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Taiwan's Paradiplomacy: Performing Sovereignty Denied in Official Channels*By: Romain Blachier*

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In 1971, [United Nations Resolution 2758](#) effectively ejected Taiwan from participation in United Nations institutions. Today, the island has official diplomatic relations with only 12 states, down from [seventy](#) in 1969. And yet, Taiwan conducts about USD 900 billion a year in international trade, maintains [111 representative offices in 57 countries](#), and receives foreign delegations at the ministerial level from every continent. The gap between formal recognition and concrete presence is staggering.

In the 1980s, the political scientist Ivo Duchacek coined the term “[paradiplomacy](#)” to describe the international interactions of entities beyond the central government. Taiwan pushes the concept to its extreme. Classic notions of paradiplomacy describe how sub-state regions—such as Catalonia, Quebec, or Flanders—engage overseas alongside the national government to which they belong. Taiwan encapsulates both at once: its cities and regions practice this sub-state paradiplomacy (Taoyuan's [partnership](#) with Grenoble, for instance), while Taiwan as a whole—a [de facto state](#), exercising effective sovereignty yet denied recognition—turns those same channels into a substitute for the national diplomacy it is barred from conducting.

Taiwan's diplomatic innovation matters more than it did a decade ago. Cross-strait tensions are [rising](#), Beijing's diplomatic pressure is [intensifying](#), and Taiwan fears the [loss of more](#) official diplomatic partners. In this context, understanding the infrastructure for Taiwan's paradiplomacy is not just an academic mission—it is critical for global stakeholders seeking to pursue engagement with Taiwan in spite of Beijing's pressure.

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The TECRO/TECO Network

[Taipei Economic and Cultural Representative Offices](#) (TECROs) in foreign countries do everything an embassy does—issue visas, conduct trade negotiations, arrange for scientific cooperation and cultural programming, etc.—except call themselves an embassy. Taiwan’s Ministry of Foreign Affairs (外交部) operates such offices in 57 countries with which it lacks official diplomatic relations under the [Vienna Convention](#). In the United States, the [Taiwan Relations Act \(1979\)](#) gives them a unique legal grounding. In France, the [Bureau de Représentation de Taipei en France](#) (BRTF) runs a full-scale operation in Paris, but has no formal access to the Élysée Palace or the Quai d’Orsay (which are the offices of France’s president and the Ministry for Europe and Foreign Affairs, respectively). The TECRO network also manages bilateral investment agreements and coordinates with international bodies on technical standards. In any other country, a foreign ministry would handle this.

The COVID-19 pandemic tested this framework. Shut out of the [World Health Organization](#), Taiwan used its representative offices to distribute [millions of masks](#) worldwide. A diplomatic rebuff turned into a [public relations win](#). Indeed, Taiwan’s representative offices are embassies in all but name. Their staff get *de facto* diplomatic courtesies in most host countries. The distinction is maintained for Beijing’s benefit, but it is largely cosmetic.

The scale of the TECRO network also tells us something about how much Taiwan invests in its infrastructure for paradiplomacy. Each office requires staff, building maintenance, and local administrative staff. Running 111 of them across 57 countries is not cheap. Taiwan’s MOFA budget—[NTD 41.53 billion](#) (USD 1.35 billion) in 2026—is modest by the standards of the rich world. The money goes to function, not to status.

NGOs That Act in the Place of State Functions

Taiwan also works through NGOs that are nominally independent but functionally tied to the state. The [Taiwan Foundation for Democracy](#) (TFD, 台灣民主基金會), set up in 2003, funds democracy-promotion projects across Asia and the world, and runs visiting fellowships that bring foreign researchers into Taiwanese institutions. In many respects, it serves similar functions to the US government-supported [National Endowment for Democracy](#). This is an example of soft

power with a clear strategic purpose.

Taiwan also pursues humanitarian and health diplomacy through the [International Cooperation and Development Fund](#) (TaiwanICDF, 財團法人國際合作發展基金會), a MOFA-supervised body that runs disaster-relief, public-health and development projects across Africa, Latin America, the Asia-Pacific and Eastern Europe, often jointly with international NGOs such as [Mercy Corps](#) and [World Vision](#).

Both TFD and Taiwan ICDF share the same ambiguous status: they are officially non-governmental, but to varying degrees support civil society engagement and diplomatic efforts that align with the goals of Taiwan’s democratic government. They work in spaces—democracy promotion, digital diplomacy, humanitarian aid—where concrete actions matter more than a given state’s degree of formal recognition.

Decentralized Cooperation: The Least Visible Layer

Taiwan maintains a third track for its paradiplomacy, and it gets far less attention. Cities, regions, and universities in Europe are building direct partnerships with Taiwanese counterparts. These ties are harder for Beijing to target and have grown quietly over the past decade.

I run [Association France-Formosa](#)—a Franco-Taiwanese cultural diplomacy organization that works through civil society networks and organizes exchanges at the local level. We conducted two [MOFA-backed missions](#) to Taiwan (in 2019 and 2025), both of which granted us direct institutional access without going through formal diplomatic channels.

In 2019, I observed how Prague’s decision to [swap sister city ties](#) with Beijing for Taipei served as a turning point—it was an example of a local actor making a geopolitical choice that its national government would not. Lithuania went even further in 2021, allowing a [Taiwanese representative office](#) to use the name ‘Taiwan’ instead of the usual ‘Taipei’—a dramatic shift that drew [reprisals](#) from the PRC.

