

# Taiwan matters:

How the *status quo* underpins Indo-Pacific peace and prosperity



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# Foreword

## Marc Ablong

The story of Taiwan is often told as a narrow contest over status and sovereignty in the Taiwan Strait. In reality, it's about the future of the global order, the stability of the global economy, and the security of countries like Australia, the prosperity and safety of which are bound to the region's sea lanes, technologies and alliances. Taiwan matters as a thriving democracy, and as a country of 23 million who have chosen to live their lives and build their prosperity outside of the rigid authoritarianism of the Chinese Communist Party (CCP). Taiwan matters as a clear and tangible rejection of the CCP narrative that democracy is incompatible with Chinese culture. And Taiwan also matters due to its position at the intersection of geopolitical competition, advanced industry and the maritime arteries that sustain modern life. It's geographically, geopolitically and geo-economically an unparalleled and critical hub for trade, innovation and democratic power.

## Why Taiwan matters for the world

Taiwan lies astride one of the world's most important trade corridors: the maritime gateway between Northeast Asia and the wider Indo-Pacific. Like the Strait of Hormuz, the Taiwan Strait is a global maritime choke-point that carries a substantial share of the world's container traffic, energy flows and manufactured goods; even a limited blockade or crisis would reverberate through every major economy. This isn't just about two-way trade with China, but disruption to an essential artery of global trade.

Taiwan's role in global supply chains amplifies these macroeconomic risks. It's a top 20 trading economy, the exports of which are dominated by the components that underpin digital infrastructure, advanced manufacturing and modern defence systems, including semiconductors, electronics and precision machinery.

The island's flagship firm, Taiwan Semiconductor Manufacturing Company, fabricates most of the world's semiconductors and an overwhelming share of the most advanced chips used in artificial intelligence, telecommunications, vehicles, medical devices and weapons. A serious disruption to Taiwan's chip production would cascade across industries, from automotive manufacturing to cloud computing, turning what might appear as a regional crisis into a systemic global shock.

Taiwan's significance isn't solely economic. Geographically, it anchors the First Island Chain that arcs from Japan through the Ryukyus and the Philippines towards Southeast Asia (Figure 1). For decades, this chain has limited the capacity of the People's Liberation Army (PLA) to project power into the broader Pacific, complicating its access to the deep waters of the Philippine Sea

and the open ocean beyond. Were a government in Beijing that was hostile to the liberal postwar order to gain control of the island, whether through coercion, blockade or conquest, it would transform Taiwan from a barrier into a forward operating platform for submarines, long-range missiles, air power, and surveillance systems reaching deep into the Western Pacific. If that government placed a revolutionary party army (the PLA) in command of that operating platform, it would recast the regional balance in favour of an authoritarian party-state at the expense of liberal democracies in the region.

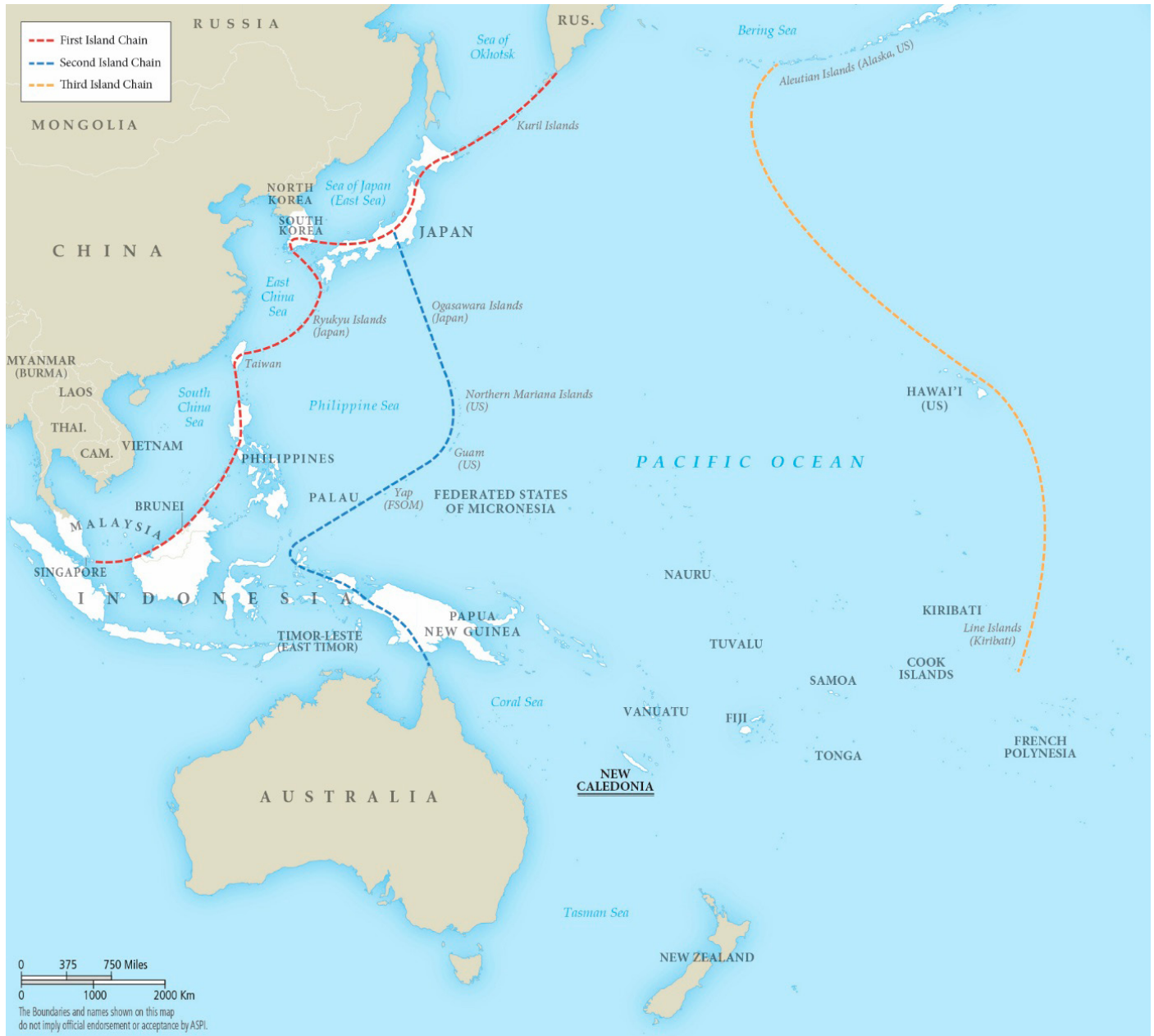
Such a shift would recast the regional balance. PLA bases on Taiwan's coast could threaten sea lanes to Japan, Korea, the Philippines and Guam, undermining the ability of the US and its allies to reinforce the region in a crisis. It would signal a profound setback for US extended deterrence, unsettle allies like Japan and South Korea, and push many Southeast Asian states to accommodate Beijing's preferences even as they worry about growing dependence.

A blockade or war in the Taiwan Strait wouldn't simply slow growth. It would fragment supply chains, accelerate decoupling in strategic sectors and unleash inflationary pressures that would test fiscal and monetary systems already strained by debt and demographic change. Energy and food prices would surge as shipping is rerouted or deterred from contested waters, while sanctions and countersanctions would tear through the tightly interwoven trade and financial relationships that link China, advanced economies, and the global South. No major economy would be spared; Asia would bear the brunt, but Europe, North America and developing states dependent on Chinese demand and lending would also feel the shock.

## The hard military problem of Taiwan

The military problem of Taiwan is at once old and new. In 1944, Operation Causeway, an American plan to invade what was then Japanese-governed Formosa, was shelved after senior commanders concluded that even large amphibious forces and vast shipping couldn't guarantee a rapid, sustainable victory against a well-defended island with difficult geography and limited port options. Their conclusions remain instructive: successful invasion requires extensive shaping operations, the suppression of enemy air and sea power, and the swift seizure of deepwater ports and airfields for sustainment. Without those, amphibious lodgements risk attrition and collapse under fire. Today's PLA faces similar constraints, even with far more capable missiles, ships, aircraft and information systems.

Figure 1: Island chains in the Indo-Pacific



Source: ASPI.

Defence planners in Taipei and allied capitals have drawn their own lessons. Taiwan’s ‘porcupine’ concept—an asymmetric defensive strategy aimed at exploiting Taiwan’s geography and attriting Chinese forces, inspired in part by Ukraine’s defence against Russia—emphasises many small, mobile and survivable capabilities, such as coastal anti-ship and air-defence missiles, mines, drones, dispersed infantry and reserve forces backed by hardened infrastructure and planning for resistance in the mountains if parts of the island are occupied.

International wargaming, including detailed campaigns run by the Center for Strategic and International Studies, consistently finds that a determined coalition can often prevent a successful invasion, but only if Taiwan resists, the US intervenes early, forward bases in Japan remain available, and all sides accept very high attrition.

Even then, the costs in ships, aircraft and lives would be staggering, and the risk of escalation, including blockade, cyberwarfare and potentially nuclear signalling, would be very real.

