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US-CHINA COMPETITION IN THE INDO PACIFIC REGION: THE TAIWAN QUESTION

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Abstract: Taiwan is widely seen as one of the most consequential geopolitical flashpoints of the 21st century, far exceeding a mere local dispute. Its de facto self-governance and democratic system directly challenge Beijing's claims of sovereignty, making Taiwan's status a defining element in the strategic rivalry between China and the United States. Taiwan's future carries far-reaching implications for the global geopolitical order. A crisis over Taiwan could intensify U.S.-China rivalry, reshape alliance structures, and test the core principles of the international system. A forcible Chinese takeover would set a dangerous precedent for changing borders by force, echoing Russia's invasion of Ukraine, and deal a grave blow to the credibility of democratic governance in Asia. Conversely, a successful U.S.-led defense of Taiwan would reinforce the regional alliance network but risks hardening divisions between China and the West. Thus, Taiwan sits at the nexus of military strategy, economic interdependence, and ideological contest, making its fate pivotal to the balance of power in the Indo-Pacific and the integrity of the rules-based international order. This paper will therefore look into the role of Taiwan in navigating the intensifying great power competition in the IPR. The geopolitical lens will provide an insight into middle power agency and great power relations.

Keywords: Taiwan, great power competition, middle power agency, U.S.-China rivalry, Indo-Pacific

Introduction

The Indo-Pacific has become a central arena of great power rivalry between the United States and China, and Taiwan finds itself on the frontlines of this competition. Beijing views Taiwan as a renegade province and has intensified military, economic, and diplomatic coercion, vowing reunification "by force if necessary". On the other side, the United States regards Taiwan's fate as vital to its own strategic interests, regional stability, and the defense of democratic values. This fundamental divergence underpins a tense great-power standoff over Taiwan's future.

Strategically, Taiwan's location in the Western Pacific makes it a linchpin of the "first island chain," anchoring a network of U.S. allies from Japan to the Philippines. As such, the island's status largely determines the regional balance of power. Moreover, Taiwan dominates advanced semiconductor manufacturing via TSMC, which produces over 90% of the world's most advanced chips. Control over Taiwan would therefore confer significant leverage over high-tech industries and critical supply lines. These factors make Taiwan not only a regional issue but a global economic and strategic linchpin. At the same time, Taiwan faces unique constraints. It is excluded from most international organizations and formal alliances, and lives under constant Chinese pressure. China's rapid military modernization and assertive maneuvers around Taiwan underscore its resolve to bring the island under Beijing's control.

The People's Liberation Army regularly conducts large-scale exercises and air/naval incursions near Taiwan, signaling readiness to escalate if necessary. In response, the United States and its allies have bolstered efforts to deter aggression. Washington continues to provide Taiwan with defensive arms and has strengthened regional alliances as a show of resolve. Initiatives like the Quad (with Japan, India, and Australia) have gained momentum, and even NATO has voiced concern over stability in the Taiwan Strait. U.S. policy officially adheres to a "One China" framework, but with the important caveat that any change in Taiwan's status must be peaceful. To balance deterrence and stability, the U.S. employs "strategic ambiguity", keeping its exact response to a Taiwan contingency uncertain to dissuade Chinese aggression without emboldening Taipei to declare formal independence. Yet as Chinese coercion intensifies and U.S. commitments deepen, the margin for miscalculation grows, raising worries that an incident or misunderstanding could spark a broader conflict.

This paper examines how Taiwan exercises its middle power role as it advances its interests and values while navigating the U.S.–China power struggle. It explores Taiwan's economic leverage, and its security cooperation with like-minded partners. Taiwan's contributions to regional stability and multilateral initiatives will be discussed, alongside the interplay between Taiwan's agency and the broader U.S.–China rivalry.

