Dollar (NTD) 1.25 trillion ($40 billion) special budget* for asymmetric warfare that sought to fund a range of programs and platforms that strengthen Taiwan's asymmetric defense capabilities and enhance its integrated air and missile defense network.[199] After months of political gridlock, the opposition-led Legislative Yuan† passed a significantly pared down budget of NTD 780 billion ($24.8 billion).[200] Though this funded only about 60 percent of the Administration's overall goal, it still represents significant progress toward the government's ambition to increase defense spending by the end of this decade.[201] The final budget preserved funding for U.S. arms purchases but excluded most funding for domestic asymmetric capabilities and defense industrial programs.‡[202] At the end of August, the Legislative Yuan

*The Executive Yuan proposed a supplemental defense budget officially titled "Program of Acquisition Special Regulations for Strengthening Defense Resilience and Asymmetric Combat Capacity" and commonly referred to as the special budget, denoting a budget that operates "in tandem alongside the regular annual budget." John Dotson, "The Contents and Controversies of Taiwan's Special Defense Budget," *Global Taiwan Institute*, March 25, 2026.

†KMT opposition to the Lai Administration's proposed $40 billion special defense budget reflects a range of considerations, including: concerns over fiscal discipline and procurement efficiency; disagreement with the scale and composition of the special budget; differing views that expanded cross-Strait dialogue with Beijing could better preserve peace than additional military investment; partisan competition with the DPP; and, according to some analysts, concerns that individual KMT politicians may be susceptible to Beijing's influence. Some KMT legislators do support an increase in defense investment but advocate for different procurement priorities. Drew Thompson, "Defense in Democracy: Political Competition and Taiwan's Special Defense Budget," *Brookings Institution*, March 30, 2026; John Dotson, "The Contents and Controversies of Taiwan's Special Defense Budget," *Global Taiwan Institute*, March 25, 2026; Sam Garcia, "KMT, TPP Block Special Defense Budget for the Eighth Time," *Taipei Times*, January 23, 2026.

‡The budget excluded funding for large-scale drone procurement, joint U.S.-Taiwan drone development, an anti-ballistic missile "Taiwan Dome" air defense network, domestic munitions production, and enhancements to ISR capabilities. Matthew Fulco, "Taiwan's Special Defense Budget Bill Passes with Drastic Cuts," *Jamestown Foundation*, May 29, 2026; Taiwan's Ministry of National Defense, *Ministry of National Defense Issues Press Release Regarding Legislative Yuan's Passage of the "Special Act on Safeguarding National Security and Strengthening Asymmetric Warfare Capabilities Procurement,"* May 8, 2026.

passed a military drone budget of $7.5 billion over six years that supports Taiwan's domestic drone industry and funds one-way attack drones, coastal surveillance vehicles, and unmanned surface vehicles.[203] The legislative gridlock on Taipei's defense budget could influence Taiwan's capacity to develop military capabilities critical for bolstering its deterrence in the near term. While U.S. arms sales would fill critical needs, some major systems are not likely to be in operation or delivered until the 2030s; indigenous asymmetric and industrial programs could be fielded sooner.[204]

Taiwan's Domestic Political Dynamics Shape Response to China's Growing Pressure

Taiwan's ability to sustain its defense modernization and societal resilience agenda depends on its ability to overcome domestic political divisions. As Jessica C. Liao, associate professor at the U.S. Army War College, and Kyle Marcrum, director of the China Landpower Studies Center at the U.S. Army War College's Strategic Studies Institute, argued, Taiwan's defense trajectory is shaped by the realities of democratic bargaining rather than a simple question of political will, making legislative compromise an important determinant of the pace and composition of military modernization.[205] Public opinion remains strongly in favor of maintaining the cross-Strait status quo, while support for eventual or immediate unification has declined over the past two decades.[206] Although Taiwan's major political parties broadly reflect this public sentiment, they differ in how to preserve the status quo, with competing approaches to defense spending, economic engagement with China, and the appropriate balance between deterrence and dialogue.[207] (For basic perspectives on the three largest parties, see Appendix II.) As Beijing intensifies pressure, Taiwan risks entering the next two years of likely heightened cross-Strait tensions without the political consensus to sustain the scale of defense modernization, long-term defense investments, and resilience reforms it needs.