As the Iran War is demonstrating, the blockading of a strategically important maritime choke-point is an effective weapon that has a substantive cost for Western nations still operating on the just-in-time model. The lack of resilience and inability to tolerate economic pain from an effective closure of the Taiwan Strait would be an effective and strategic pressure point for many nations.

## Why Taiwan matters for Australia

For Australia, Taiwan isn’t an abstract strategic problem. It’s a trading partner, a key node in the regional economy and a focal point of alliance planning. Two-way trade in goods and services runs

into the tens of billions of dollars, centred on energy, resources and intermediate manufactures that feed into regional supply chains. Disruption in the strait would hit Australian exporters through reduced Chinese and regional demand, damaged shipping routes and broader financial instability; it would also undermine access to high-end technologies and components that Australia's own industries and defence programs require.

The strategic implications are even more profound. A violent or coercive change to Taiwan's status would tilt the Indo-Pacific balance of power towards Beijing, weaken, and potentially end, confidence in US security guarantees, and raise pressure on Australia's neighbours to accommodate Chinese preferences in ways that could narrow our room for manoeuvre.

## *A violent or coercive change to Taiwan's status would tilt the Indo-Pacific balance of power*

A conflict over Taiwan would test ANZUS and the broader Australia-US relationship in ways not seen since the Cold War. Canberra would face hard choices about access, intelligence, logistics and direct operational involvement, balancing the need to support its principal ally and uphold a favourable regional order against the risks of retaliation and escalation, including potential missile and cyberattacks on Australian infrastructure.

Yet non-participation would carry its own costs, imperilling the alliance with the US and raising the costs of maintaining a sovereign and independent Australian polity, particularly if it were seen as acquiescence to a violent redrawing of the region's strategic map.

## The purpose of this essay series

*Taiwan matters* is written against this backdrop of intertwined risk and responsibility. It brings together economic analysis, strategic assessment and operational insight to show why events in the Taiwan Strait will shape global prosperity, regional order and Australia's own security choices for decades to come. It explains how conflict, or coerced annexation without overt war, would transform the Indo-Pacific balance of power, strain alliance structures and up-end the technological and trading systems on which Australia's sovereignty and prosperity depend.

The essays that follow do more than describe dangers. They offer a framework for thinking about prevention, deterrence and resilience: how to reduce the incentives for war, harden economies and societies against disruption, and design defence postures and alliances that make aggression prohibitively costly.

For Australia, in particular, the essays invite a sober conversation about what national interests are at stake in the Taiwan question, what forms of economic, diplomatic, military and societal preparedness are required, and how best to work with partners to keep the peace while preparing for the possibility that it may fail.

Those themes culminate in the concluding essay of this report, which examines what a Taiwan crisis could mean specifically for Australia. It argues that conflict in the Taiwan Strait wouldn't be a distant strategic event but a profound shock to Australian society, our economy and defence planning, disrupting trade and supply chains, testing social cohesion amid cyber and information operations, and confronting Canberra with strong alliance expectations, particularly from the US, to provide access, logistics and niche operational support while managing the risks of escalation and retaliation.

This essay series argues that Taiwan's future isn't a peripheral concern to be managed at the margins of policy. It's a central test of whether the Indo-Pacific can remain open, stable and prosperous—and whether countries such as Australia can navigate an era of intensifying rivalry without sacrificing either security or sovereignty.

# Introduction: Taiwan matters

Mark Harrison

## The story of Taiwan

The people of Taiwan and their island home have a rich and complex history. Settled by Pacific islanders thousands of years ago, Taiwan was colonised by the Dutch in the 17th century, then briefly became a Ming dynasty loyalist outpost before being gradually incorporated into the eastern frontier of China's subsequent Qing empire in the 18th and 19th centuries. In 1895, the Qing court ceded Taiwan to Japan after the Sino-Japanese War, after which it was remade in Tokyo's colonial imagination as the 'road to the south'. Meanwhile, in China, the Qing dynasty collapsed in 1912 and was replaced by the Republic of China (ROC). In 1945, with Japan's defeat in World War II and the loss of its colonial territories, Taiwan came under the control of the ROC, in the first attempt to unify Taiwan with a modern China.

Unification led to the horror of 28 February 1947, known as 2-28: the Taiwanese uprising against the republic that was suppressed by the killing of up to 30,000 people by Chinese nationalist forces. In 1949, the nationalists lost the civil war with the Chinese communists in China, and the national government of the ROC fled the advancing communist army and relocated to Taiwan, along with a million or more Chinese nationalist refugees. They designated Taipei as the Republic's new national capital, amid intense local hostility. In China, meanwhile, the communists founded a new state: the People's Republic of China (PRC).

The story of Taiwan has been defined by frontier violence. The killing of the crew of the American merchant vessel *Rover* by indigenous Paiwan in 1867, the Tapani Uprising of 1915 and the Seediq guerrilla war of 1930 during Japanese colonial rule, and 2-28 above all else, were episodes in a succession of rebellions and reprisals stretching across centuries that have defined Taiwanese identity and shaped the actions of Taiwan's governing states. After his arrival in 1949, and in the aftermath of 2-28, nationalist leader Chiang Kai-shek implemented a period of martial law that lasted until 1987 and saw thousands of Taiwanese and mainlanders imprisoned and even killed as enemies of a suspicious and dangerous state.

It was that divided frontier society that found itself at the interstices of the post-World War II remaking of the international order that brought forward principles of self-determination, equality of states, and deliberative international institutions. But contested territories and histories haven't always found a place within the ideals of the new liberal international system. Powerful states have at times subverted those principles and exerted dominance over smaller ones.

The ROC, the name of which remains on the UN Charter as a founding member and which has existed continuously since 1912, has been gradually pushed outside the international system by the exercise of state power by the PRC. Taiwanese self-determination and legitimate democratic sovereignty have been denied by the international community in acquiescence to Beijing's application of state power to effect what it calls 'reunification', making Taiwan a representation of the contradictions of the international system itself.

## The forces that act upon Taiwan

Taiwan today exists both outside and inside the international system. It's largely excluded from international institutions and lacks formal diplomatic relations with all but a handful of countries but is at the centre of the global economy with a monopoly of advanced semiconductor manufacturing. It exists both as an object of state power, which in practice means Beijing's territorial claims and military threats and the US commitments to Taiwan's security as a component of US global power, and as a historical sovereign subject of its own.

The forces that act upon Taiwan in its modern interstitial condition mean that it's never been normalised as a recognised sovereign state, as the Taiwanese know it to be, nor as a part of China, as Beijing claims, nor since 1979 as a part of the US alliance system. Instead, the reality itself of Taiwan as a state and a national identity is fought over in domestic and foreign and defence policy, nation-state symbolism, and ideology. Power and discourse act over Taiwan in a constant effort to fix its place in contested world views.

Those forms of power and policy are also displaced or sublimated onto a political and even moral terrain of claims and counterclaims about Taiwan's identity, history and future in media, government, policy analysis and scholarly work in countries around the world.

Taiwan takes on a distinctive metonymic condition, in which the affirmation or denial of Taiwan's sovereignty stands in for claims about the higher logic of the world order. Any commitment or otherwise to Taiwan's defence, or a view about Taiwan's recognised statehood or annexation by the PRC, becomes a position that imagines a future for the international system itself, even as Taiwan is excluded from that system.

As a result, Taiwan—as a metonym rather than a real place—can encode a deep internalisation of the contours of global power, which in practice means either a US or China world view, which project down through their competing logics into competing and complex views on Taiwan and its future.

International relations policy analysts, academia and the media frequently frame Taiwan as a proxy for US power in East Asia by defining a Taiwan contingency as a potential trigger for a US–China conflict. In that framing, China’s military threat against Taiwan is understood less in terms of the sovereignty and security of Taiwan’s 23 million people than as China’s challenge to the US and its regional alliance system.

Under that logic, a Taiwan contingency becomes a scenario through which the credibility of the US alliance system, US global leadership and the competing strategic and economic alignments of regional powers towards Washington and Beijing are adjudicated.

When Taiwan is displaced to an expression of US power in Asia, those observers who are sceptical of the global power and responsibility of the US and call for its retreat from Asia, sometimes translate that call into a moral judgement about Taiwan and the Taiwanese. In that moral logic, the Taiwanese stand in the way of the US making way for a rising China or even become a people who are not worth fighting over. Criticisms of Taiwan’s level of defence spending or the resolve of its citizens cast Taiwan’s connection to US power in moral terms and imply that the Taiwanese are less deserving of US support for their sovereignty than other national communities.

Those who actively oppose US power and look to a rising China to challenge the US sometimes portray Taiwan as an obstacle to China’s rise and cast Taiwanese claims to sovereignty in negative terms as normatively and politically misaligned with an alternative ‘multipolar’ vision of international order and sustaining an unwanted global hierarchy.