That experience taught me two things. First, Beijing’s enforcement of its diplomatic red lines reaches deep into the local political landscape in Europe—deeper than most people realize. A city partnership with Taipei is not just a cultural exchange: it is [treated by Beijing](#) as a sovereignty challenge, and responded to accordingly. Second, in spite of that episode, I remain convinced that decentralized cooperation between

European cities and Taiwan is not only possible, but increasingly achievable. The political climate in Europe has shifted since 2019—Prague, Vilnius, and a growing number of European municipalities have shown that subnational actors can afford to do what national governments still hesitate to do. Populations in Europe are [far more receptive](#) to Taiwan than they were a decade ago, and the generation of local officials now coming into office has fewer inhibitions about engaging with Taipei openly.

University partnerships are another vector that flies under the radar. Joint research programs, student exchanges, dual degrees—these create institutional ties that are technically academic, but have practical political implications. In France alone, [the network of Confucius Institutes](#) now has a Taiwanese counterpart—the MOFA-funded [Taiwan Center for Mandarin Learning](#) (TCML), with two centers in France—alongside a growing number of Mandarin programs run by Taiwanese groups, Taiwan studies courses, and bilateral research agreements. These bottom-up initiatives provide a similar function to the Confucius Institutes. MOFA’s [Taiwan Fellowship program](#), which brings foreign academics to Taipei for months at a time, is another facet of paradiplomacy—you arrive as a researcher, and later return to your home country with ample ties with the island.

There is another important channel that barely registers in the literature: sports. Taiwan cannot compete in international sports competitions under its own name. The [1981 Lausanne Agreement](#) locked in the “Chinese Taipei” formula across all International Olympic Committee-affiliated federations. Every four years, [billions](#) of people watch the Olympics without ever seeing Taiwan identified as such. It is the most sustained, most public expression of the country’s diplomatic constraints, and it is rarely discussed in policy terms.

Club partnerships are a different matter entirely. A football club in Lyon can sign an exchange agreement with a club in Taipei—sharing coaches, sending youth players, co-organizing training camps—and the “Chinese Taipei” constraint simply does not apply. As a board member of FC Lyon–La Duchère, I have seen at close range what these kinds of ties actually produce: real relationships, built slowly, that travel under the radar. The political minefield that makes a city-to-city partnership so fraught disappears at the sports club level.

Taiwan’s own sporting federations figured this out long ago. They have competed under the “Chinese

Taipei” banner for decades and used that exposure to build networks, relationships, contacts. The logic of this paradiplomacy is the same as the NGO model: depoliticization is not a concession, it is the strategy. Extending it to the sports club level—youth exchanges, joint academies, bilateral agreements between associations—is one of the least used options on the table for Taiwan’s democratic partners.

Such paradiplomacy is organized at the grassroots. That represents both a weakness (coordination is scarce) and a strength (Beijing cannot pressure one government to unravel it). The research gap is wide open: no comprehensive mapping of European-Taiwanese subnational agreements exists. Indeed, a comparison with [Kosovo](#)—another polity that depends heavily on paradiplomacy—would be worth pursuing.

Taiwan as a Performative State

In 1996, [Thomas Biersteker and Cynthia Weber](#) argued that sovereignty is not a fixed attribute but a social construct, produced through institutional practice. Taiwan is the extreme case: sovereignty that is exercised continuously, yet recognized by almost nobody. (Judith Butler’s concept of “[performativity](#)”—identity constituted through repeated acts—aligns with this idea.) Taiwan cannot declare its sovereignty without triggering a crisis. So it performs it: trade agreements, representative offices, NGO engagement, city partnerships, and medical missions. Every one of these acts projects sovereignty without the formal label.

The [2024 inauguration](#) of Taiwanese President Lai Ching-te (賴清德) demonstrates the viability of this model. Delegations from [over 50 countries](#) showed up. Besides the diplomatic partners of Taiwan, none of the delegations officially represented their governments. All carried messages of support from their heads of state. The inauguration had every aspect of a sovereign state ceremony—except the word “sovereign.” That was performativity at work.

The Limits of Performed Sovereignty

Beijing’s pressure [hangs over](#) Taiwan’s paradiplomacy. The loss of the diplomatic recognition of [Honduras](#) and [Nauru](#) in 2023 and 2024, respectively, shows that Beijing is not about to let Taiwan’s gains in paradiplomacy accumulate unchecked.

But Taiwan’s model for paradiplomacy is more resilient than formal diplomacy. While Beijing can lean on a government to withdraw recognition of Taiwan, it cannot easily dismantle thousands of subnational part-

nerships, academic exchanges, and NGO collaborations scattered across dozens of countries. The greatest advantage of decentralized cooperation is that there is no single chokepoint to cut off. Understanding this architecture—and supporting it—is a practical question for Taiwan’s democratic partners. The channels are there for paradiplomacy. The question is whether populations around the world will make use of them.

The main point: Denied formal recognition by all but twelve states, Taiwan has built a functional substitute for diplomacy—a web of representative offices, state-aligned NGOs, and city, university, and sports-club partnerships that let it perform the functions of sovereignty without claiming the label that would provoke Beijing. Precisely because this architecture is decentralized, it has no single chokepoint for Beijing to cut, making it more resilient than formal diplomacy and a practical priority for Taiwan’s democratic partners to understand and support.

China’s Next Target in the South China Sea: Taiwan?

By: Thomas J. Shattuck

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As Taipei continues to reel from renewed uncertainty following comments made by US President Donald Trump after his [May 13-15 summit](#) with Chinese Communist Party (CCP) Chairman Xi Jinping, Beijing has found a new cross-Strait pressure point to exploit: Taiwan’s outposts in the South China Sea.