As discussed earlier in this chapter, Beijing uses inducements, coercive pressure, information operations, and United Front activities to shape Taiwan's political environment and deepen existing divisions. These divisions especially benefit Beijing when they make it harder for Taiwan to sustain political consensus on defense and resilience.[208]

Taiwan recognizes that effective deterrence depends on both acquiring weapons abroad and developing a domestic defense industrial base capable of sustaining a prolonged conflict. Taiwan's government has focused its defense industrial modernization goals on its asymmetric defense needs to produce dispersible, mobile, and survivable platforms.[209] The Lai Administration is pursuing efforts to create non-red supply chains with a focus on eliminating cybersecurity risks associated with PRC-linked drone components.[210] Taiwan's government also intends to fund a joint R&D and cooperative procurement effort with the United States that would benefit both jurisdictions, accelerating Taiwan's indigenous defense industrial

manufacturing capacity while expanding the capabilities of the U.S. defense industrial base.[211] Taiwan is prioritizing domestic production of capabilities critical to an asymmetric defense strategy, particularly missiles, unmanned systems, and submarines. In November 2021, the Legislative Yuan passed the Sea-Air Combat Power Improvement Plan Purchase Special Regulations and authorized up to NTD 240 billion ($7.35 billion) to use a special budget to acquire systems, primarily through indigenous defense production, that would enhance Taiwan's anti-air and anti-surface capabilities.[212] Taiwan has funded the first submarine of its Indigenous Defense Submarine program and aims to produce eight domestically built submarines.[213] In addition, Taiwan's Unmanned Vehicle Industry Development Integrated Program 2025–2030 aims to build a large, indigenous unmanned systems industry that can serve both defense and commercial markets while providing an alternative non-red, democratic drone supply chain.[214]

Taiwan's defense industry has made some increases in production capacity across several priority sectors. By 2024, NCSIST, Taiwan's primary defense manufacturer, had expanded to 16 mass production lines for various missiles, although it is unclear whether it met its production target of 1,000 missiles by the end of that year.[215] Taiwan's indigenous submarine, *Hai Kun*, completed the first of three "sea trial" testing phases in June 2025 on surface navigation.[216] According to the Ministry of Economic Affairs, Taiwan's drone industry rapidly expanded in 2025, with industrial output reaching NTD 12.9 billion ($398.8 million), more than 2.5 times the level in 2024.[217] The challenge for Taiwan is turning these individual gains into a sustained expansion of its domestic defense industrial base.

U.S.-Taiwan Security Cooperation Deepens, but Arms Delays Weaken Near-Term Capabilities

The United States plays an indispensable role in helping Taiwan build and sustain the military capabilities needed for credible deterrence against Chinese coercion and a potential invasion. The Six Assurances, a set of commitments then–President Ronald Reagan conveyed to Taiwan in 1982, included pledges not to set a date for ending arms sales to Taiwan or consult with Beijing over those sales.[218] This latter commitment is also part of U.S. law: the Taiwan Relations Act specifically requires that determinations by the president and Congress of arms sales to Taiwan be "based solely upon their judgment of the needs of Taiwan."[219] Consistent U.S. policy also strengthens deterrence and helps preserve peace and stability in the Indo-Pacific.[220]

In January 2026, Congress cleared an approximately $11.1 billion arms package for Taiwan that included systems such as howitzers, Javelin anti-tank missiles, HIMARS rocket systems, and loitering munition drones, strengthening Taiwan's ability to deter a Chinese blockade or invasion of the island.[221] In May 2026, Taiwan's legislature passed a special defense budget establishing a spending ceiling of approximately $25 billion for purchase of U.S. arms.[222] That ceiling includes about $15 billion for an anticipated additional U.S. arms-sale package containing PAC-3 MSE interceptors and NASAMS air-defense systems.[223] At the time of publication, howev-

er, the sale remains on hold pending presidential approval.[224] The pause has raised concerns that delays in U.S. security assistance undermine credible deterrence.[225]