A related dynamic is evident in Beijing’s uncompromising efforts to eliminate any form of Taiwanese representation within international institutions and the global commons. In the context of persistent military coercion, that stance can be internalised internationally, especially in national government foreign policy, as the belief that Taiwan’s marginalisation is a condition for peace. Under that logic, any official acknowledgement of Taiwan’s existence or agency is recoded as a provocation, while anxiety over Taiwan’s ‘independence’ rests on the presumption that Taiwanese assertions of sovereignty, rather than Chinese coercion, are the primary drivers of conflict.

This reasoning further assumes that Taiwan’s annexation by the PRC would resolve the structural contradictions of the existing international system in China’s favour in an era of relative US retrenchment, producing a new and more stable equilibrium. The CCP frequently turns such assumptions into moral claims about the inherent rightness or inevitability of unification, including the belief that shared cultural or civilisational traditions would suffice to legitimise Beijing’s political authority over Taiwan in the absence of democratic consent.

## Taiwan’s agency

Viewing Taiwan as a proxy for great-power relations and as an expression of the incomplete project of the international system, whether thoughtfully articulated or imbued with righteous morality or politics, denies agency to the Taiwanese people themselves.

This story of Taiwan is one in which the Taiwanese people have consistently asserted their agency against ruling regimes. That’s often come at great cost, in countless examples of resistance to the authority of the Qing dynasty, Japan and the ROC in 1947. That history informs the century-long Taiwanese struggle for democracy and self-determination. It’s also often come at cost to those regimes, testing their legitimacy, both locally and internationally, and taxing their resources.

Today, those dynamics are intensified by Taiwan’s democratic institutions and the fact that, through their economic, political and military strength, the Taiwanese are not without power in the international system.

Any realistic analysis of a potential Taiwan crisis must begin by interrogating its assumptions about Taiwan’s identity and political status. Analyses that treat Taiwan solely as an object of great-power competition without accounting for the clearly expressed will and aspirations of the Taiwanese people will underestimate Taiwanese resolve, the importance of history on Taiwanese actions in the present and the full consequences of Taiwan’s annexation. They also risk sidelining core principles of the modern international system, including democracy and self-determination. By neglecting those normative values and principles, such assessments not only diminish Taiwanese agency but also underestimate the wider consequences that the erosion of Taiwan’s sovereignty would carry for the aspirations of the liberal international order as a whole.

# The importance of Taiwan

## As a democracy

Nathan Attrill

Taiwan's transformation from military dictatorship to liberal democracy stands as a remarkable testament to its people's determination to shape their own political future. Within living memory for many, Taiwan has transformed itself from a repressive one-party state into a robust democracy that upholds human rights and the rule of law.<sup>1</sup> Under mounting pressure from the PRC, Taiwan's democratic resolve has become its most vital defence—both in practice and as a symbol of its sovereignty.

Since 1949, the PRC has been a one-party authoritarian state in which no national elections are freely held, political opposition is suppressed, and the CCP monopolises power by controlling all branches of government. That system is justified by leaders of the CCP through a mix of Marxist-Leninist ideology and pseudo-cultural arguments—for example, that Chinese people supposedly value stability and economic growth over individual political rights, and consequently the party's absolute rule is historically and culturally justified.

Taiwan's existence as a prosperous Chinese-speaking democracy poses a direct challenge to the CCP's narrative of political legitimacy. Taiwan's democracy demonstrates that Chinese culture—defined ethnically (*huárén*, 華人) rather than civically (*guórén*, 國人)—is not only compatible with, but enriched by, liberal democratic values. In one poll, 88% of Taiwanese agreed that democracy, despite its imperfections, is preferable to any other system of government.<sup>2</sup>

From Beijing's perspective, all that is precisely why Taiwan's democratic example is so dangerous. The CCP fears that the very existence of a free and democratic predominantly ethnic Chinese polity undercuts its legitimacy at home. If 23 million people in Taiwan can choose their leaders and enjoy human rights, why couldn't the 1.4 billion people in mainland China do the same? Taiwan's successful transition to democracy essentially poses the question: if Taiwan could transition to freedom, why not China?

This alternative vision explains why Beijing goes to great lengths to isolate Taiwan internationally and has ramped up pressure to portray Taiwan's democracy as a dead-end or a fringe separatist endeavour. CCP propaganda often maligns Taiwan's political system, claiming that it's chaotic or manipulated by foreign forces, in an attempt to dissuade mainland Chinese from admiring it.

Of course, Taiwan's democracy faces challenges familiar to many free societies—partisan polarisation, disinformation and debates over policy performance.<sup>3</sup> Fierce legislative debates, mass protests like the 2014 Sunflower Movement, and energetic media scrutiny

all indicate a polity that vigorously engages in self-correction and democratic debate. Crucially, problems are solved with ballots and dialogue. The contrast with the mainland's governance couldn't be more pronounced. According to Freedom House's Global Freedom Index for 2025, China is near the bottom of the scale (9/100) and Taiwan is near the top (94/100).<sup>4</sup>

Taiwan's path to democracy began in the shadow of decades-long authoritarian rule. It was a democratisation process that unfolded as a gradual and largely peaceful 'quiet revolution'.<sup>5</sup> In 1986, opposition activists took the unprecedented step of forming the Democratic Progressive Party (DPP)—Taiwan's first opposition party—even though it was technically illegal under martial law. Rather than suppress that development, Taiwan's then president, Chiang Ching-kuo, tolerated it. The following year, his government lifted martial law, formally ending a decades-long emergency era.

By the late 1990s, martial law and the dictatorship had been torn down and replaced with a constitutional, multiparty democracy. Taiwan is a poster child of the global 'Third Wave' of democratisation, joining other late-20th-century transitions in East Asia, Eastern Europe and Latin America.<sup>6</sup> Beyond the mechanics of voting, Taiwan today boasts a full spectrum of political freedoms and civil liberties. Taiwan's media environment is one of the freest in Asia. Social movements have flourished, from environmental groups to LGBTQ+ rights advocates. Religious freedom is respected, and various faiths coexist without state interference.

The values that underpin Taiwan's society—respect for individual liberties, pluralism and popular sovereignty—are the very antithesis of the CCP's authoritarian ethos. In the contest of narratives, Taiwan offers a refutation of the idea that only autocracy can govern Chinese people or that democracy is a 'Western' concept ill-suited to Asian culture. The CCP likes to claim that it's delivered economic growth and consequently has popular support, but Taiwan, too, has seen tremendous economic success—and did so while expanding political freedom. In fact, Taiwan's per capita GDP and development indicators rival those of high-income democracies, debunking the idea that democracy hampers prosperity. Moreover, Taiwan's success since the late 1980s has come without the human costs of China's development (no Cultural Revolution, no mass incarceration of ethnic minorities, no totalitarian surveillance state).

Taiwan's existence as a liberal democracy in East Asia reminds us that nothing about China's governing model is certain—if Taiwan can live in freedom, so too could mainland China, should its people one day choose to do so. That implication is precisely what makes Taiwan's democracy so precious, and why its preservation matters not just to Taiwan, but to all who believe in the universal right of peoples to choose their own future.

# As a trading partner

Joe Keary

When analysts consider the economic fallout of a conflict over Taiwan, much of the focus is on the macroeconomic effects of a potential closure of the Taiwan Strait or a sharp disruption to global trade with China. Yet that perspective often overlooks a more immediate and significant reality. Taiwan itself is a central node in the global economy. Its role as both a supplier of and a customer for the world's most advanced technologies makes it a consequential trading partner for most economies.

Taiwan was the world's 16th-largest trading economy in 2024, with merchandise trade totalling about US\$869 billion, or close to 2% of global trade.<sup>7</sup> On paper, that might seem modest, but, in practice, Taiwan's trade has an outsized impact because it consists of the very things that power modern economies: semiconductors, electronics, industrial machinery and critical intermediate goods.

## Taiwan's significance is not only as an exporter but also as a two-way trading partner

At the centre of Taiwan's economic weight sits one company: the Taiwan Semiconductor Manufacturing Company (TSMC). By late 2024, TSMC was producing more than 67% of the world's semiconductors<sup>8</sup> and over 90% of the most advanced chips.<sup>9</sup> Only one other firm, South Korea's Samsung, comes close to that level of sophistication, and, even then, it can't match Taiwan's scale. The advanced chips are essential to the artificial intelligence revolution and underpin everything from smartphones and laptops to cars, medical devices and missile systems. The extent of global reliance on Taiwan's chip industry is difficult to overstate.

The phrase 'silicon shield' is often used to describe TSMC's role in Taiwan's security, and for good reason. During the Covid-19 pandemic, supply-chain disruptions created a global semiconductor shortage that caused major losses across industries. According to one estimate, automakers alone lost nearly half a trillion dollars in 2021 because they couldn't source

enough chips, forcing them to abandon sales of some 7.7 million vehicles.<sup>10</sup> As one industry expert quipped, 'The problem is even if that 10-cent chip is missing, you can't sell your \$30,000 car.'<sup>11</sup> Some estimates suggest that a blockade disrupting Taiwanese chips for automobiles, smartphones and high-end graphics processors could wipe out US\$1.6 trillion in annual revenues, even before accounting for secondary effects cascading through global supply chains.<sup>12</sup>

And semiconductors are just the beginning. Taiwan is also a major exporter of other critical goods: electronic components, information and communications technology (ICT) products, precision machinery and renewable energy inputs such as solar-power and wind-power components.<sup>13</sup> During the pandemic, bottlenecks drove up prices for everything from game consoles to bicycles, reminding the world of Taiwan's centrality in both high-tech and consumer markets.