Economic Leverage: The "Silicon Shield"

Taiwan's economic strength provides perhaps its greatest leverage as a middle power. The island is a technological and manufacturing powerhouse, most renowned for its dominance in the semiconductor industry. Taiwan is the global leader in semiconductor manufacturing, accounting for over 60% of the world's chip foundry revenue and an astonishing 90% of production at the most advanced chip nodes (Global Finance, 2025). This concentration of cutting-edge capacity in companies like TSMC (Taiwan Semiconductor Manufacturing Co.) has been dubbed Taiwan's "silicon shield," as it potentially deters aggression by making the world and China deeply reliant on Taiwan's chips. Indeed, TSMC alone produces roughly 90% of the world's most advanced semiconductors needed for everything from smartphones and cars to advanced military systems. Disrupting Taiwan's chip output would be globally devastating. This reality is believed to "deter

China from launching a military attack and pushes allies like the United States to come to Taiwan's defense," since the stakes for the global economy are so high (Shea, 2025).

In 2025, it was estimated that Taiwan "commands over 60% of global spending at chip foundries", making it the go-to manufacturer for tech firms worldwide. This gives Taipei a unique form of influence: any strategy for supply chain resilience or tech decoupling in the Indo-Pacific must involve Taiwan as a key node. Notably, Taiwan has leveraged this position by coordinating with partners on "secure supply chains." Under the New Southbound Policy and related economic diplomacy, Taiwan has signed agreements with countries like India, Vietnam, and Australia to collaborate on semiconductor supply, 5G networks, and other tech areas (Hsiao & Yang, 2024). By sharing its high-tech expertise and investing in joint ventures, Taiwan not only strengthens friendly economies but also weaves itself into regional economic security frameworks.

Economically, Taiwan plays an outsized role in global trade. The Taiwan Strait is a key corridor through which nearly half of the world's container shipping passes, and any conflict there would disrupt international commerce. In fact, Taiwan is the 8th largest trading partner of the United States and has significant trade with China, Japan, the EU, and ASEAN. This economic weight allows Taiwan to exercise influence through trade partnerships and investment flows. The government encourages Taiwanese businesses to increase investments in Southeast Asia, which benefits host countries' development while reducing Taiwan's exposure to China's market (Chong, 2019). For example, Taiwanese firms have opened electronics factories in Vietnam, Indonesia, and India, creating jobs and gaining goodwill. As a result, Taiwan's business presence in ASEAN is strong. In some ASEAN states, Taiwan ranks among the top sources of foreign investment.

Crucially, Taiwan's economic health underpins regional stability. As a high-tech manufacturing base, it helps stabilize global supply of critical products such as chips, ICT components. This was evident when pandemic-related shortages hit, and governments from Washington to Berlin turned to Taipei for help (Lee, 2021). A disruption to Taiwan's economy would send shockwaves through the Indo-Pacific's prosperity. In sum, Taiwan wields economic power not in the traditional sense of size alone, but through qualitative centrality in global industries and forward-looking economic engagement. This economic agency buttresses its middle power status, enabling Taipei to punch above its weight and to embed itself in the fortunes of the region.

Security Partnerships and Defense Contributions

Although Taiwan is not a treaty ally of the United States or a member of any military bloc, it has forged a growing web of security relationships and capacities that contribute to regional deterrence. Taiwan's security is inextricably tied to the U.S. and its network of allies, given the explicit threat from China and Taiwan's crucial geostrategic position. The United States has long maintained a policy of "strategic ambiguity"

regarding Taiwan's defense, but under the Taiwan Relations Act (1979) it is committed to providing Taiwan with defensive arms and to regard any coercive unification attempt with grave concern. In practice, this has created a strong, if unofficial, security partnership. Over the past few years, U.S.–Taiwan security cooperation has intensified to unprecedented levels (Barranco, 2022).

Washington regularly approves large arms sales to Taipei, including advanced air defense systems, naval missiles, and F-16 fighter jets, aiming to bolster Taiwan's self-defense capabilities. U.S. defense officials and military trainers have also reportedly been working quietly with their Taiwanese counterparts on improving joint interoperability and asymmetric warfare tactics. High-level dialogues on defense now occur through unofficial channels. For instance, in 2020 a trilateral security dialogue involving U.S., Taiwan, and Japan experts was held to coordinate Indo-Pacific strategies (Hashmi, 2021).