A significant backlog in U.S. weapons deliveries to Taiwan risks undermining the very deterrent capabilities that U.S. assistance is meant to strengthen.[226] At the end of August 2026, the arms backlog was estimated at nearly $30 billion in approved U.S. weapons still awaiting delivery.[227] According to one study, several factors contribute to this backlog: U.S. industrial capacity is limited, programs are highly complex, and bureaucratic procedures slow the process. Taiwan has also played a role through changes in its requirements and occasional delays in funding.[228]

The United States and Taiwan continue to strengthen their military coordination, intelligence sharing, and defense industrial base cooperation. In January 2026, Taiwan opened the Joint Firepower Coordination Center in cooperation with the United States, the highest-level facility of its kind in Taiwan.[229] It is designed to coordinate long-range precision strike planning and intelligence sharing across Taiwan's military services as well as to monitor high-value maritime targets.[230] The center is intended to sharpen asymmetric air and sea warfare by integrating U.S.-made systems with Taiwan's indigenous missile capabilities into a more coherent fires network.[231] Consistent with Taiwan's authorized cooperation programs, the 2026 National Defense Authorization Act (NDAA) called for the Pentagon to work with officials from Taiwan to develop a joint program to enable fielding of uncrewed and counter-uncrewed systems, including the co-development and co-production of those systems.[232] U.S. companies are actively signing memoranda of understanding with companies and organizations from Taiwan to advance this collaboration.[233] The United States and Taiwan have also started co-producing 155-millimeter shells, a munition in high demand globally that can be used for long-range targeting and counter-battery fire, and in support of maneuver operations.[234]

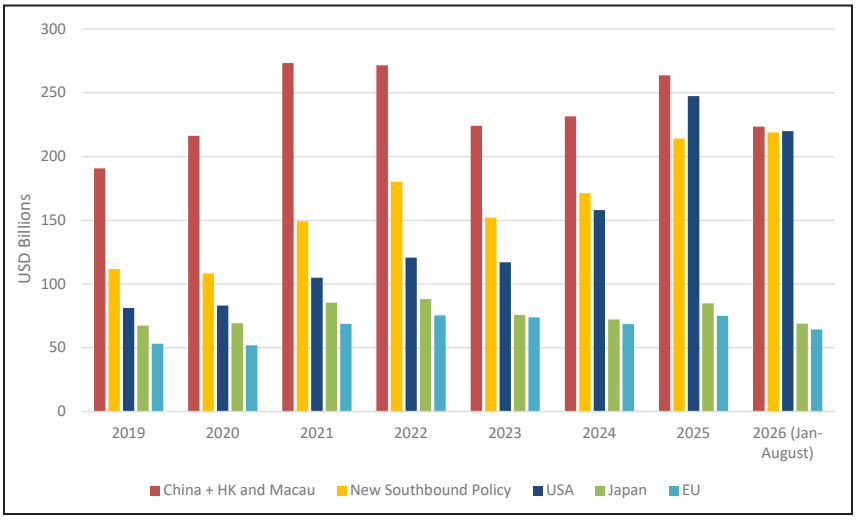
U.S.-Taiwan cooperation on economic, technological, and supply chain resilience complements military assistance by reducing China's ability to use the disruption of critical technologies and materials as leverage in a Taiwan crisis.[235] Economic, technological, and supply chain resilience initiatives were the focus of the sixth U.S.-Taiwan Economic Prosperity Partnership Dialogue, which covered supply chain security across the AI tech stack, cooperation on critical minerals, support for trusted digital infrastructure, and cooperation to facilitate unmanned aircraft systems component certification.[236] During the dialogue, Taiwan also endorsed Pax Silica, a U.S.-led initiative aimed at securing global supply chains for advanced technologies and critical minerals that support AI and economic security.[237]