Taiwan's significance is not only as an exporter but also as a two-way trading partner. Despite its small population and contested political status, Taiwan ranks among the top 10 trading partners for most major Indo-Pacific economies (Table 1).<sup>14</sup>

The scale of those numbers underscores the vulnerability of Taiwan's partners. For the US, losing access to Taiwan would disrupt technology supply chains and complicate ambitions in artificial intelligence and defence innovation.

For China, Taiwan represents its fifth-largest partner; that trade underpins the PRC's electronics and manufacturing industries. Even amid political tensions, Taiwan supplies high-tech components that China can't yet produce domestically. Losing those links would create real challenges for Beijing's economy.

Japan and South Korea, each deeply integrated into global supply chains, would also face significant disruption. Their export-led economies rely heavily on intermediate goods from Taiwan. Without those imports, industries from automobiles to consumer electronics would face bottlenecks. Australia's \$33.6 billion in trade, which is less about high-tech than energy and industrial inputs, would face great losses across its resource-driven economy. ASEAN economies would lose access to essential electronics and petrochemicals. Even the European Union, which is geographically

Table 1: Two-way trade between Taiwan and selected Indo-Pacific economies

Country	2023 two-way trade (US\$)	Taiwan's rank as a trading partner	Key imports
China	\$230.8 billion	5th largest	Semiconductors, electronic components, machinery
United States	\$128 billion	8th largest	Semiconductors, ICT products, machinery
Japan	\$75.7 billion	4th largest	Semiconductors, machinery, optical instruments
South Korea	\$46.2 billion	5th largest	Integrated circuits, printed circuit boards, machinery
Australia	\$33.6 billion	9th largest	Refined petroleum, broadcasting equipment, chemicals
ASEAN	\$164.2 billion (2022)	6th largest (2022)	Semiconductors, electronics, petrochemicals
European Union	\$68.5 billion	13th largest	Integrated circuits, computers, phones

distant and somewhat less exposed, would lose access to components vital to its technology and automotive sectors.

Taken individually, those shocks would be costly. Taken together, they would represent a severe disruption to global commerce. Industries would lose critical goods, while exporters would lose access to a valuable consumer and industrial market. The knock-on effects could include job losses across manufacturing, shortages of medical devices and communications equipment, inflation in consumer goods, and slower global growth. Cars, hospital technologies, mobile phones and entire categories of modern production would become harder to source.

Taiwan's importance can't be reduced to a single product or sector. Its economy is a web of interdependencies stretching across the Pacific, into Europe and throughout the global South. Any disruption, whether from war, blockade or political rupture, would trigger consequences well beyond its shores. In an era when the global economy is already fragile, Taiwan's role as a trading partner isn't just important; it's central and, in many respects, difficult to replace.

## As a 'sponge' for China's military

**Nathan Attrill**

Taiwan plays an inadvertent and rarely acknowledged role in global affairs: it functions as a strategic sponge, absorbing a disproportionate share of China's political attention, military resources and diplomatic effort. Taiwan absorbs Chinese power of persuasion and coercion that won't be directed elsewhere while the island remains sovereign.

Taiwan's continued separation from China remains a key stabilising factor in the regional order and has wider implications for the global balance. While it remains separate from China, Beijing is delayed in shifting attention to new, and potentially more dangerous, fronts.

That dynamic isn't simply about Beijing's unification rhetoric. Taiwan persistently absorbs Chinese military, diplomatic and political bandwidth regardless of the timeline for unification. Even if unification were deferred, China's military would still need to maintain readiness, political organisations would continue influence operations, and diplomats would work to isolate Taipei.

In that sense, Taiwan functions as a structural constraint on Chinese power. So long as it remains separate and internationally supported, Beijing can't easily redirect those resources elsewhere without accepting greater strategic risk.

Every leader of the PRC—from Mao Zedong to Xi Jinping—has made 'reunification' a non-negotiable part of the CCP's mission. Xi has tied Taiwan's future directly to what he calls the 'Chinese Dream' of national rejuvenation. Unification is 'essential' to achieving China's

rise as a great power, he says. Party officials have referred to Xi Jinping as the 'helmsman' guiding China's national rejuvenation.<sup>15</sup>

The intensity of that focus is obvious. The PLA has made preparing for an invasion and occupation of Taiwan its top strategic priority, developing a vast arsenal of missiles, air and naval forces designed to overwhelm the island's defences and deter US intervention.

Military exercises simulating blockades or invasion have become normalised. In 2022, just over 1,700 Chinese military aircraft flew into Taiwan's *de facto* air defence identification zone: twice as many as in the previous year.<sup>16</sup> In 2024, that figure was more than 3,000, growing to 3,735 in 2025. In both years, Chinese aircraft and seafaring vessels were spotted around Taiwan on all but five days of the year in 2024 and two days in 2025. The exceptions were caused mostly by typhoons.

And, alongside that military coercion, Beijing wages an unrelenting pressure campaign to isolate Taiwan internationally, intimidate nations that support it and subvert Taiwanese society. This sustained, multidomain strategy of intensifying coercion reflects just how much of China's political and strategic bandwidth Taiwan consumes.

If unification remains the regime's priority, Beijing needs to be cautious not to unnecessarily provoke crises elsewhere that could derail its Taiwan plans. Military adventurism in the East China Sea or South China Sea carries the risk of triggering a conflict and diverting resources that might undermine China's ability to seize Taiwan. So, Taiwan's function as a sponge for China's attention is also a check on broader aggression. Beijing would be more emboldened to pursue its other strategic priorities if Taiwan capitulated.

*With Taiwan under its control, China would gain a crucial forward base for power projection*

There's also a domestic angle. The Chinese Communist Party uses Taiwan to fuel nationalist sentiment, to justify defence spending instead of fixing an economy weighed down by structural issues, and to distract from other internal challenges. If the Taiwan issue were solved, the regime would need a new outlet for this energy—potentially one more dangerous for China's neighbours.

Policymakers need to ask a sobering question: what happens if Taiwan is annexed by China? This wouldn't satisfy Beijing's appetite but rather embolden it. Absorption of Hong Kong has only freed up more resources to focus on coercion of Taiwan.

With Taiwan under its control, China would gain a crucial forward base for power projection. Its navy would have more available resources to operate in the Pacific, threatening shipping lanes

and enforcing the rights of internal waters within the Taiwan Strait. China could pressure Japan more aggressively over the Senkaku Islands or enforce dominance in the South China Sea. The Philippines, just south of Taiwan, would be more vulnerable to Chinese coercion.

Moreover, the psychological impact of a Chinese victory would ripple across Asia. US allies might question Washington's resolve. Smaller countries might accommodate Chinese influence to avoid becoming the next target. The delicate balance of power in the Indo-Pacific would tilt—not towards peace, but towards authoritarian dominance.

Policymakers in Indo-Pacific capitals need to send a clear message: maintaining the status quo in the Taiwan Strait helps preserve the broader stability of the Indo-Pacific. Unification sits within a wider effort to reshape Asia's security order. Control of Taiwan would weaken the First Island Chain, expand PLA access into the western Pacific and erode confidence in US security guarantees. In that context, Taiwan wouldn't end China's expansion; it would accelerate it.

Taiwan may be small in size, but it plays a disproportionate role in shaping Asia's future. So long as it remains a sponge for CCP attention, the rest of the region has a chance to stay dry.

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## To the international order

**Mark Harrison**

Taiwan sits at the intersection of three different logics that structure the global system. The first is the formal, state-centric diplomatic system created in the aftermath of WWII, institutionalised and territorialised by states through diplomatic recognition and symbolised by flags and nation-state naming conventions. The second is the hard power exercised by states that looms over the aspirations of that liberal international order, readily setting aside liberal principles in the name of national interests and the control of resources, territory and politics. The third is a global economy that has sought to push through nation-state boundaries to accelerate the flow of capital and goods to create global wealth. Here, production, standards, contracts, and supply chains bind jurisdictions together regardless of formal diplomatic status, creating global economic order in which the contours of power are different to those of the international order of states.

Taiwan is largely excluded from the first logic, the liberal international order, despite Taiwan's de facto statehood and legitimate claim to the liberal principle of self-determination that should earn it a place as a nation-state. The second logic, hard state power from Beijing, has sought to shape that order to

exclude Taiwan and influence national politics around the world in support of its territorial claim. It's within the second logic that the US security guarantee of last resort for Taiwan reduces Taiwan to an issue in great power politics between the US and China.

Taiwan looks different through the third logic of the global economy. Indeed, it's Taiwan that prototyped many of the economic principles that have become associated with globalisation. Starting in 1960, with the Statute for the Encouragement of Investment, Taiwan embarked upon reforms that opened the economy to global trade and finance, including low tariffs, open capital markets and managed state intervention. While Taiwan today wrestles with economic and social issues associated with its model of developmentalism, especially a low birthrate and low wage growth, its per capita income is higher than both Japan's and South Korea's.