In late May 2026, a China Coast Guard (CCG, 中国海警局) vessel sailed into the [restricted waters of Pratas/Dongsha Island \(東沙島\)](#), forcing Taiwan’s Coast Guard Administration (海巡署) to respond. Within the already-tense cross-Strait relationship, one incursion by a CCG vessel may not appear to be a severe escalation. However, this incident is not the only one to occur near Taiwan’s South China Sea outposts: this

year, [four CCG vessels](#) have entered Dongsha’s restricted waters, on six occasions.

The People’s Republic of China (PRC) has deployed a number of different tactics to place coercive pressure on Taiwan’s presence in and around Dongsha. In the recent past, China has deployed oil exploration structures inside Dongsha’s exclusive economic zone. [Between 2020 and 2025](#), China placed jackets, floating production storage and offloading units, and rigs in the area. In 2020, a [resupply flight](#) was blocked from entering Dongsha’s airspace by Hong Kong air traffic control. [Hundreds of illegal Chinese fishing boats](#) regularly enter Dongsha’s restricted waters for fishing. And in January 2026, a [People’s Republic of China \(PRC\) reconnaissance drone](#) flew over the island. (The drone flew outside the range of the island’s air defense systems, so it could not have been shot down had Taipei made that decision.)

When compared to how it acts against other countries in the South China Sea region—especially [the Philippines](#)—China has acted with relative restraint towards Taiwan in the region. However, in a new era of US-Taiwan relations—characterized by the greater uncertainty produced by Trump’s [contradictory statements](#)—Beijing may begin to further push against Taipei’s holdings in the South China Sea in an effort to further expand the coercion map—and to spread Taiwan’s defense resources thinner.

As Taiwan has seen through incursions into its air defense identification zone (ADIZ) around [Kinmen and the centerline of the Taiwan Strait](#), one PRC vessel or aircraft can quickly become many.

What Happened in the South China Sea?

Amidst regular, daily, and simultaneous People’s Liberation Army (PLA), PLA Navy (PLAN), and CCG incursions around Taiwan and Kinmen, the coercion map has expanded to include the South China Sea. In late May, Taiwan’s Coast Guard Administration (CGA) detected [CCG Vessel 3501](#) sailing towards the restricted waters of Dongsha. The CGA sent its own vessel, *Taichung*, to intercept and push out the CCG vessel. Indeed, this kind of incident has occurred countless times around different parts of Taiwan since President Lai Ching-te took office in 2024.

What separates this particular incident from the others is that the standoff lasted for [over 30 hours](#)—as revealed by [the radio transcript](#) of the back-and-forth



Image: A Taiwan Coast Guard vessel (foreground) confronts a PRC Coast Guard vessel (background) in restricted waters in the vicinity of Kinmen Island (May 26). The Chinese government is increasingly employing coast guard vessels for more aggressive patrols into the waters around Taiwan's outlying islands—to erode Taiwan's exercise of maritime sovereignty, and to portray such patrols as domestic law enforcement operations. (Image source: [ROC Coast Guard Administration](#))

between the two vessels that was released by the CGA. After being warned to sail away from Dongsha, the [CCG vessel responded](#): “The People’s Republic of China has sovereignty and jurisdiction over the Dongsha Islands. Our ship is conducting a routine patrol mission; please do not interfere with our operations.” The Chinese response regarding its “sovereignty and jurisdiction” was an [unusual step by the CCG](#).

The [Taichung countered](#): “Your actions only show that China’s so-called ‘peace’ is a deception, and the international community will not support you. Do not undermine peace; instead, you should return and pursue democracy, which is the proper way to serve your country. You are instructed to immediately change course and leave our waters. Otherwise, our vessel will take necessary action in accordance with the law.”

In the context of the recent Trump-Xi summit, the message from the Taiwanese CGA ship reads like a veiled response to the US president’s statements about Taiwan. In an interview on [Fox News](#) after the summit, Trump warned, “I’m not looking to have somebody go

independent. And, you know, we’re supposed to travel 9,500 miles to fight a war. I’m not looking for that. I want them to cool down. I want China to cool down.”

The Taichung statement is a public warning that it is not Taiwan, but rather China, that is seeking to escalate tensions and “undermine peace.” According to Joseph Wu (吳釗燮), Secretary General of the National Security Council, Beijing deployed [over 100 vessels](#) within the first-island chain from Japan to the Philippines after the Trump-Xi summit.

In this particular moment, it is more important than ever for Taiwan to publicize the aggressive military actions and gray-zone coercion carried out by the PRC. Taiwan must make its case that it is China raising tensions and causing trouble, in order to make the case that Trump should approve the arms package already authorized by Congress to properly defend itself against PRC incursions and aggression. This incident in the South China Sea is a microcosm of typical PRC actions against Taiwan. While it was just one vessel, this could mark the beginning of a new dynamic be-

tween China and Taiwan in the South China Sea.

A Changing Status Quo is the New Status Quo

The recent PRC behavior in the South China Sea mirrors how PRC assets have, over the last several years, treated other maritime territories over which Taiwan exercises sovereignty. Indeed, the patterns of the PRC's coercive escalation have become quite predictable.

First, the PLA, PLAN, or CCG slowly encroach on long agreed-upon or internationally-accepted lines, over the course of several months to a year—as, for example, they have done with the former [Taiwan Strait centerline](#) for military aviation. The goal of the first phase is to test Taiwan's ability to detect and respond to the incursion. The testing phase also puts additional pressure on Taiwan's defense resources by forcing them to respond to a new threat.