Taiwan Leans into Economic Diplomacy to Reduce Vulnerability to China

The Lai Administration has sought to accelerate a shift in trade and investment away from China in recent years. The United States briefly overtook China as Taiwan's top trade partner in the first half of 2026, and through August the two were running close to even

alongside combined trade with the 18 countries under Taiwan's New Southbound Policy (see Figure 5).*[238] Taiwan is heavily dependent on international trade: in 2023, its combined exports and imports of goods and services were equivalent to approximately 114 percent of GDP, well above China (36 percent), the United States (25 percent), and the world average (58 percent).[239] Therefore, ensuring dependable trade relationships amid geopolitical pressure from China is paramount to Taiwan's continued prosperity.†

Figure 5: Taiwan's Total Trade with Top Partners (2019–August 2026)



Source: Taiwan's Ministry of Economic Affairs, International Trade Administration, *Trade Statistics*.

The Lai Administration has elevated economic security and resiliency through "integrated diplomacy," an approach to foreign policy that in part‡ seeks to leverage its tech leadership to provide value to friendly countries seeking to build out advanced industries.[240] President Lai has advocated for regional and democratic partners to deepen ties in "Five Trusted Industry Sectors" in which Taiwan excels: semiconductors, AI, military, security and surveillance, and next-generation communications.[241] By shifting the focus from broad expansion of trade and cultural linkages to specific technology and critical infrastructure sectors, Taiwan is more directly offering a value proposition to countries that seek to break economic dependency on China and build rival higher-value industries, consistent

*Launched in 2016 at the start of the Tsai Ing-wen Administration, Taiwan's New Southbound Policy seeks to build and expand economic, cultural, and people-to-people ties with 18 countries in the Indo-Pacific region: Australia, Bangladesh, Bhutan, Brunei, Burma (Myanmar), Cambodia, India, Indonesia, Laos, Malaysia, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam.

†This fact also makes planning for a blockade critical, as China cutting off trade to and from Taiwan would have immediate impact on both Taiwan's domestic economy and broader global markets.

‡Taiwan's integrated diplomacy strategy includes values-based diplomacy, alliance diplomacy, and economic diplomacy. Henrietta Levin and Daniel Castro Bonilla, "Southbound Diplomacy: Assessing Taiwan's 'Integrated Diplomacy' on the 10th Anniversary of the New Southbound Policy," *Center for Strategic and International Studies*, June 16, 2026.

with its approach to negotiating the proposed U.S.-Taiwan Agreement on Reciprocal Trade. Backed by government incentives, Taiwan's companies are incrementally diversifying their foreign direct investment stock out of mainland China, over time reducing a point of leverage for Beijing.

Taiwan's expanding trade and investment relations with the 18 New Southbound Policy countries in South and Southeast Asia demonstrate progress over the last decade toward its goal of promoting economic integration and entwining itself in these countries' development strategies.[242] For instance, Taiwan's bilateral trade with India in 2025 was $12.5 billion, a record high. Integrated circuits made up over half of India's imports from Taiwan in 2025 compared to 1.6 percent in 2016, demonstrating Taiwan's importance in expanding India's role in global technology value chains.[243] (For more on India, see Chapter 3, "China's Other Front: India and the Future of U.S. Strategy in the Indo-Pacific.") On the investment side, in 2016 Taiwan's approved outbound investment totaled $21.8 billion, 46.2 percent of which went to mainland China and Hong Kong and 32.5 percent to the rest of Asia.[244] In 2025, only 4.7 percent of Taiwan's $39.9 billion in approved outbound investment went to the mainland and Hong Kong, where flows to the rest of Asia comprised 21.5 percent.[245] Taiwan's government under President Lai supports companies to invest in the industrial development of partner countries under initiatives like the Ministry of Foreign Affairs Diplomatic Allies Prosperity Project, among other initiatives.[246]