Key to the most recent era of Taiwan's economic success has been the semiconductor industry. Its rates of capital investment are now so high that Taiwan shapes the entire global economy and no other country's industrial policies can effectively compete. Its production technology and supply chain integration is so advanced that, with the importance of semiconductors, Taiwan is crucial to the functioning of the modern world. At the same time, the resources required to sustain this production, such as LNG from Australia and Qatar for power generation, mean that Taiwan sits at the centre of an integrated supply chain of energy, capital investment, knowledge, and technology that spans the globe.

Therefore, under the third logic of the global economy, Taiwan is neither excluded, nor an expression of great power rivalry, but is itself a global colossus.

These differing logics that structure Taiwan's place in the international system coexist uneasily yet rarely intersect. National polities and societies across the world continue to grapple with questions of Taiwan's representation, nomenclature, and symbolic presence within their domestic political and institutional lives, mediated through the deliberately ambiguous formulae of 'One China' policies. In parallel, security and defence analysts situate Taiwan within scenarios of US–China strategic rivalry, elaborating contingency planning, deterrence doctrines, and the politics of national choices and alliance commitments in the event of a Taiwan Strait conflict. At the same time, global corporations continue to invest tens of billions of dollars in Taiwan, integrating its advanced technologies and services into critical supply chains that underpin contemporary economic life.

These logics—diplomatic ambiguity, strategic contingency, and economic interdependence—are largely compartmentalised in the present moment. Yet Beijing's escalating threats against Taiwan and its efforts to realise its objective of so-called 'reunification' underscore the profound and unintended consequences of their forcible convergence. The economic ramifications of a conflict over

Taiwan would be immediate and global, disrupting trade, finance, and production at an incalculable scale. The United States and its allies have increasingly sharpened defence postures and deterrence strategies designed to constrain Beijing's freedom of action.

However, a conflict over Taiwan would do more than test military resolve or economic resilience; it would compel a reckoning with the normative foundations of the international system itself.

At stake is a history-defining choice between the final erasure of Taiwan from the international system or its recognition as a political community entitled to sovereignty. The former path would consolidate a vision of international order in which power determines legitimacy, where the preferences of great states override the political agency of democratic societies, and where coercion is normalised as a means of territorial and identity resolution. The latter would affirm an international system that elevates democratic consent as the fulfillment of historical struggle as the basis of statehood and human progress. How Taiwan is treated will therefore not merely reflect the international order; it will actively constitute it, setting precedents for the status of contested polities, the limits of authoritarian expansion, and the moral content of sovereignty in the twenty-first century.

# The impact of a crisis

## On trade and livelihoods

Joe Keary

The Taiwan Strait is a vital artery of global commerce. A conflict there, whether a limited blockade or full-scale war, would unleash economic consequences on a scale unseen in decades. The immediate costs would include disrupted supply chains, higher shipping and insurance premiums, and markets in disarray. Longer-term consequences would involve entrenched inflation, reduced growth, higher debt burdens, and weakened investor confidence.

Analysts have tried to put numbers on the impact of conflict (Table 2). Their estimates vary in assumptions and scope but converge on one point: even a limited disruption (such as a blockade) would have severe economic consequences, while full-scale conflict would unleash an economic shock without precedent in modern times.

The Rhodium Group estimates that limited conflict such as a blockade could shrink global GDP by 5%.<sup>17</sup> Bloomberg Economics projects that an outright invasion could result in US\$10 trillion in global economic losses, equivalent to a 10.2% contraction in world GDP, and twice the scale of the 2007-2008 global financial crisis or the Covid-19 pandemic.<sup>18</sup> A US Government assessment reached a similar conclusion, warning that a conflict could cost US\$2.5 trillion annually if prolonged.<sup>19</sup>

Modern supply chains are highly fragile. Factories depend on the steady flow of parts arriving on time from around the world. Conflict in the Taiwan Strait would block critical trade routes, especially those connecting Northeast Asia with global markets. Ships could try detours through other straits, but those longer routes would add days or weeks to delivery times, driving up costs. Delays and shortages would quickly hit factories, leaving everything from smartphones to cars in short supply.

Financing trade would also become more difficult. About one-third of global commerce depends on banks providing short-term credit to cover goods while they're in transit. In a crisis, banks would

charge much higher premiums or withdraw altogether, limiting the availability of that credit. Shipping insurers would also raise rates sharply for vessels operating anywhere near contested waters. The result would be another layer of cost and disruption on top of the physical delays.

Financial markets wouldn't wait for the full scale of the disruption to become clear. Investors tend to respond quickly to risk by moving capital into safer assets, such as government bonds, which would send equity markets tumbling. Central banks would be forced to inject liquidity and coordinate emergency measures to keep markets functioning. Meanwhile, commodity prices might initially weaken as demand falls, but the price of oil, gas, and food would almost certainly spike if shipping lanes were blocked.

Energy security would be one of the most immediate pressure points. Taiwan generates roughly half of its electricity from LNG, and around half of those LNG imports come from Australia. Taiwan maintains only around 10 days of LNG reserves. In a blockade scenario, energy shortages would therefore emerge in days rather than weeks. Because Australia is a principal LNG supplier, Canberra would be drawn into the crisis from the outset, whether it wished to be or not.

Sanctions would further deepen the economic shock. As with Russia in 2022, many Western nations would be likely to freeze Chinese foreign exchange reserves, restrict access to global payment systems, and ban exports. China would be likely to respond by imposing its own restrictions. But unlike Russia, China is deeply embedded in the global economy. Sanctions of that scale would not only hurt China but would also cause heavy collateral damage for sanctioning countries and their partners.

Meanwhile, governments would be paying far more to bolster their defence forces while collecting less revenue from trade and production. Budgets would swing into deep deficit, forcing heavy borrowing on top of already high debt. In the years that followed, higher taxes and limited fiscal flexibility would weigh on growth, leaving long-lasting economic scars even after the fighting stopped.

Table 2: Economic activities most at risk

Category	Estimated effect
Supply chains	Ships reroute, adding delays and fuel costs. Global factories face shortages, raising prices across sectors.
Finance and banking	Trade finance contracts. Insurance costs soar. Lenders seek safe assets, curtailing loans and increasing costs.
Markets	Capital flees to safe assets. Equities fall, bonds rise. Exchange rates swing sharply. Some commodity prices slump while others spike.
Bilateral trade	Asset freezes and embargoes disrupt bilateral trade. Retaliatory sanctions compound this effect. Global trade fragments.
Government debt	Defence spending rises, revenues collapse. Fiscal deficits balloon, forcing higher borrowing and taxes. Debt-to-GDP ratios surge.

The Indo-Pacific would bear the brunt of the economic fallout. According to Admiral John Aquilino of US Indo-Pacific Command, conflict could contract Asia's GDP by 25%.<sup>20</sup> Southeast Asian economies would face acute trade disruptions given their reliance on Chinese and Taiwanese supply chains. Energy and food prices would spike, and coastal economies reliant on shipping and tourism would experience immediate distress.

Regardless of Australia's stance in any contingency, the consequences would be direct. More than 70% of Australia's two-way trade is with Indo-Pacific partners, and just over half is concentrated in its top four trading partners—China, the US, Japan and the Republic of Korea. A crisis in the Taiwan Strait would therefore strike at the core of Australia's economic model. Exports of iron ore, LNG, coal and agricultural products would face disrupted demand and shipping constraints, while Australian manufacturers and consumers would confront shortages and higher prices for imported goods.

Even if the conflict didn't involve direct confrontation with the US, China would suffer a severe downturn. Its export-driven growth model would be crippled by trade disruption, capital flight and reduced access to global markets. A weakened yuan and tightened capital controls would further erode investor confidence. Structural challenges, such as ageing demographics and slowing productivity, would be magnified by conflict, deepening long-term stagnation.

Many economies depend on Chinese trade, investment, and loans. A contraction in Chinese demand would hurt commodity exporters such as Australia, Brazil, and South Africa.<sup>21</sup> Debt-dependent countries in Asia and Africa could face crises if Chinese lending slowed or if refinancing dried up. The effects would be particularly acute for states such as Sri Lanka, Pakistan and Laos.

The US would be likely to face a painful combination of slower growth, higher inflation, and rising fiscal pressures. Europe, still coping with the economic fallout from the war in Ukraine, would face higher energy costs and disrupted Asian trade routes. While less vulnerable than Asia, both would feel the strain of an interconnected global economy under stress.

No major economy would be spared. Asia would endure the most severe losses, but the effects would ripple outward to Europe, North America, and the developing world. Even a short conflict would produce long-term economic scars. The world's dependence on stable access to the Taiwan Strait underscores a stark reality: the costs of conflict in the strait would reshape the global economy for years to come.