Second, after establishing a new status quo and level of acceptable behavior in the specific area, the PRC increases tensions by expanding its presence or moving deeper into Taiwan's territory. This second step is often presented as a response to a political, economic, or diplomatic event viewed as advantageous to Taipei. Beijing uses these moments as a pretext for greater coercion towards Taiwan, casting its actions as necessary to protect China's sovereignty. It also permits Beijing to cast itself as a victim. CCP narratives will also reject the concept of a historical or internationally-accepted demarcation, providing lawfare cover for these actions.

Third, Beijing chooses a specific moment to significantly escalate its actions in order to completely change the situation. This third phase is largely characterized by PLA, PLAN, and/or CCG assets flooding the zone to demonstrate its numbers and power vis-à-vis Taiwan. The goal of this phase is to show the people of Taiwan and worried partners that Taiwan stands no chance in the event of a contingency. The prospect of a *fait accompli* becomes the new status quo.

Fourth, Beijing maintains pressure at the levels from the third phase to analyze how much pressure Taiwan can handle. During this phase—the phase in which almost all PRC coercion now stands—Beijing and Taipei navigate a new status quo, wherein Taiwan learns new tricks to push back against China.

The situations in the ADIZ, around Kinmen, and at the centerline of the Taiwan Strait have all followed this pattern. The ADIZ incursions started small and escalated in response to high-profile Taiwan events. Beijing used the August 2022 visit by then-US House Speaker

Nancy Pelosi to change the status quo and reject the long-established “Davis Line” in the middle of the Taiwan Strait (see [here](#) and [here](#)). Now, PLA, PLAN, and CCG assets operate with impunity almost anywhere they wish until Taiwan sends out the appropriate response. In February 2024, following an [incident near Kinmen](#) in which Chinese fishermen illegally fishing inside restricted waters died after their boat capsized while fleeing a Taiwan coast guard vessel, Beijing rejected the concept of Kinmen's restricted waters and began sending CCG vessels into the area. Now, those vessels regularly patrol within Kinmen's waters.

Understanding this pattern of coercion is important to predict how China may act in new locations to increase its pressure on Taiwan. At this point, there are few remaining locations where Beijing has yet to use its military or coast guard to apply coercive pressure. The South China Sea marks the most contentious remaining region in which China can pressure Taiwan. It is also an area in which the PRC already maintains a significant coast guard presence that it uses to coerce other countries.

It Is Time for Lai to Announce a New South China Sea Policy

The recent standoff at Dongsha between Taiwan's and China's coast guards highlights an important need for the Lai Administration: a South China Sea policy.

Throughout his presidency, President Lai has [largely avoided mention of the South China Sea](#)—even though Taiwan holds the two largest features in that region. Taiwan exercises sovereignty over [Dongsha Island](#), where this incident took place, as well as [Taiping Island](#) (太平島), which is located further south in the South China Sea. Both islands are outfitted with docks and runways. However, the 2016 South China Sea ruling by the Hague [downgraded the status of Taiping](#) from “island” to “rock”—as it purportedly cannot sustain life.

Despite the prominence of the islands in the South China Sea security landscape, Lai did not bring them up in his [inaugural address in May 2024](#). And since then, he has largely avoided the subject. The Lai Administration follows former President Tsai Ing-wen's “[four principles and five actions](#).” In its South China Sea Policy, the Tsai Administration emphasized that the multiparty dispute should be settled peacefully and include Taiwan, and all states should uphold freedoms of navigation and overflight despite their conflicting claims. To enforce its claims, the Tsai Administration promised to protect Taiwan's fishing rights, engage in dialogue with all relevant parties, allow for inter-

national scientific research, and use Taiping as hub for humanitarian assistance and disaster relief in the region. This policy formula remains in place under the Lai Administration.

Considering the recent and lingering incidents occurring around Dongsha Island, and the fact that it has been 10 years since the president of Taiwan has released a policy (or even substantive statement) regarding the South China Sea region, now is the time for Lai to announce a new policy stance. One measure that the Lai Administration could take is to clarify its stance on the region's features over which Taiwan does not exercise sovereignty. Taipei has already rejected the [PRC's expansive nine-dash line](#), through which it also claims sovereignty over Taiwan. However, the Lai Administration could renounce Taiwan's [historical claims](#) to the rest of the Spratly Islands, Paracel Islands, and Scarborough Shoal. If that's a step too far—giving up sovereignty claims over features that it does not control—then Lai can recommit to Taiwan's peaceful, non-expansionist position in the entire region. Such a policy change would help to improve its bilateral relations with the other disputants, especially the Philippines. Lai can lead in the region by pledging to protect existing claims (i.e., Dongsha and Taiping) and ceding all other formal claims.

Indeed, Taiwan's longstanding claims over the remainder of the Spratly Islands, Paracel Islands, and Scarborough Shoal in the South China Sea are not viable, and frankly do not reflect reality. Aligning policy, rhetoric, and resources would provide needed clarity and position Taiwan as a new leader in seeking to bring peace to a region blighted by conflict.

The main point: The recent China Coast Guard incident at Dongsha Island represents an expansion of China's long-term coercion of Taiwan. The slow escalation in the South China Sea is starting to mirror Beijing's traditional phased approach to coercion against Taiwan.

Taiwan's Stock Exchange Is Soaring – But It's Not the Whole Economy

By: Riley Walters

Riley Walters is a senior non-resident fellow with the Global Taiwan Institute and senior fellow at Hudson Institute. His areas of expertise include international

trade policy, investment regulations, technology and innovation, cybersecurity, and the intersection of economics and national security. He is also an expert on east Asian political affairs, primarily focusing on Japan and Taiwan.