Taiwan's Dependence on Imported Energy Leaves It Vulnerable to Blockade

Taiwan's dependence on imported energy remains one of its most serious vulnerabilities to a blockade or prolonged maritime disruption.* Taiwan imported approximately 95 percent of its energy in 2025, and its planned energy transition will not substantially reduce that exposure.[247] The Lai Administration has targeted a 2030 electricity mix of 50 percent natural gas, 30 percent renewable energy, and 20 percent coal.[248] Because natural gas and coal arrive largely by sea, 70 percent of Taiwan's planned electricity mix would remain dependent on imported fuels.[249]

Taiwan's dependence on natural gas is particularly acute. Taiwan currently maintains 11 days of natural gas safety stock, which it plans to increase to 14 days by 2027.[250] According to findings in a 2025 Center for Strategic and International Studies report based on 26 blockade wargames, Taiwan would exhaust its natural gas inventories in about ten days in every scenario, while coal and oil stocks lasted approximately seven and 20 weeks without resupply, respectively.[251] Renewable energy supplied 13.3 percent of Taiwan's electricity in 2025.[252] Reaching the government's 30 percent target would still leave much of Taiwan's electricity system dependent on imported fuels.

*China is also dependent on energy maritime imports to a lesser extent and has invested significant resources into stockpiling, renewable alternatives, and other resilience initiatives. It is possible that China has used the challenges from Iran's blocking of the Strait of Hormuz to stress-test its capacity to endure a long-term disruption to its energy imports, further enhancing its preparedness for a conflict or blockade in a Taiwan contingency. For more, see, Part 1, Chapter 1, "U.S.-China Economic and Trade Relations (Year in Review)."

Taiwan's oil reserves provide a larger cushion, but its dependence on seaborne imports and exposed transportation infrastructure remains a major vulnerability. In 2025, Taiwan's crude oil and petroleum products accounted for 44.4 percent of its energy supply; Taiwan currently maintains crude oil reserves that could last for about 140 days.[253] The Iran war crystallized Taiwan's overreliance on the Middle East for oil imports, as nearly 70 percent of crude oil imports came from the region in 2025.[254] In response, Taiwan increased its crude oil imports from the United States to 60 percent of its total supply, up from 28.3 percent in 2025, according to officials.[255] In a 2023 study, 99.8 percent of Taiwan's crude oil was imported by oil tankers transiting the Taiwan Strait, with a majority designated to three ports along Taiwan's west coast and then transported by rail, roadway, and long-haul pipelines.[256] The transportation and storage of Taiwan's crude oil likely remain vulnerable during conflict.[257]

Despite the potential for nuclear energy to provide Taiwan with a reliable source of domestically produced power, it remains a contentious political issue, with concerns over storage of waste and potential accidents from Taiwan's frequent exposure to earthquakes. Nuclear energy once supplied over 50 percent of Taiwan's total electricity generation in the 1980s, before all of Taiwan's reactors were progressively retired.[258] Taiwan's last nuclear power plant ceased operation in May 2025.[259] Following a 2025 legal amendment that reopened a pathway for license renewal, Taipower submitted plans to restart Taiwan's Kuosheng and Maanshan nuclear power plants.[260] In September 2026, the Nuclear Safety Commission gave approval for the Maanshan plant, but it cannot resume generation until Taipower completes an estimated 18–24 months of safety checks and receives a renewed license.[261]

Implications for the United States

Congress settled the question of whether the United States is committed to Taiwan decades ago, and Taiwan has only grown in importance to U.S. military, economic, technological, and alliance interests since. The United States has spent decades building tools to deter and defeat a Chinese invasion of Taiwan. Rather than asking whether that commitment holds, U.S. policy should focus on whether U.S. tools are adequate to address the ways Beijing is actually pursuing its objective.