## On foreign nationals living in Taiwan

Nathan Attrill

Taiwan hosts nearly 1 million foreign residents, the vast majority of whom are from Southeast Asia (Figure 2).<sup>22</sup> Any Taiwan Strait crisis would present a nightmare scenario for civilian evacuations. With no land borders, any evacuation of civilians can only occur by air or sea. That isolation becomes a critical vulnerability in a crisis such as an invasion or blockade by China. The largest at-risk groups—Southeast Asian migrant workers—face disproportionate danger, as their sheer numbers and their home countries' limited evacuation resources make any potential rescue extremely challenging.

As of 2025, Indonesians made up about a third of Taiwan's foreign residents; Vietnamese were a close second and Filipinos third (Thais and Malaysians account for smaller shares). Migrant workers are largely employed in factory lines, construction sites and fishing boats or as caregivers in Taiwanese homes. Nearly *one in every 33* people living in Taiwan is from an ASEAN member state.<sup>23</sup>

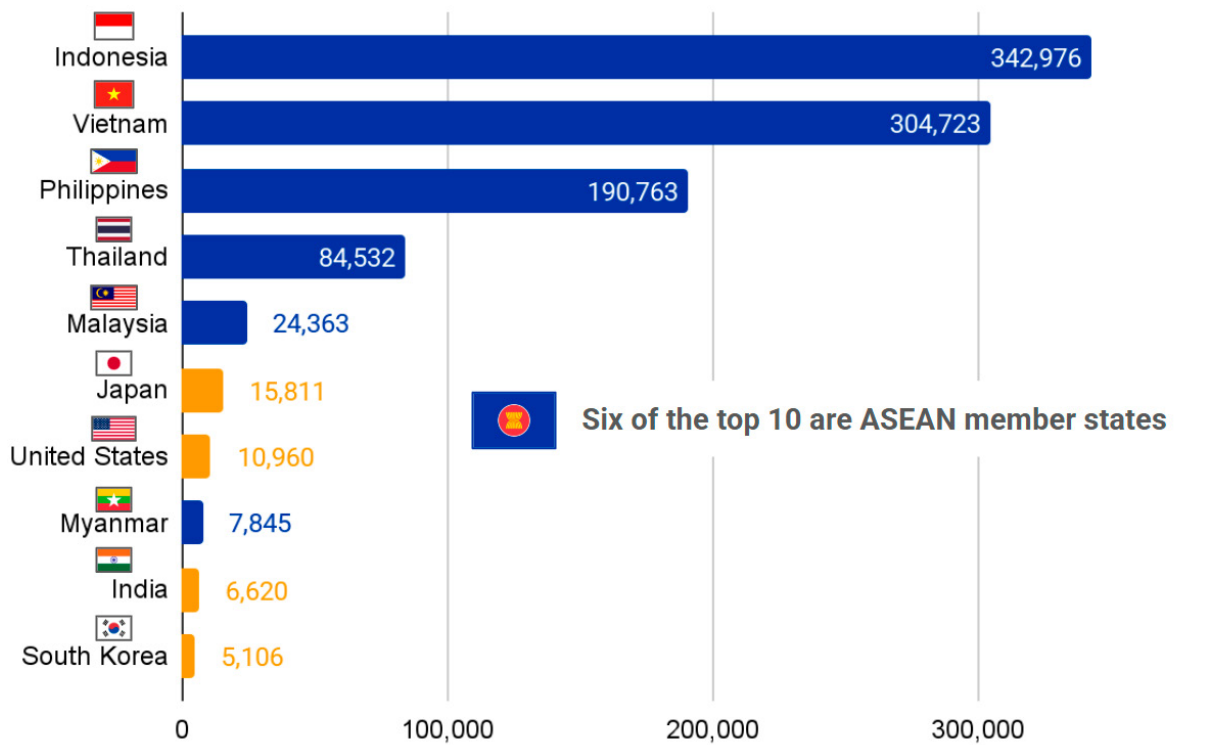
### *Any Taiwan Strait crisis would present a nightmare scenario for civilian evacuations*

Migrant workers are especially vulnerable in a crisis. The majority are employed in low-wage sectors in which take-home pay frequently falls at or below Taiwan's minimum wage. For many, disposable income is extremely limited. In a sudden contingency, they would simply lack the funds to purchase commercial tickets or arrange onward travel independently, rendering them almost entirely dependent on state-organised, free evacuation. Many live in dormitories or private homes dispersed across the island, often far from de-facto embassies, airports or major transport nodes. Language barriers, limited access to reliable information, and restricted mobility would further constrain their ability to self-evacuate.

In the chaos of a Taiwan Strait crisis, overwhelmed authorities are likely to prioritise citizens, meaning that Southeast Asian workers could receive less immediate assistance simply due to scale and geographical dispersion. At the same time, many have developed deep social and economic ties in Taiwan, which may complicate evacuation decisions even as their material capacity to leave independently remains extremely limited.

In a crisis, there would be no option to drive or walk to safety to a neighbouring country—evacuation flights or ships would be the only ways out. The distances aren't huge (Taiwan lies around 180 kilometres from China and around 350 kilometres from the Philippines), but those narrow sea and air channels would probably be closed. Even if friendly navies or airlines were to attempt rescues, they would face the constraint that every evacuee needs to be flown or ferried over contested waters or airspace.

Figure 2: Foreign residents in Taiwan as of September 2025



Data: National Immigration Agency, Taiwan, September 2025.

One of the starkest challenges is that most Southeast Asian governments are ill-prepared to evacuate such large numbers of their citizens from Taiwan. Unlike the US, Japan or European countries, which maintain robust military airlift and sealift capabilities, countries such as Indonesia, the Philippines, Vietnam, Thailand and Malaysia have relatively limited transport assets for non-combatant evacuations.

That limitation has been acknowledged at the highest levels. For example, the Philippines' foreign minister informed lawmakers that Manila has plans to help its nationals in Taiwan but admitted that the government has 'only limited ships' available and is seeking alternative evacuation arrangements.<sup>24</sup>

In a 2023 simulation exercise, regional officials recognised that their evacuation efforts would be likely to stall without external help. Southeast Asian delegates couldn't find a solution to extract their nationals until Singapore (the region's most militarily capable state) stepped in with airlift resources at the 11th hour. Singapore, which quietly maintains training troops in Taiwan, was uniquely positioned to leverage access to airfields and negotiate a corridor—an option not readily open to others.<sup>25</sup>

Comparisons to past evacuations in Lebanon in 2006 and Ukraine in 2022 underscore how difficult it is to evacuate civilians, even under better circumstances than Taiwan would offer. Ultimately, the logistical, diplomatic and humanitarian obstacles are immense. Evacuating that many people by air and sea, under fire, would test the limits of global crisis response.

Absent extensive pre-war planning and international coordination, many foreign nationals could find themselves trapped alongside Taiwanese civilians in a crisis—a sobering prospect that highlights the urgent need for contingency planning but, critically, for conflict prevention in the first place. The plight of Taiwan's foreign residents is thus an important and often overlooked dimension of any potential Taiwan Strait crisis—one that the international community and regional governments would struggle mightily to address if the unthinkable were to occur.

## On transnational repression

Mark Harrison

In 1984, Taiwan-born journalist and commentator Henry Liu was murdered in the driveway of his home in Daly City, California, by two members of the Bamboo Union Triad. Liu had moved to the US in the late 1960s as a foreign correspondent for Taiwanese state media before becoming a US citizen and turning to publishing work critical of the then-authoritarian government in Taiwan. He was working on an unsympathetic biography of Chiang Ching-kuo, son of Chiang Kai-shek, before his death.

The US investigation determined that the Bamboo Union was acting on orders from the ROC military. Liu's murder, along with others such as Taiwanese-American mathematician Chen Wen-chen by the security services in Taipei in 1981, showed how far the ROC state was willing to go to silence overseas Taiwanese independence and democracy activists in what would today be called 'transnational repression'.

Within the scope of those practices at that time, transnational repression of Taiwanese included the routine surveillance of overseas Taiwanese students on foreign, especially US, campuses, the infiltration of diaspora organisations, and pressure applied to families in Taiwan. The most benign parts of that system, such as the Overseas Chinese Affairs Commission, conducted community outreach and influence and organised study tours back to Taiwan for young second-generation US-born Taiwanese Americans (known as the ‘Love Boat’) to promote a commitment to the ROC and the ruling Kuomintang.

The Overseas Chinese Affairs Commission still exists (as the Overseas Community Affairs Council), but ROC transnational repression ceased after the end of martial law in 1987 and democratisation. That political and institutional revolution for the ROC state transformed what it meant to be Taiwanese for all those who identified with Taiwan around the world.

But, as Taiwanese people today assess transnational repression in Taiwan’s authoritarian past, it’s now the PRC that’s pursuing transnational repression against overseas Taiwanese communities and their allies around the world.

The practices of the PRC party-state share Leninist roots with those of the nationalists but have been fully institutionalised and codified over many decades to include global espionage, diplomacy and ‘united front’ work, to seek out independent organisations and individuals with views on China not aligned with the party’s and to coopt, marginalise or suppress them.

Those contemporary modes of PRC transnational repression, and united front work specifically, express both Taiwan’s central place in the CCP’s ideological cosmology but also the reality that Beijing doesn’t control Taiwan itself. The party undertakes a tremendous amount of political work using Taiwan and the concept of ‘reunification’ domestically and has sought to use its state power to shape Taiwan discourse and the international system itself to exclude Taiwan and shape national Taiwan policies. But lacking actual control of Taiwan shapes the array of practices that it deploys.