Since the beginning of the year, Taiwan's stock market, the Taiwan Stock Exchange Corporation, (TWSE, 臺灣證券交易所) has [surpassed](#) the United Kingdom, Canada, and [India](#) to become the world's fifth largest exchange by total market capitalization (i.e., the total value of stocks on an exchange). Companies in Taiwan, [South Korea](#), and the United States at the center of (or tangent to) the boom in global demand for artificial intelligence (AI) are driving investors' interests and pushing up stock values.

While this is good news for companies and investors, it is important to remember that stocks are just a snapshot of economic activity, and not necessarily a good indicator of how well an economy is doing in comprehensive terms: even with a growing stock market and a growing economy, there can be pockets of instability and inequality that are underreported due to what is sometimes referred to as the “tyranny of the aggregate.”[1]

Unless the gains from the AI boom become more evenly distributed, economies like Taiwan's still face fundamental challenges: such as uneven wage growth across different sectors and age groups, higher costs caused by [trade shocks](#), and other affordability issues. A big-ticket number, like Taiwan's TWD [150 trillion](#) (roughly USD 4.5 trillion) stock market, can lead analysts to overestimate the health of the entire economy.

The Fundamentals of Taiwan's Economy

Gross domestic product (GDP) is the most common measure used to estimate the size and health of an economy. Taiwan's [GDP](#) in 2025 was composed of: TWD 11.5 trillion (45 percent) in private consumption, TWD 3.2 trillion (13 percent) in government spending, TWD 6.6 trillion (26 percent) in investment, and TWD 4.4 trillion in net exports (17 percent). [2] However, net exports can be misleading, as a single figure does not capture the magnitude of trade: Taiwan exported TWD 19.1 trillion, and imported TWD 14.6 trillion, worth of goods and services in 2025. Domestically, private consumption is the main driver of demand, but exports of [AI-related](#) goods are the main driver of Taiwan's economic growth.

In the chart above, we can see that Taiwan's GDP, as

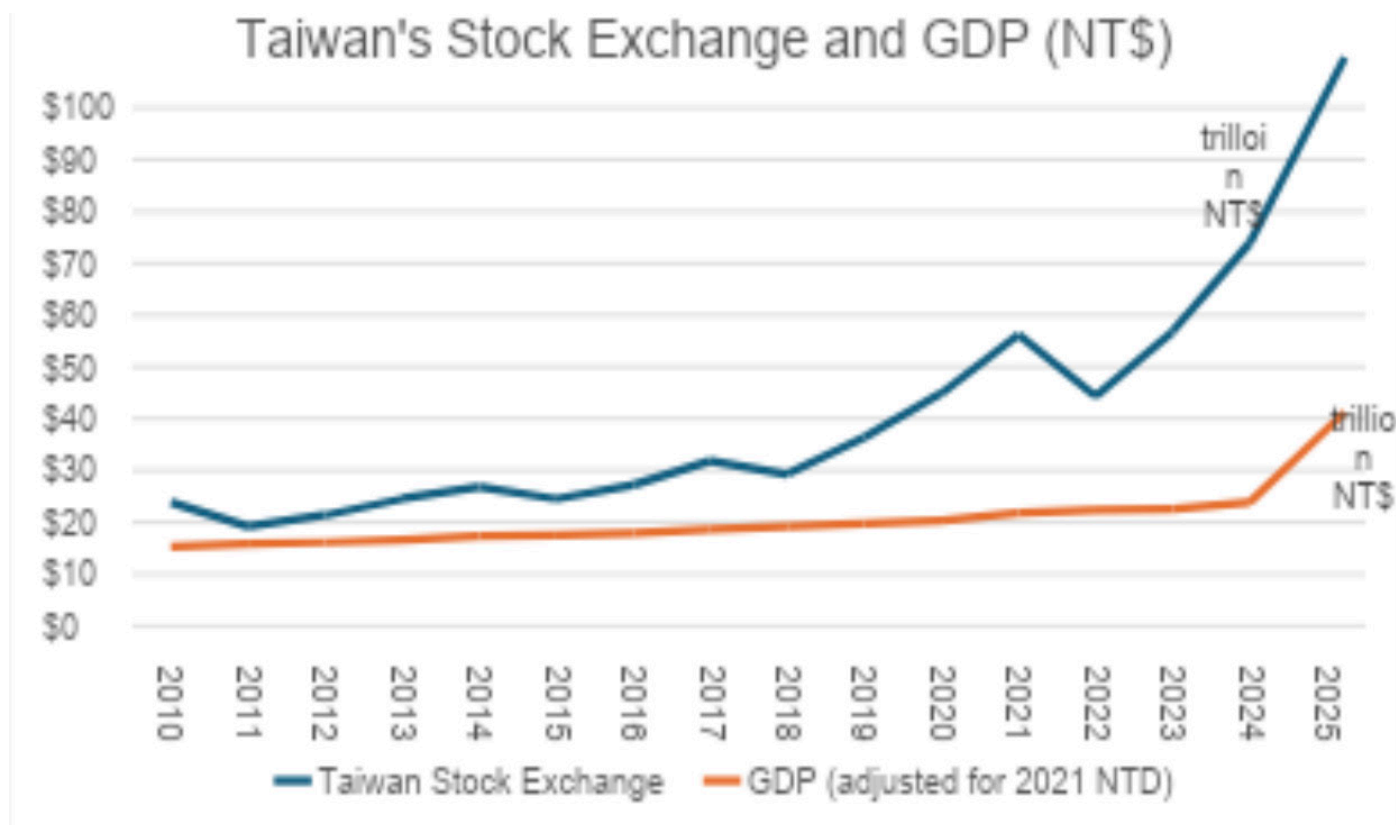


Figure 1: Taiwan's gross domestic product (GDP) and stock market capitalization for each year of listed and OTC companies, 2010 – 2025. (Compiled by the author, sources: [ROC Financial Supervisory Commission](#) and [ROC National Statistics Database](#))

measured in New Taiwan Dollars (TWD), was more than TWD 26 trillion in 2025. Meanwhile, the total market capitalization of the TSWE was over TWD94 trillion that same year. Both GDP and the TWSE have grown in the last 15 years and now have significant values. The annual output of Taiwan's economy has nearly doubled since 2010, while the value of Taiwan's stock market has nearly quadrupled. While both are important developments, understanding the difference is also important.