Taiwan itself has been investing more in its military readiness, aware that demonstrating the capacity to resist is key to deterrence. The Tsai administration steadily raised the defense budget and has focused on acquiring asymmetric capabilities like mobile anti-ship missiles, mines, and drones, systems that exploit Taiwan's geography to raise the cost of invasion for the PLA. By turning Taiwan into a "porcupine" bristling with defensive armaments, Taipei contributes to the overall deterrence posture in the region. Taiwan's military strategy deliberately aligns with the broader goal of denying Chinese dominance in the Western Pacific. If Taiwan can hold out and disrupt PLA operations in the event of a conflict, it buys time for the U.S. and allies to respond, thereby fitting into a coalition defense scenario. This was highlighted in a 2022 Atlantic Council report, which stated "much of the United States' ability to prevent Chinese power projection…hinges upon its relationship with Taiwan", and that deterring China from attacking Taiwan is central to maintaining a free Indo-Pacific. Though Taiwan is not a formal U.S. ally, it is often described as being under the U.S. "security umbrella" (Barranco, 2022). U.S. forward-deployed forces in Japan and Guam are implicitly tasked with Taiwan's defense, and U.S. Indo-Pacific strategy documents have explicitly called for integrating Taiwan into regional security networking. Notably, the Quad and AUKUS partnership, while not involving Taiwan directly, both have strategic rationales that include deterring unilateral aggression and preserving the status quo. Their presence indirectly strengthens Taiwan's security environment.

Even Japan has emerged as a particularly vocal supporter of Taiwan's security in recent years, marking a significant shift in Tokyo's post-Cold War stance. Japanese leaders now openly link Japan's own national security with peace in the Taiwan Strait. In a groundbreaking 2021 statement, Prime Minister Yoshihide Suga and President Joe Biden together underscored "the importance of maintaining peace and stability across the Taiwan Strait", the first time in over five decades that Japan mentioned Taiwan in a leaders' joint statement. Even more striking were comments by former PM Shinzo Abe, who warned in 2021 that 'a Taiwan emergency is a Japanese emergency, and therefore an emergency for the Japan-U.S. alliance'. Abe's statement was a clear message to Beijing that Japan would not stand aside in a Taiwan contingency. Under Abe's influence, Tokyo had already begun to strengthen practical ties: Japan and Taiwan negotiated a landmark fisheries agreement

in 2013, Japan joined the U.S. in co-hosting Taiwan's GCTF workshops by 2019 (Sacks, 2022), and Japanese and Taiwanese ruling party legislators initiated regular security dialogues. Japan's latest National Security Strategy (2022) implicitly identifies Chinese coercion against Taiwan as a threat to Japan, and Japan's military has been deploying units to its southwestern islands nearest to Taiwan to improve response capabilities.

In effect, Japan is preparing to play a supporting role to Taiwan's defense, possibly providing logistics, rear-area support, and interoperability with U.S. forces in a conflict scenario. Such preparations enhance deterrence. They signal to China that an adventure against Taiwan could trigger a wider regional war involving Japan. For Taiwan, Japan's backing is a major strategic asset. The two also cooperate on non-military security matters, like coast guard coordination for maritime search and rescue and sharing intelligence on Chinese military movements.

South Korea, traditionally reticent on the Taiwan issue due to its delicate position with China and North Korea, has also shown signs of moving closer to Taiwan's side. Under President Yoon Suk-yeol, Seoul released its first Indo-Pacific Strategy (2022), which for the first time included a reference to maintaining peace in the Taiwan Strait as part of a "free, peaceful, and prosperous Indo-Pacific". President Yoon went further in April 2023, stating unambiguously that "the Taiwan issue is not simply an issue between China and Taiwan but… a global issue," and that "we, together with the international community, absolutely oppose" any unilateral change to the status quo by force. This marked one of the strongest pro-Taiwan statements by a South Korean leader in decades and drew an angry response from Beijing. South Korea has since engaged in more trilateral coordination with the U.S. and Japan such as the Camp David Summit in 2023, that touches on Taiwan contingency planning. Korean analysts note that a conflict over Taiwan could spill over to the Korean Peninsula, with North Korea potentially exploiting U.S. distraction.