Xi Jinping is not choosing between forced unification and political absorption. He is pursuing both at once. The PLA's progress toward developing the capability to take Taiwan by force and Beijing's daily campaign of coercion and co-optation are complementary: the credible threat of force is what gives the coercion its bite, and the coercion is what Beijing hopes will deliver Taiwan without ever having to use that force. **A U.S. policy that prepares for one track while neglecting the other invites failure.**

The work already underway to deter and defeat an invasion must continue and accelerate. Taiwan's shift to asymmetric defense, U.S. force posture in the region, and allied interoperability all remain essential. China's threat of military action is real, persistent, and growing. "Maintain[ing] the capacity of the United States to resist any resort to force or other forms of coercion that

would jeopardize the security" of Taiwan, as required by Section 2(b)(6) of the Taiwan Relations Act, continues to be critical.

Deterrence depends on capabilities in Taiwan's hands—not authorities on the books or contracts awaiting delivery. Although Congress has enacted new security assistance authorities and Taiwan has purchased billions of dollars in U.S. defense equipment, years-long delivery delays have left critical capabilities unavailable when they are needed most. A foreign military sales backlog measured in years is its own deterrence failure against both of Beijing's tracks. Capability authorized is not capability fielded. **Closing the arms delivery backlog is one of the few actions the United States can take independently of decisions in Beijing or Taipei.**

The United States and Taiwan are not adequately prepared to prevent Beijing from using coercion short of war to change the status quo. While the United States has spent decades building tools to deter an invasion, the more probable near-term threat—likely to intensify in the leadup to the 2028 election—is a sustained campaign of coercion involving gray zone pressure, cyberattacks, economic leverage, and political influence operations. For too long, China has been able to "boil the frog" through both more frequent and more provocative gray zone activities around Taiwan—"other forms of coercion" referenced in the Taiwan Relations Act. **The United States' toolkit must develop costs and strategies to change the one-way gray zone trajectory.**

For the last several years, Beijing has clearly been rehearsing operations to conduct a blockade or customs quarantine of Taiwan, with its regular gray zone activities allowing it to make the transition quickly. Beijing may calculate that such actions would fall short of the threshold of armed conflict and would be consistent with its One China principle. The United States must enhance its pre-planned and exercised responses to such contingencies, ensure effective economic and diplomatic countermeasures, and increase support for Taiwan's societal and infrastructure resilience. Taiwan's importance to global technology supply chains also gives Washington a wider basis for building international support. **A quarantine or blockade would not be a problem for Taiwan and the United States alone:** disruption to semiconductor production, shipping, and trade would impose substantial costs on economies far removed from the Taiwan Strait. **The United States can use those shared interests to broaden the group of countries with a stake in deterring Chinese coercion and preparing coordinated responses before a crisis occurs.**

Beijing will also continue to exploit Taiwan's political divisions as a strategic vulnerability. While respecting the reality of divergent views in a democracy, the United States should work with Taiwan to blunt that effort.

Taiwan is central to U.S. military power in the Indo-Pacific, the resilience of the United States' alliance network, and U.S. global technology leadership. It is not an anachronistic security commitment. As Taiwan's importance to U.S. national and economic security has grown, so too has the need for a strategy—and attendant resources and sustained commitment—that is equal to the full scope of the challenge Beijing now presents.

Recommendations

- The People's Republic of China's (PRC) aggressive actions to reshape the Western Pacific and force unification with Taiwan are intensifying. Yet much U.S. and allied contingency planning focuses on large-scale invasion scenarios rather than coercion below the threshold of war. The United States needs a coordinated playbook with allies and partners for responding to a range of coercive gray zone activities by the PRC in the Indo-Pacific, specifically concerning Taiwan.