That means overseas Taiwanese communities experience transnational repression in the everyday as the translation of high-level PRC state ideology, policies and tactics and the forces Beijing brings to bear on the international system and nation-states.

That includes surveillance of community groups and interference in their activities by representatives and proxies of the PRC state. Such interventions can be direct, when individuals acting as PRC proxies involve themselves in the community to monitor individuals and events and report back to embassies or consulates. They can also involve disrupting gatherings where symbols of Taiwan or the ROC, such as flags or naming, are displayed. Beyond those overt actions, influence extends to shaping discourse by

cultivating elites and policing institutional narratives to normalise the exclusion and misrecognition of Taiwanese communities in public life. This combination of direct interference and systemic narrative control creates an environment in which marginalisation becomes routine and accepted.

Transnational repression against Taiwanese communities often takes the form of low-level but persistent monitoring and pressure. Their visibility in national settings is frequently politicised through discourse and informal scrutiny, creating a climate of constraint and anxiety.

However, Taiwan’s own past highlights the future implications of Beijing taking control of Taiwan itself. With the ability to link repression on the island to politically activated Taiwanese communities abroad, treating those communities as extensions of an intense domestic security problem, the PRC would build greater capacity and domestic legitimacy to operationalise the full spectrum of transnational repression. In particular, as occurred during Taiwan’s authoritarian era, instances of violence and intimidation directed at overseas Taiwanese activists and well-publicised coercion would amplify fear, deepen self-censorship and shrink the space in which Taiwanese people feel able to participate openly in civic and political life overseas. PRC control over Taiwan would change the threshold for risk for Taiwanese people all around the world.

For Australia, the implication is that preparedness for a Taiwan Strait crisis can’t be limited to alliance settings or economic contingency planning. It needs to also include protecting the civic equality and security of communities that would be immediately affected. It means ensuring that Taiwanese-Australians can organise, speak and participate in public life without harassment or institutional misrecognition today, in anticipation of a far deeper crisis for those communities in the future. That requires routine, trusted channels between governments, universities, law enforcement and community organisations, clearer institutional guidance on naming and representation, and a media and policy discourse that doesn’t treat Taiwanese identity as negotiable or peripheral. Building those safeguards now would not only reduce harm in a crisis, but would also strengthen democratic resilience in the face of political warfare already underway.

## On regional balance

Joe Keary

Were China to annex Taiwan, whether through coercion, military conquest or diplomatic manoeuvring, the strategic landscape of the Indo-Pacific would be fundamentally altered. Military postures and regional power dynamics would shift, triggering a cascade of political, diplomatic and economic consequences. While unification would be likely to embolden Beijing, it would also introduce a host of domestic and international challenges.

Taiwan has long been regarded as the linchpin of the First Island Chain and a front line in the contest for influence between Beijing and Washington. US Army General Douglas MacArthur once described Taiwan as ‘an unsinkable aircraft carrier and submarine tender’<sup>26</sup>—a phrase that captures its enduring geographical significance.

China’s strategic position would be substantially enhanced if it controlled Taiwan. The island could host forward bases for submarines, missile systems and surveillance infrastructure, extending Beijing’s operational reach deep into the Western Pacific. Access to deepwater ports would enable Chinese submarines to enter the Philippine Sea directly, bypassing choke-points that previously constrained their movements. New deployments of underwater sensors and missile batteries would enhance China’s capacity to monitor, and potentially restrict, adversaries’ naval and air activity.

### *Annexing Taiwan would fulfil Xi Jinping’s pledge to achieve ‘national rejuvenation’*

With air and maritime approaches north, east and south of the island under its control, Beijing would gain leverage over key sea lanes vital to regional commerce. The annexation would effectively turn Taiwan’s segment of the First Island Chain from a barrier limiting China’s ambitions into a platform for projecting Chinese power across the Pacific.

An immediate consequence would be intense pressure on the US-led alliance system in Asia. The credibility of Washington’s security commitments to Japan, South Korea and the Philippines would be called into question. The US might choose to reposition key air and naval assets to the relative safety of the Second Island Chain, which would reinforce allied doubts and weaken regional defence postures. The region’s security architecture, long anchored by US credibility, would face its most severe test since the end of the Cold War.

Japan and South Korea, which are both reliant on US extended deterrence, would be likely to accelerate efforts to bolster their

independent defence capabilities if confidence in American guarantees weakened. We can already see over the past 12 months how uncertainty in Washington has reverberated through allied capitals, sharpening debates about strategic autonomy and nuclear options.

In Japan’s case, the shift in the regional balance over the past two decades has driven a transition from being a strictly pacifist postwar entity towards a more ‘normalised’ security role. Defence spending has increased, constitutional interpretations have been broadened, and security cooperation with partners has deepened. Japan possesses the technical expertise and industrial capacity necessary to develop a nuclear deterrent should it choose to do so. While political barriers remain, a sustained erosion of US credibility could intensify internal debate.

South Korea faces a more immediate security dilemma, given North Korea’s established nuclear arsenal. Public support for an indigenous nuclear capability has periodically surged in response to doubts about US resolve. If extended deterrence were to appear less certain, Seoul would be likely to face mounting pressure to pursue an independent nuclear option.

Smaller Asian states would also confront difficult choices. Many ASEAN members have sought to balance between Washington’s security guarantees and Beijing’s economic influence. If US commitments were to appear to be weakened, those states might increasingly accommodate China to safeguard their interests. The Philippines, which is geographically exposed and heavily dependent on US support, would be particularly vulnerable. A perception of abandonment could prompt a military buildup or prompt a regional collapse into a Sino-centric order.

For Beijing, annexing Taiwan would fulfil Xi Jinping’s pledge to achieve ‘national rejuvenation’ through reunification and would reinforce the narrative that the East is rising as the West declines. Yet the costs could be substantial. Taiwan’s population overwhelmingly opposes unification, raising the prospect of persistent unrest and resistance. Governing a hostile society would demand enormous security resources, especially if annexation were to follow a destructive military campaign that devastated infrastructure, including the island’s vital semiconductor industry.

Reconstruction and security expenditures would strain China’s fiscal capacity, and public sentiment on the mainland could turn if resources were diverted towards occupation and rebuilding. Even if initial nationalist enthusiasm were high, the prolonged economic and social burdens could erode confidence in the CCP and in Xi’s leadership.

Internationally, annexation would carry severe diplomatic and reputational costs. China would be likely to face sanctions and political backlash from advanced economies, particularly the US, curtailing its economic and diplomatic flexibility. While some regional states might accommodate Beijing’s new position, others

would seek to form new partnerships and frameworks to manage China's long-term ambitions as a global power.

Politically, a forcible annexation of Taiwan would be deeply destabilising. It would undermine international norms against changing territory by force and embolden authoritarian regimes elsewhere. The precedent could strengthen Sino-Russian cooperation in pursuing revisionist objectives, especially if US alliances in East and Southeast Asia and Eastern Europe were perceived to have weakened.

Militarily, the fall of Taiwan would cement China's position as the dominant power in Asia, particularly if it succeeded in deterring, or defeating, a US intervention. Control of the island would allow Beijing to intensify pressure in the South and East China seas, increasing tensions over the Senkaku Islands and deepening its challenges to the Philippines. Taiwan's loss would transform maritime dynamics across the Western Pacific, giving Beijing new flexibility to conduct grey-zone operations and assert power beyond its near seas.

In sum, while annexation would deliver China immediate strategic and military advantages, it would also impose heavy economic, political and diplomatic costs. It would weaken US credibility, spur regional military buildups, and force neighbouring states to recalibrate their security and foreign policies. The Indo-Pacific balance would tilt towards Beijing, but at the expense of long-term stability and potentially at great cost to China itself.

Maintaining the *status quo* in the Taiwan Strait is therefore essential not only to preserve Taiwan's autonomy but also to sustain the broader stability of the Indo-Pacific and uphold the international norms that have underpinned peace and prosperity in the region for decades.

# Conclusion: Implications for Australia and defence

## Marc Ablong

As the preceding essays have stated, a conflict over Taiwan would not be a distant crisis. For Australia, it would be a generational shock to our society, economy, politics and defence, compressing choices that have accumulated over decades into a narrow window of action. The implications reach well beyond questions of whether Australian forces might fight alongside those of the US; they touch the resilience of Australian livelihoods, the viability of our industrial base, the stability of our democracy and the credibility of our alliance commitments in an Indo-Pacific order under strain.