Stock markets are a measure of investors' expectations rather than production, and they only represent publicly traded companies. There are over 1,000 companies listed on the TWSE, but around 800,000 [registered companies](#) across Taiwan. What is more, on the TWSE, one [company](#) – TSMC – accounts for nearly half of the total market capitalization. Thus, the size and health of a stock market can be used as one data point to estimate how well an economy is doing, but it is not a one-for-one substitute for other economic data. Anecdotally, you can buy and sell stock for a profit, adding to your wealth—but it would contribute very little to

GDP.

Different Ways to Measure Taiwan's Economic Performance

Taiwan's economy is performing well but in different ways. Different measures of economic activity can give us a better understanding of exactly how Taiwan's economy is performing.

I. GDP per capita

In 2026, Taiwan's GDP [per capita](#) is expected to be roughly TWD 1.4 million – an increase from TWD 1.2 million in 2025. This means the economy is expected to produce more per person, but it does not mean the average citizen will be able to just go out and spend an extra TWD 200,000 this year.

II. Nominal and real wages

Wages, or earnings, are a good measure of economic activity, especially real earnings (earnings adjusted for inflation), given that these factors affect households'



Image: Stock data on display in Taiwan's Stock Exchange (March 5, 2026). (Image source: [Central News Agency](#))

and individuals' purchasing power. Total average [earnings](#) increased by just under TWD29,000 last year.

Taiwan's [national statistics](#) on earnings are usually divided between regular and irregular earnings (which include overtime pay and bonuses). On an annual basis, those working in the [industrial](#) sector will make about 10 percent higher total earnings than those in services. But on average, workers in the industrial sector also have lower regular earnings than those in services. Instead, industrial workers make nearly double in irregular earnings from working overtime and performance bonuses – which can be tied to higher stock values.

Whether looking at regular or irregular earnings, or the average of these two, adjusting for inflation (as measured by the consumer price index, CPI) gives different results as to what real wage growth in Taiwan looks like. In the first quarter of 2026, [real regular](#) wages rose by as much as 1.4 percent. Meanwhile, real average wages have grown a modest 2 percent compared to the same period last year. But again, the distribution of higher earnings is different between sectors while inflation affects most everyone the same.

III. Disposable income and savings per household

Other economic measures include median [disposable income](#) (income after taxes and other deductions), which was TWD 356,000 (USD 11,000) per person in 2024. There is also the consideration of average savings per household, which was TWD 277,000 (USD 9,000) that same year. Both numbers are far less than GDP per capita, or the value of the TWSE per person.

IV. National wealth

National statistics on wealth are a bit more comprehensive for measuring the total health of an economy, as these will include existing assets, such as land and financial assets like the stock market. Taiwan's net [national wealth](#) in 2024 was TWD 259 trillion (USD 8 trillion). This comes to roughly TWD 11 million (USD 345,000) per person—which is roughly equal to South Korea's net [wealth](#) of USD 341,000 per person. Most of Taiwan's [assets](#) are in its land and manufacturing assets, with about 20 percent of net assets in finance.

	Net National Wealth (NNW) in USD	Population	NNW per capita
United States	\$156,715,308,000,000	340,095,000	\$460,799
Taiwan	\$8,065,993,073,032	23,404,138	\$344,640
South Korea	\$17,679,252,479,024	51,805,547	\$341,262
Japan	\$30,037,951,014,932	123,802,000	\$242,629
People's Republic of China	\$91,300,000,000,000	1,408,280,000	\$64,831

Figure 2: Net national wealth compared to population, for the United States, Taiwan, South Korea, Japan, and the PRC. (Chart created by author, sources include: [FRED Taiwan's Directorate-General of Budget, Accounting and Statistics](#), [KOSTAT](#), [Cabinet Office Japan](#), and [AEI](#).)

Taiwan's Economy in the Year Ahead

Taiwan's annual GDP growth in the [first quarter](#) of 2026 was a whopping 13.7 percent. This is a huge number for Taiwan's economy, and the highest since 1987. Growth is being driven by trade and the global demand for AI. Since it does not appear that this demand is expected to slow anytime soon, we can expect Taiwan's economy to continue to see large double-digit growth in the second and third quarters of 2026. Growth may slow in the last quarter of 2026, but only because Taiwan's economy had already grown so much in the fourth quarter of 2025. It is fair to assume that the value of the TWSE could also trend upwards with sustained demand for AI and rising GDP, but this author will not speculate on stock values.

Taiwan's economy is doing great, but there are still challenges ahead, mainly the uneven distribution of wealth from AI-driven growth. In the short term, the greatest challenge is an increase in prices, especially for those who are not benefiting directly from AI-driven growth. Energy prices are at the top of the list of rising

prices to watch out for. Every June, the [monthly CPI](#) of electricity for houses increases at least 20 percent. CPI for housing electricity is already up 5 percent over this period last year. Liquefied natural gas (LNG) and coal are the two main sources for electricity production in Taiwan. Thankfully, Taiwan is still importing enough LNG to fuel its gas-fired power plants – so there is no concern about [shortages](#). However, global demand is driving up the price of LNG, with the cost of LNG [imports](#) in April up 50 percent over March.