Also, as Taiwan is a critical supplier of semiconductors to South Korea's tech industry, a Chinese takeover or blockade of Taiwan would severely impact South Korea's economy. These factors are driving Seoul to strengthen defense cooperation with the U.S. and allies like Australia and the Philippines in ways that improve collective readiness for a Taiwan contingency. While South Korea still officially adheres to a One China policy and avoids direct military cooperation with Taiwan, the gap between Seoul and Taipei is narrowing. Even public opinion in South Korea has shifted – nearly two-thirds of South Koreans in a recent poll believed their country should support U.S.-led defense of Taiwan (directly or indirectly) if conflict erupts (Kim, 2024). This represents a significant regional realignment wherein Taiwan is increasingly seen as a linchpin of regional security rather than a distant peripheral issue.

Taiwan has also sought security ties with key Southeast Asian partners and other regional actors in subtle ways. Taiwan maintains an unofficial representative office in most ASEAN capitals and has offered defense or coast guard dialogues, though ASEAN governments generally demur publicly. Each regional actor calibrates its approach to Taiwan based on its own strategic calculus, but a common trend is visible: growing

acknowledgment of Taiwan's role in regional security. Where once many in Asia might have viewed Taiwan as solely a cross-strait issue, now it is seen as intertwined with the Indo-Pacific's balance of power. Japan and Australia are clear supporters, South Korea is moving in that direction, and even cautious ASEAN members recognize the need for stability in the Taiwan Strait. No major player in the Indo-Pacific aside from China and North Korea actually wants to see Taiwan subdued by force, because the consequences would be universally destabilizing. This essentially favorable disposition toward Taiwan among the region's middle and smaller powers provides an external environment in which Taiwan's middle-power agency can be effective. Taiwan can find sympathetic partners in its quest to preserve its autonomy and contribute to regional affairs, even if diplomatic formalities prevent full recognition.

Taiwan itself contributes to regional security in less direct but important ways. Its military, while focused on homeland defense, has cooperated on international humanitarian efforts and anti-piracy missions. Taiwan's coast guard coordinates with Japan's and the Philippines' on search-and-rescue and anti-smuggling operations in adjacent waters, helping uphold maritime law and order. Additionally, Taiwan has positioned itself as a security norm supporter that is consistently advocating for freedom of navigation, peaceful dispute resolution, and adherence to international law in East and South China Sea issues.

Taiwanese intelligence sharing with partners on activities like Chinese cyberspace operations or disinformation campaigns is another niche contribution. From disaster relief to digital economy norms, Taiwan's participation enriches regional efforts. The challenge remains to integrate Taiwan more formally into multilateral frameworks without provoking Beijing, but even under current constraints Taiwan has proven adept at exercising agency through creative diplomacy and partnerships, solidifying its place as a middle power that helps shape the Indo-Pacific order.

Taiwan amid great power competition: Agency and Constraints

Taiwan's middle power agency cannot be analyzed in isolation from the wider U.S.–China rivalry, as the island is a principal flashpoint and a point of leverage for both superpowers. The intensifying strategic competition between Washington and Beijing in the Indo-Pacific has in some ways elevated Taiwan's importance, yet it also imposes constraints on Taipei's freedom of action. On one hand, the U.S.–China rivalry has opened new opportunities for Taiwan: the United States and its allies have grown more supportive of Taiwan as they perceive it as a pivotal frontline of democracy versus authoritarianism (Aljazeera, 2023).

Taipei has skillfully harnessed this trend. It has intensified diplomatic overtures to Washington and other capitals, stressing shared values and common threats. The result has been unprecedented backing. U.S. Congress passed multiple laws such as Taiwan Travel Act 2018, TAIPEI Act 2019 to encourage high-level exchanges, G7 statements now emphasize peace in the Taiwan Strait, and NATO's 2022 communique even

mentioned China's coercion of Taiwan as a concern. All these reflect Taiwan's success in framing its cause as aligned with the global interest in checking China's hegemonic ambitions.