For Australian society, a Taiwan crisis would be experienced first through the economy and the information environment. The Taiwan Strait is a vital artery of global trade, carrying flows of energy, trade and components between Northeast Asia and the rest of the world; its disruption, even by limited blockade, would drive up prices, unsettle financial markets and feed public anxiety about jobs, mortgages and superannuation. Estimates suggesting global GDP losses of 5%–10% from blockade or invasion scenarios imply sharp contractions in Asia's growth, surging inflation and larger fiscal deficits—conditions that would inevitably spill into Australian living standards.<sup>27</sup>

### *The implications reach well beyond questions of whether Australian forces might fight alongside those of the US*

Australia's industrial and trade profile makes it especially vulnerable to prolonged disruption in East Asian demand and shipping. As a major commodity exporter deeply tied to Chinese and regional markets, Australia would face falling export volumes, increased shipping and insurance premiums, and more volatile prices if conflict constricted trade routes or triggered a severe Chinese downturn. A conflict-induced contraction in Chinese demand would affect iron ore, coal, gas and agricultural exports, with knock-on effects for employment, regional communities and government revenue.

At the same time, Australia's own industrial and defence ambitions rely on access to advanced technologies, components and capital equipment that are sourced or assembled through supply chains running through Taiwan, China, Japan, South Korea and Southeast Asia. A major conflict would expose the fragility of just-in-time arrangements for critical items (from precision machine tools and electronics to pharmaceuticals and specialised chemicals) and

intensify pressure to develop more self-reliant, diversified supply chains and a more robust defence industrial base.<sup>28</sup>

At the same time, a high-end crisis would be accompanied by intense cyber operations and influence campaigns directed at Australian institutions and communities, testing societal cohesion and trust in government at precisely the moment when clear communication and unity of effort are most needed.

Chinese-Australian and Taiwanese-Australian communities would feel the impact most directly. Many have close family and business ties to Taiwan and the mainland, and a crisis could mean separation from loved ones, difficulty travelling and fear for relatives in the conflict zone. Divergent views within and between those communities about cross-strait politics risk internal tensions, especially if events are framed in zero-sum, nationalist terms by external actors or partisan media.

There's also a well-documented risk of scapegoating. Experience from Covid-19 and earlier periods of Australia–China tension shows that rising geopolitical friction can trigger spikes in anti-Asian racism and suspicion of people of Chinese background, regardless of their actual views or origin. A Taiwan conflict could intensify that pattern, undermining the sense of belonging among communities that are central to Australia's multicultural identity and economic life.<sup>29</sup>

The PRC embassy and consulates and Taipei Economic and Cultural Office (TECO) staff would offer competing claims for representing 'nationals' from Taiwan stranded in Australia, and Canberra would come under considerable pressure from the PRC to resolve the diplomatic status of TECO offices in Australia.

Politically, a conflict in the Taiwan Strait would confront Canberra with interlocking pressures. If the US chose to intervene militarily, expectations in Washington and Tokyo that Australia would offer tangible support, ranging from access to bases and enablers to niche operational contributions, would be intense.<sup>30</sup> Domestically, the Australian Government would have to justify any role in a high-risk conflict to a public concerned about escalation, China's potential retaliation and the economic consequences of sanctions and countersanctions on a major trading partner.

At stake would be more than the immediate crisis. A forcible annexation of Taiwan, or even its coerced unification, would tilt the Indo-Pacific balance of power decisively towards Beijing and call into question the reliability of US security guarantees across the region. That would feed doubts in Tokyo, Seoul and Southeast Asian capitals and raise the prospect of more fragmented, transactional security arrangements—an environment in which Australia's ability to shape outcomes and defend its interests would

be reduced. Conversely, a visible failure by Australia to support the US in what Washington would be likely to regard as a defining test of resolve could damage, if not end, the political foundations of ANZUS at precisely the moment when Australia depends more, not less, on US capabilities and technology.

For Australia, and other US allies, the implications are twofold: first, that deterrence and defence hinge on posture and preparedness well before a crisis; and second, that any decision to assist the US would carry a non-trivial risk of escalation and loss, including attacks on enablers and bases far from the immediate theatre, including in Australia.

In a major Taiwan contingency, Washington's expectations of Canberra would centre on enablers, access and political solidarity rather than large-scale direct-combat forces near Taiwan's shores. The US would almost certainly ask for assured access to northern Australian bases for long-range bombers, refuelling aircraft, maritime patrol platforms, ISR (intelligence, surveillance and reconnaissance) assets and submarines, using Australian territory as a relatively secure rear-area hub if forward facilities in Japan and Guam came under heavy attack.<sup>31</sup>

US planners would also look to Australia to:

- Provide basing and logistical support for rotational US air and marine forces already exercising from Darwin, Fremantle and the Submarine Rotational Force – West along with associated facilities, including fuel, munitions storage, maintenance and medical support.<sup>32</sup>
- Provide industrial, logistics and mobilisation support, including munitions manufacture and repair facilities, port and rail infrastructure, and cyber resilient critical infrastructure and related systems.<sup>33</sup>
- Contribute niche operational capabilities in areas such as long-range maritime strike, antisubmarine warfare, mine countermeasures, communications, cyber defence and space based or other intelligence capabilities, particularly in the eastern Indian Ocean and approaches to Southeast Asia.
- Participate in sanctions enforcement, maritime security operations and protection of critical sea lines of communication, including convoying or escort duties for allied shipping.
- Coordinate diplomatic outreach to Southeast Asian and Pacific states to sustain broader political support for any collective response and to mitigate Chinese efforts to fracture regional consensus.<sup>34</sup>

Depending on how widely the conflict spread, there might also be expectations that Australian forces help relieve US and Japanese burdens in peripheral theatres, such as ensuring stability in the South Pacific, tightening security cooperation with key partners like the Philippines, and contributing to homeland and infrastructure defence against cyber and information operations.

These demands intersect with the ADF's ongoing transformation. Recent Australian defence planning has shifted away from a balanced, expeditionary model towards an integrated, focused force designed to deter and respond to threats in the immediate region through long-range strike, undersea warfare, integrated air and missile defence and resilient command and logistics networks. For a Taiwan contingency, these capabilities would be relevant less for direct combat over the island than for denying hostile use of nearby seas, supporting US and Japanese operations from depth, and protecting Australian territory and infrastructure that would become central to coalition sustainment.<sup>35</sup>

At the same time, a high intensity conflict would stress the ADF in ways for which it has limited historical experience: sustained operations under missile threat, contested cyber and space domains, rapid depletion of munitions, and the need to mobilise reserves and industry at a pace not seen since the mid-20th century. Ensuring that northern bases are hardened and dispersed, that fuel and munitions stocks are sufficient, that logistic chains can function under attack and that joint command arrangements with the US are clear and rehearsed will be central to credibility.<sup>36</sup>

Developments in Chinese military power and behaviour, combined with insights from wargames and intelligence assessments, have led many officials and analysts to speak of a compressed 'Davidson window', during which the risk of a serious Taiwan conflict is judged to be heightened.<sup>37</sup>

The more sobering possibility is what might be called no-warning warning time: a strategic environment in which indicators of growing risk are visible, but the actual onset of crisis and conflict is abrupt, with little or no lead time for additional mobilisation beyond what's already been prepared in peace.<sup>38</sup> That has profound implications for the ADF and for national strategy. It means Australia must treat current force structure plans and posture decisions as investments that may need to be operationally relevant far sooner than originally envisaged; it also means rethinking the relationship between permanent capabilities and surge capacity, including reserves, industry and civil infrastructure.

For defence planners and policymakers, the central challenges can be summarised as follows:

- Reconcile Australia's deep economic entanglement with China and the region with the need to plan for scenarios in which those ties are suddenly disrupted by crisis or conflict.
- Decide how much risk Australia is willing to bear in supporting the US and allies in a Taiwan contingency, and what forms of contribution best align with national interests, public support and available capabilities.
- Accelerate the transition to a force posture that can operate under persistent cyber and missile threat, sustain high-end operations from northern Australia, and contribute

meaningfully to coalition deterrence and defence without overextending limited resources.

- Build a broader national preparedness framework, encompassing industry, infrastructure, civil defence and political communication, that recognises that in a Taiwan crisis, Australia would not be a distant observer but a deeply affected participant, whether or not ADF units engage in direct combat.

The emerging strategic reality is that time is no longer a free resource. The scale of potential demands on Australia in a Taiwan crisis means that choices deferred are, in practice, choices made.

In operational terms, Australia's primary contribution in any defence of Taiwan would likely be to help make the broader coalition campaign viable and sustainable, by providing depth, bases, enablers, intelligence and industrial support, rather than to provide a decisive military contribution in the Taiwan Strait. That still demands serious, near term changes in posture, capabilities and national preparedness if deterrence is to be credible. Planning for the implications of conflict over Taiwan is therefore not a speculative exercise in distant futures; it's central to how Australia prepares to safeguard its society, economy and sovereignty in the decade immediately ahead.

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# Acronyms and abbreviations

ADF	Australian Defence Force
ASEAN	Association of Southeast Asian Nations
CCP	Chinese Communist Party
DPP	Democratic Progressive Party
GDP	gross domestic product
ICT	information and communications technology
LGBTQ+	lesbian, gay, bisexual, transgender and queer
LNG	liquefied natural gas
PLA	People's Liberation Army
PRC	People's Republic of China
ROC	Republic of China
TECO	Taipei Economic and Cultural Office
TSMC	Taiwan Semiconductor Manufacturing Company



**25**  
**YEARS**  
2001-2026