Likewise, [petroleum prices](#) are also up about 20 percent from earlier this year – driving up transportation costs and what consumers are paying at the pump. Thankfully, the government has stockpiled petroleum [supplies](#), and can continue to subsidize to help keep costs low. The government is also continuing to promote its [energy efficiency](#) efforts to save electricity.

However, when price increases outpace wage growth, countries will face an affordability problem. Even countries with real wage growth can still face affordability challenges – especially for those that work in

industries that are less profitable.

Stock values might do well for those working at companies that are listed in the TWSE or those invested in finance. But this provides a narrow view of the health of Taiwan's economy. Even statistics on metrics like net national wealth are still an imperfect measurement. Economic statistics can be confusing, and we should not confuse the performance of Taiwan's stock market with the overall economy.

The main point: Taiwan's stock market has grown significantly in recent years but should not be confused with other economic data. Stocks are generally a reflection of expectations, while GDP is a measure of past production. Taiwan faces several economic challenges this year even as the economy continues to grow. Rising prices and an uneven distribution of wealth are just two of these challenges.

[1] "Tyranny of the aggregate" refers to when large accounting numbers mask the change of smaller, specific numbers. Also referred to as aggregation bias, an example could be a spike in the cost of consumer energy prices while changes to total consumer prices are only moderate.

[2] GDP is a snapshot of past economic activity as it measures the sum of all private consumption, government spending, investment, and net exports (exports minus imports) within a given period – usually within a year or a quarter of a year. But even GDP is an imperfect measure as it does not normally account for the accumulation and distribution of wealth.

Behind the Headlines: The Story Behind Taiwan's Quiet Talent Exodus

By: Noa Wynn

Noa Wynn is a freelance journalist and researcher specializing in international security, social dynamics, environmental issues, and culture. He brings a global perspective to his reporting. His work examines how political, social, and environmental changes are shaping the world today.

Leaving a country does not always mean turning away from it. However, when the choice to leave is weaponized as propaganda against the place you came from, it becomes a more complex story. In the case of Taiwan, individual choices to relocate have become part of something much bigger—a deliberate, long-term cam-

paign to redirect Taiwan's human capital elsewhere. The Chinese government has set up a range of programs specifically meant to attract Taiwanese workers, scholars, and entrepreneurs, all backed by the resources only a state can provide.

Chinese Offers Lure Taiwan's Top Talent Abroad

China describes its [talent recruitment strategy](#) as "building nests to attract phoenixes." Some of the "phoenixes" the strategy is targeting are Taiwan's engineers, researchers, and skilled workers. The nest that is being built is meant to hollow out Taiwan from the inside.

In 2018, Beijing introduced what it nicknamed the "31 Measures" (關於促進兩岸經濟文化交流合作的若干措施), a [comprehensive program](#) offering Taiwanese companies and professionals tax breaks and opportunities for research grants. In November 2019, Beijing followed up with the "26 Measures," which opened up more areas of the Chinese economy to Taiwanese businesses and workers. The following year, it was reported that China recruited [over 3,000](#) chip engineers from Taiwan in recent years. In 2020, it poached more than [100 engineers](#) from TSMC alone. Although [the number of Taiwanese nationals working in China dropped to 231,000 in 2024](#) (from over 400,000 before the pandemic), China is still the top destination for Taiwanese working abroad. This was strategic economic warfare marketed as better opportunities. As far back as 2011, [Academia Sinica](#) – Taiwan's top research institution – warned that China and other neighbors were competing for talent "as if it were a war," while Taiwan's government was slow to respond.

The strategy works because it exploits a real problem. Since 2000, wages in Taiwan have stayed stagnant for [sixteen years](#) even as the economy grew. Now, a university graduate with experience might earn [around USD \\$1,400 per month in real terms after adjusting for inflation](#). In Taipei, that is barely enough to cover the high cost of living. When Chinese firms offer double or triple the salary along with housing and benefits, it becomes a package of incentives that some Taiwanese professionals find hard to refuse.

Beyond personal economic calculation, there are also social and political costs to consider. In 2017, a young [Taiwanese man](#) working in Shanghai posted online that others should leave Taiwan for better opportunities abroad, and was immediately denounced as a "communist bandit." The discussion turned into a political debate on loyalty. Some see those who leave

**国务院台办、国家发展改革委出台
《关于进一步促进两岸经济文化交流合作的若干措施》**

11月4日
国务院台办、国家发展改革委经商中央组织部等20个有关部门
出台《关于进一步促进两岸经济文化交流合作的若干措施》(以下简称“26条措施”)
自公布之日起施行

“26条措施”

涉及为台湾企业提供同等待遇的措施13条

包括台资企业同等参与重大技术装备、5G、循环经济、民航、主题公园、新型金融组织等投资建设, 同等享受融资、贸易救济、出口信用保险、进出口便利、标准制订等政策, 支持两岸青年就业创业基地示范点建设等

涉及为台湾同胞提供同等待遇的措施13条

包括为台湾同胞在领事保护、农业合作、交通出行、通信资费、购房资格、文化体育、职称评审、分类招考等方面提供更多便利和支持

新华社记者 肖潇 编制

Image: A Chinese state media graphic extolling “Certain Measures Concerning the Advancement of Cross-Straits Economic and Cultural Exchange Cooperation” (關於促進兩岸經濟文化交流合作的若干措施), including economic incentive measures to recruit young adults from Taiwan to work in the PRC. (Image source: [Xinhua News Agency](#))

Taiwan to work in China as abandoning Taiwan. Those who pursue opportunities in China feel judged for making practical economic decisions. This kind of social division within Taiwan is what benefits China most.