  Congress should:

  - Direct the National Security Advisor to develop a common playbook with allies and partners calibrated to counter multi-domain day-to-day PRC coercion. Departments and agencies involved in executing the playbook should develop tiger teams to address U.S. actions and coalition/allied actions under each area of responsibility. That playbook should provide a unified framework for participating nations to:
    - Share situational awareness and arrange pre-coordinated responses;
    - Counter disinformation and lawfare;
    - Expand combined coast guard operations with Taiwan and regional partners, including through multilateral initiatives; and
    - Support resistance against economic coercion.
  - Amend and extend the Taiwan Enhanced Resilience Act to establish a Taiwan Democratic Resilience Initiative led by the U.S. Department of State, implemented through the American Institute in Taiwan in coordination with the Office of the Director of National Intelligence and other appropriate departments and agencies.
    - The Initiative should strengthen U.S.-Taiwan cooperation to support the resiliency of Taiwan's civil society and counter PRC united front activities, election interference, and disinformation campaigns. It should also include information sharing with U.S. allies and partners.
  - Direct the National Security Advisor to lead an interagency process to develop a whole of government strategy for deterring, preparing for, and responding to coercive actions by the PRC against Taiwan that are intended to rapidly or substantially alter the status quo, but that fall below the threshold of a large-scale invasion or armed conflict.
    - It should include an assessment of contingency scenarios and for each, provide an assessment of indicators and warnings, likely PRC objectives, decision points, escalation risks, potential effects on Taiwan's access to critical goods and services, and options for coordinated actions with allies and partners.
- As China's military capabilities expand and the regional balance of power shifts, the risk of conflict in the Western Pacific

is increasing. Despite growing defense cooperation among the United States and its allies and partners, the absence of a formal multilateral security framework limits their ability to deter aggression and mount a coordinated response to attempts to alter the regional order by force.

Congress should direct the Secretaries of Defense and State to initiate consultations with U.S. allies on establishing a formal multilateral framework for collective defense in the Western Pacific, building on the multilateral defense cooperation directed by Section 1254 of the fiscal year 2026 National Defense Authorization Act. Where Section 1254 directs operational integration, this framework would institutionalize the political commitment to collective action needed to deter Chinese military aggression and provide the foundation for a Western Pacific Security Pact. The Pact should:

- Build on existing regional defense mechanisms among states with established foundations for expanded multilateral defense cooperation, primarily the U.S.-Japan-Australia-Philippines Defense Cooperation Council, and be positioned to complement multilateral security frameworks such as the Quad and AUKUS. Provide a pathway for accession by other states that share the Pact's principles and possess the willingness and capacity to contribute materially to peace, security, and collective defense in the Western Pacific.
- Establish a common commitment to collective defense under which members recognize that any major threat to, or violent breach of, peace and stability in the Western Pacific—or any military attack upon the members of this framework—threatens their shared security and national interests and commit to coordinate a powerful collective response to deter or defeat aggression and restore regional peace and stability.
- Accelerate the legal and military reforms necessary for collective defense, including combined contingency planning and exercises, integrated command and control, expanded intelligence sharing, reciprocal access, and integrated logistics to enable members to operate effectively as a combined force in crisis or conflict.

- Beijing is using travel bans and other punitive measures to deter and intimidate foreign lawmakers from engaging with Taiwan, including barring four New Zealand legislators from the People's Republic of China in June 2026. By placing exchanges with Taiwan on the same footing as those with the UK, Canada, and Mexico, Congress would signal that parliamentary diplomacy with fellow democracies is routine, legitimate, and not subject to Beijing's veto.

  The U.S. House of Representatives and Senate, respectively, should establish U.S.-Taiwan Inter-Parliamentary Exchanges, modeled on the established bilateral exchanges with the UK, Canada, and Mexico.

  - Like those bodies, the exchanges would convene regular, structured meetings between members of the U.S. legislative

branch and members of Taiwan's Legislative Yuan to discuss trade, security, technology, and shared democratic governance.

- Taiwan is rapidly scaling its civilian and defense drone industries, building asymmetric capability that will be critical to prevailing in a potential future conflict with the People's Republic of China. Recent U.S. actions to broadly prohibit foreign drone imports stand to restrict a key market for Taiwan's drone makers and limit mutually beneficial collaboration with U.S. manufacturers.