On the other hand, the great power rivalry also heightens the risks and limits for Taiwan. Taipei must carefully calibrate its moves so as to secure support but not inadvertently provoke a Chinese overreaction that could spiral. Navigating this tightrope is perhaps the central challenge of Taiwan's statecraft. President Tsai has tread a moderate path: bolstering ties with the U.S. and partners but stopping short of any steps that Beijing could consider a casus belli. This approach aligns with the broader middle-power strategy of seeking "strategic autonomy", that is, engaging great powers but avoiding being forced to choose extremes. As one scholar noted, middle powers can have reduced freedom of maneuver when great-power competition intensifies, which can make them seem like "pawns in a larger geopolitical game" if they are not careful (The National Bureau of Asian Research, 2024). Taiwan is acutely aware of this, hence it makes efforts to diversify partnerships (so that it is not solely dependent on the U.S.) and to strengthen self-defense (so it is not solely a passive beneficiary of others' protection).

By upholding the status quo of de facto independence, Taiwan avoids giving China a pretext while still rejecting any notion of being "for sale" in big-power negotiations. The U.S., for its part, officially does not support Taiwan independence but also opposes any forcible unification, essentially maintaining a balance that preserves Taiwan's freedom for now. However, strategic ambiguity means Taiwan cannot be certain of U.S. military intervention if China attacks, which itself shapes Taiwan's agency. It motivates Taiwan to build its own deterrence and to lobby the U.S. for ever-clearer support.

The specter of a Chinese attack is the shadow under which all Taiwan's initiatives proceed. However, China calibrates its pressure, often using "gray zone" tactics: daily incursions into Taiwan's air defense zone, frequent circumnavigation flights, cyber attacks, disinformation campaigns to undermine Taiwanese morale and politics (Drun, 2022). This dynamic has somewhat bolstered Taiwan's international standing rather than diminishing it. Yet the risk remains that an accident or miscalculation in these close encounters could spark a conflict neither side wants. Taiwan's leadership must exercise extreme caution to avoid incidents, even as it refuses to be intimidated.

Therefore, Taiwan has navigated these structural constraints by astutely reading the geopolitical winds. It aligned itself with the prevailing pro-democracy, rule-of-law narrative that many middle powers and Western nations share, thereby securing a diplomatic middle-power coalition of sorts. At the same time, Taiwan carefully avoids forcing those partners into a direct confrontation on its behalf as it seeks to empower others to speak up for Taiwan, rather than Taiwan overstepping. This careful diplomacy has so far maintained an uneasy peace. Looking ahead, as U.S.–China rivalry enters perhaps an even more turbulent phase, Taiwan's agency will remain a critical factor in whether the Indo-Pacific sees conflict or continued stability.

Conclusion

Taiwan's achievements underline that even under geopolitical constraints, a determined middle power can exercise meaningful agency and shape its environment. Taiwan has navigated great power competition by deepening its unofficial alliance with the U.S. and partners, while avoiding provocations that would provide a pretext for Chinese aggression. This path has sustained peace in the Taiwan Strait for decades, but the challenge is growing as China's power rises and its patience thins.

It will be crucial to maintain international solidarity, for instance, through joint statements, Taiwan's inclusion in selective multilateral initiatives like supply chain alliances, and continued arms provision to Taiwan. Second, the stronger Taiwan's defensive capabilities and societal resilience, the less temptation for Beijing to attempt force. Taiwan's ongoing military reforms and civil defense improvement should continue, supported by partners.

Third, if great power competition escalates uncontrolled, Taiwan could face unbearable pressure. If rivalry moderates or a modus vivendi is found, Taiwan might have more breathing room but also the concern of being sidelined. Taiwan will need to keep asserting its own agency, reminding the world that it is not merely a pawn but a stakeholder with 23 million people who deserve a say in their future. In many ways, Taiwan has succeeded in this as global awareness of Taiwan's democracy and rights is at an all-time high, as evidenced by record international media attention and parliamentary delegations visiting Taipei. This internationalization of the Taiwan issue is Taiwan's insurance policy against being bargained away in great power deals.

Finally, Taiwan's future as a middle power will also hinge on cross-strait dynamics. Ironically, Taiwan's best hope for long-term peace is not defeating China but persuading China that coexistence is preferable to conflict. That may involve demonstrating to Beijing that Taiwan, as a confident Chinese-speaking democracy, is not a threat but rather can be a partner in regional prosperity. Until then, the stalemate endures, and Taiwan must bank on its middle power strengths to deter the worst outcomes.

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