This is not just an issue of Taiwan competing with another country for talent. China’s recruitment efforts have state resources as backing and a clear political interest weakening Taiwan’s economic and technological advancement. By using job opportunities and education programs to try to pull talent away from Taiwan, China aims to deepen economic dependence and use that as support for unification inside Taiwan itself. The logic is simple: make Taiwan’s young people dependent on China economically, and convince them that Beijing provides a better future; and accordingly, Taiwan’s

political will for independence will weaken naturally without China needing to fire a single shot.

Taiwan’s Demographic Problem

Taiwan has spent decades building one of the best [education systems](#) in Asia. It has poured money into universities and technical training to produce some of the most skilled engineers and researchers in the region. However, the challenge is to retain this talent in order to contribute to Taiwan’s economy, so that it is not running a talent factory for other countries’ economies.

Beyond emigration, there is also the larger demographic reality that Taiwan’s population is shrinking

and aging rapidly with its consistent low birthrate. Taiwan's total fertility rate has fallen to 0.8 children per woman, the [lowest birthrate](#) in the world. Only 135,000 babies were born in 2024. The population is [projected](#) to shrink from 23.4 million today to under 15 million by 2070. People [over 65](#) already make up more than 20% of the population.

In this context, emigration of workers add stress to the economy and public services system. Fewer workers supporting more retirees could lead to higher taxes and weaker public services—which in turn, would give more people reason to leave. The cycle feeds itself in ways that become harder to break the longer it continues.

Taiwan's Proven History of Thriving Under Tough Conditions

The current issues Taiwan faces are serious, but challenges are not unprecedented for Taiwan. This is a country that has transformed its economy more than once, often under more dire circumstances than what it faces now. The ability to rebuild has always been Taiwan's hidden strength.

In [the 1950s](#), economists looked at Taiwan's situation with pessimism: seeing a country with limited natural resources, too many people on too little land, and a discredited government. Taiwan's subsequent development proved them wrong. Between 1952 and 1982, Taiwan averaged 8.7% [economic growth](#) annually, transforming from an agricultural backwater into an industrial powerhouse. The gross national product [grew 360%](#) between 1965 and 1986 in what became known as the "Taiwan Economic Miracle." When the 1997 [Asian financial crisis](#) swept through East Asia, [Indonesia's currency](#) lost more than 75% of its value, [South Korea's](#) fell about 46%, and [Thailand's](#) dropped around 28%. [Taiwan's currency](#) fell only 15%, and Taiwan emerged as one of the few economies that made it through the crisis without serious economic damage. Taiwan has had experience solving structural problems and remained resilient when the odds were against it.

Through decades of deliberate planning and painful reform, Taiwan was able to hold under pressure when other Asian economies failed. The question is whether Taiwan can summon that same capacity for structural change now, when the threat is not a sudden financial shock but two decades of wage stagnation and demographic decline that have led to many of its citizens to work elsewhere.

Taiwan doesn't need a miracle. It needs to do what it's already proven it can do, which is fix structural problems through concrete policy. That means wages that finally recover after two decades of going flat, housing policy that frees up the country's empty apartments for people who don't have family wealth, and real financial support for raising children rather than expecting young couples to absorb the full cost alone. Taiwan was able to become the indispensable hub of global semiconductor manufacturing through planning and investment.

Now, Taiwan needs to apply that same focus to keeping young talent from leaving. The government should raise wages competitively with what China and other countries offer. Housing costs should be manageable so that young professionals can afford to buy a place on their own salary. Small adjustments cannot fix big problems, so Taiwan needs to be thoughtful and innovative to have an integrated approach to tackle the problem of brain drain.

Taiwan's Crisis Is Serious But Solvable

What kept Taiwan together through its hardest periods wasn't just national identity or political will, though both mattered. It was the hope that staying meant opportunity and the promise that sacrifice came with the possibility of building something better.

People emigrating elsewhere is not Taiwan's weakness. It serves as evidence that the problem is real and needs solutions. A [2020 survey](#) of salaried workers found that 90% wished they could work abroad. That figure does not come from people who have given up on Taiwan. A lot of them are not chasing more money so much as the basic stability that an ordinary life in Taiwan once provided.

South Korea faced a similar brain drain in the 1980s, and this example could provide some lessons learned for Taiwan. Back then, South Korea's best engineers and scientists were leaving for the United States. The government responded by pouring money into research and development, creating innovation hubs, and offering [massive incentives](#) for Koreans working abroad to come back. They made it financially attractive to return and built industries where top talent could actually thrive. Within two decades, South Korea went from losing talent to attracting it.

Taiwan has the resources and determination to do the same thing. Taiwan's track record has proven that it is possible to overcome challenges to flourish and

develop. Taiwan created an economic miracle with little natural resources, built a democracy from authoritarian rule, and developed a crucial semiconductor industry upon which the world depends. The talent exodus problem is serious, but not unsolvable. What Taiwan needs now is the same thing that got it through those earlier challenges: the recognition that this is an emergency, and the willingness to act like it.

The main point: Taiwan is gradually losing many of its most talented young workers to jobs overseas. The reason is not a lack of loyalty but a lack of opportunity, with wages that have stayed flat for twenty years and a cost of living that only goes up. For a generation that cannot afford homes or comfortably raise children, leaving has become a practical decision rather than an emotional one. The path forward is clear enough, because a country that built a semiconductor empire can certainly rebuild the conditions that keep its people home. Taiwan has solved difficult problems before – and with the right reforms, it can give its people a reason to build their lives at home.
