



Beyond Brinkmanship: The Economic Survival Imperative for Taiwan

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As Taiwan celebrated a series of holidays this October, the rivalry between China and the United States only intensified. On October 9, China announced broader export controls on rare earth materials to protect its national interests. Shortly after, U.S. President Donald Trump threatened a 100% tariff on Chinese imports and new restrictions on American software exports to China. His remarks stunned financial markets and cast doubt on the upcoming APEC meeting with Xi Jinping.

For both Washington and Beijing, these actions are not simple retaliations, but calculated strategies to strengthen their positions in trade talks. Yet such brinkmanship is fraught with risk. The complexity of great-power rivalry leaves few options for smaller economies like Taiwan. Remaining neutral and avoiding forced alignment is already a diplomatic and economic challenge in itself.

The Expanding Scope of Economic Confrontation

Given current trends, economic tensions between the U.S. and China are poised to escalate rather than ease. Both countries are locked in a cycle of tit-for-tat tariffs, sweeping export controls, including extraterritorial regulations, and mounting trade barriers creating new risks for global supply chains. For smaller and mid-sized economies caught in the crossfire, collateral damage is virtually guaranteed.

China's recent restrictions on rare-earth exports vividly illustrate how economic measures can disrupt high-tech supply chains. While not an outright ban, the requirement for prior government approval injects uncertainty and grants officials' broad discretion. It also creates formidable non-tariff barriers, raising risks for industries dependent on rare earths—materials essential to semiconductors, AI, and other critical sectors. Even as exports continue, the unpredictability of approvals could still disrupt production plans and

undermine supply chain resilience.

As U.S.–China tensions intensify, escalating restrictions on technology, components, and finished goods will further erode faith in the stability of global trade and supply chains. But geopolitics is only part of the story. Natural disasters, typhoons, earthquakes, pandemics and human events like wars or strikes can strike without warning, piling risk upon risk.

Global Trends: Economic Security Takes Center Stage

In the United States, supply chain disruptions during the COVID-19 pandemic prompted the White House to launch a 100-day supply chain review, aimed at identifying vulnerabilities in critical sectors and clarifying the key risk points that could threaten national economic stability. The resulting initiatives, including the CHIPS and Science Act, seek not only to reshore production but also to strengthen strategic autonomy.

Similarly, the European Union, under its “de-risking” framework, has worked to enhance its ability to identify and monitor weaknesses in supply chains—particularly those dominated or controlled by external powers. The objective is to reduce overreliance on any single supplier or country.

Japan has taken an even more comprehensive approach. In 2022, it enacted the Economic Security Promotion Act, a framework that links economic resilience directly to national security. The law established an Economic Security Promotion Office within the Cabinet Office to coordinate policy, strengthen supply chain security, and protect sensitive technologies. Many leading Japanese corporations have followed suit, setting up dedicated departments for economic security planning and risk assessment.

Together, these examples reflect a growing global consensus: economic security and supply chain resilience are no longer abstract

policy goals—they have become essential foundations of national competitiveness and stability in an age of constant disruption.

Taiwan’s Passive Approach

Taiwan, by contrast, remains largely passive on economic security and supply chain resilience. Both government and industry typically respond only after a crisis breaks. Proactive measures including risk mapping, simulations, contingency planning are rare.

At present, Taiwan’s understanding of economic security is often limited to issues related to cross-strait tensions—such as China’s economic coercion, investment shifts to the U.S., or the relocation of production capacity. While these are indeed important aspects, they do not represent the full picture. Broader efforts to map key product supply chains, identify vulnerable links, and develop risk diversification strategies remain insufficient.

For decades, Taiwan’s industrial success has relied on serving global clients as a trusted contract manufacturer and component supplier. Local companies typically adjust their operations to meet customer requirements—a model that has proven commercially successful but has also limited awareness of supply chain resilience. Many firms prioritize production efficiency while overlooking the strategic need for backup sourcing, diversification, and contingency planning. As a result, Taiwanese manufacturers tend to follow client demands rather than shape their own strategic supply networks, leaving awareness of upstream vulnerabilities relatively weak.

The government, for its part, has launched some isolated programs addressing related topics, but these efforts lack integration and sufficient resource allocation. Without a comprehensive strategy, Taiwan is ill-equipped to help industries anticipate or manage disruptions, let alone legislate for resilience, as

Japan has done.

Institutional Gaps: The Cost of Reactive Governance

When major disruptions occur, such as changes in U.S.–China export regulations or sudden bans on strategic materials—Taiwan’s response mechanism often lags. Authorities must first conduct lengthy audits of affected industries, assess exposure levels, and only then formulate countermeasures. This reactive process not only delays mitigation but also weakens competitiveness. By the time counterstrategies are implemented, global competitors may already have secured alternative supply routes or captured displaced market share.

This inefficiency stems from a lack of institutional infrastructure. Unlike Japan or the European Union, Taiwan has no centralized agency or framework dedicated to economic security. Responsibilities are dispersed across ministries, resulting in coordination gaps and inconsistent standards. Without a unified vision, government efforts remain fragmented, short-term, and project-based. Lacking a central agency or unified structure for economic security, Taiwan’s risk management remains piecemeal, reactive, and short-sighted.

The absence of systemic foresight undermines Taiwan’s resilience. The global environment is evolving too rapidly for unplanned responses. Geopolitical rivalry, natural disasters, and technological disruptions are increasingly intertwined and unpredictable. Only a structured, forward-looking system for risk identification, scenario planning, and contingency simulation can ensure true preparedness.

A Call for Comprehensive Action

In today’s volatile global landscape, agility and foresight are no longer luxuries, but necessities. Taiwan must move

beyond ad hoc responses. A permanent, unified mechanism for supply chain risk monitoring, scenario planning, and cross-ministerial coordination is urgently needed. Only with such systemic reform can Taiwan hope to safeguard both immediate stability and long-term competitiveness in an era of relentless disruption.



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