  Recognizing the benefit to U.S. national security of supporting drone industries of allies and partners at risk of conflict with adversarial countries, Congress should direct the Federal Communications Commission to limit its December 22, 2025 addition to the Covered List of uncrewed aircraft systems and their critical components, to systems and components produced by entities owned by, controlled by, or subject to the jurisdiction or direction of a foreign adversary, as defined in 15 CFR §791.4.

Appendix I: U.S. Military Sales to Taiwan, October 2025–October 2026

Date of State Department Approval*	Content of Purchase	Value
November 13, 2025[262]	Non-Standard Spare and Repair Parts	$330 million
December 17, 2025[263]	ALTIUS-700M and ALTIUS-600 Systems	$1.1 billion
December 17, 2025[264]	Harpoon Missile Repair Follow-On Support	$91.4 million
December 17, 2025[265]	Javelin Missile System	$375 million
December 17, 2025[266]	Tube-Launched, Optically Tracked, Wire-Guided Missile System	$353 million
December 17, 2025[267]	High Mobility Artillery Rocket Systems	$4.05 billion
December 17, 2025[268]	M109A7 Self-Propelled Howitzers	$4.03 billion
December 17, 2025[269]	AH-1W Helicopter Spare and Repair Parts	$96 million
December 17, 2025[270]	Tactical Mission Network Software, Equipment, and Services	$1.01 billion

*According to the U.S. Defense Security Cooperation Agency, the Foreign Military Sales (FMS) program is a form of security assistance authorized by the Arms Export Control Act (AECA), as amended by 22 U.S.C. § 2751 et seq., and a fundamental tool of U.S. foreign policy. Under Section 3 of the AECA, the United States may sell defense articles and services to foreign countries and international organizations when the president formally finds that to do so will strengthen the security of the United States and promote world peace. Under the FMS program, the U.S. government and a foreign government enter into a government-to-government agreement called a Letter of Offer and Acceptance. The Secretary of State determines which countries will have programs. The Secretary of Defense executes the program. Defense Security Cooperation Agency, *Foreign Military Sales (FMS)*.

Appendix II: Taiwan's Political Parties' General Policy Positions*

Taiwan Political Party	Cross-Strait Engagement	Defense Spending and Military Reform	Economic Policy Toward China
DPP	• Suspicion of cross-Strait engagements as vectors of CCP infiltration and united front work.[271] • Supports dialogue but rejects Beijing's political preconditions.[272]	• Increase defense spending to 5 percent of GDP by 2030.[273] • Focus on developing asymmetric capabilities and fostering indigenous defense production.[274]	• Pursue economic resilience through trade diversification and mitigate risks of over-reliance on China.[275] • Enhance economic security measures.[276]
KMT	• Restore dialogue and exchanges on the basis of the 1992 Consensus and oppose Taiwan independence.[277] • Expand tourism, business, youth, and cultural exchanges with China.[278]	• Cautious on spending growth and supports greater oversight of arms purchases; fund demonstrated military needs rather than GDP targets.[279] • Prioritize well-defined operational needs and "highly deterrent asymmetric capabilities" utilizing AI and uncrewed systems.[280]	• Promote cross-Strait economic exchanges.[281] • Passed Economic Cooperation Framework Agreement (ECFA) in 2010 and supported controversial Cross-Strait Services Trade Agreement (CSSTA) that sparked Sunflower Movement backlash in 2014.[282]
TPP	• Expand exchanges without endorsing Beijing's political preconditions.[283] • Use exchanges to reduce hostility and risk of miscalculation.[284]	• Favors scrutinized investment in asymmetric systems and personnel over broad defense buildups.[285] • Supports 3 percent of GDP but prioritizes oversight.[286]	• "Pragmatic" approach to cross-Strait economic exchange.[287] • Open to CSSTA, conditional on enactment of cross-Strait agreements oversight law.[288]

*This chart reflects the broad policy positions of each party and does not capture the full range of views held by individual party members.

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