



THE TAIWAN-CHINA RELATIONS AND THE INTERSECTING PROJECTILES OF POWER AND INTEGRATIONS IN THE ASIA PACIFIC

Aravind Yelery*

School of International Studies, Centre for East Asian Studies,
Jawaharlal Nehru University, 110067 New Delhi, India
E-mail: aravindyelery@jnu.ac.in

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ABSTRACT

In the past decade, cross-strait relations between mainland China and Taiwan have witnessed significant changes. These are not just superficial differences but also deep-seated structural shifts. Amid global crises and uncertainties in production, supplies, and innovation, the structural impact of deteriorating cross-strait relations has been profound. The United States (US) and its allies have closely monitored China's expanding influence in the broader Asia-Pacific region, driven by their strategic competition and rivalry. At the same time, efforts to promote regional economic integration, as seen in initiatives like the Free Trade Area of the Asia-Pacific (FTAAP) and the Bogor Goals, have consistently shaped the landscape of free and open trade and investment in the region. However, it is essential to acknowledge Taiwan's unique approach to managing its relations with mainland China, which goes beyond the simplistic dichotomy of "de-risking" and "de-coupling". As a significant economic player in the Asia-Pacific, characterised by a highly developed economy and extensive trade and investment linkages with regional counterparts, any escalation in military tensions could disrupt existing regional trajectories. Conversely, the security of Taiwan is deeply intertwined with broader security dynamics in the Asia-Pacific, particularly in the face of escalating tensions involving mainland China and key regional stakeholders, including the US, Japan, and South Korea. In this context, this study explores regional instabilities, the dynamics of integration, and the imperatives of "de-risking" within the Asia-Pacific security framework. By examining these aspects, the study aims to illuminate the complex matrix of power and integration, offering insights into the evolving regional dynamics and their implications.

Keywords: Cross-strait relations, mainland China, Taiwan, regional instability, implications

INTRODUCTION

The spectre of East Asian politics is complex and dynamic, given its geo-economic centrality and aggravating geopolitical issues about sovereignty. While the region claims to be the epicentre of growth and integration, the countries of this region are no strangers to strategic novelties where nation-states navigate through crises and power asymmetries. These factors have influenced the relations between mainland China and Taiwan, leading to complex scenarios (Chai 1999).

Taiwan's role in the Asia-Pacific and adjacent regions is on the rise, and its diplomatic efforts to garner more traction by addressing global issues, such as the technological divide and diversification of production and supply lines away from mainland China, position Taiwan as a leading voice for global parity.

On the other hand, the international relations of mainland China are growing cross-strait-centric (Mark and Graham 2023). Mainland China is preparing to counter-balance Taiwan's democratic transitions and reflections beyond the island's physical boundaries. The identity of the Taiwanese in their technological domination and critical role in high-tech supplies also impacted mainland China's opportunities to rise. The slowing growth rate of significant makeovers in global trade favours Taiwan's structural disengagements (in addition to political ones) from mainland China. Mainland China built its strategies to "de-Taiwanise" its businesses, emphasising more Sinicised integration of the Asia-Pacific (Mark and Graham 2023). These evolving dynamics influence hierarchies of power equations by creating complex interdependencies, often called integrations.

While the idea of integration is not disowned by the engaging sides (mainland China and Taiwan) nor the "auxiliary actors" (countries in the league), the novelties of integration are diverse and complex. These intricacies define the state of cross-strait affairs and their cascading effects on the power projections and nature of integration in the Asia-Pacific. This article attempts to understand this dynamism beyond the scope of the singularities of theories. The theory of dependencies, integration, power balance and structural adjustments has been verified against the actual conditions. The region is rapidly undergoing reconfiguration, and the relations between mainland China and Taiwan are the prime catalysts in accelerating this pace.

To quantify and theorise these dimensions carefully, the article considers the integration method and its various manifestations as a key matrix to evaluate the operational implications of changing cross-strait relations. To augment the arguments and analysis, a qualitative theoretical methodology has been applied to trace the direction and texture of integration as practised and perceived by both sides. Both China and Taiwan have framed their engagements and disengagements as elements of broader integration optics. This study examines these tendencies, identifying how complex power alignments are instrumentalised to drive one form of integration, Sinification, by mainland China, and another, Taiwanisation or re-Taiwanisation, by Taiwan, often using tech-economic leverage. The article also adopts quantification methods, blending mixed-methods approaches to evaluate both theoretical parameters and operational realities. These intricacies and the accelerating pace of reconfiguration in the region, primarily driven by the cross-strait dynamic, underscore the need to interpret Asia-Pacific integration through a multifaceted and non-singular theoretical lens.

LITERATURE REVIEW

The literature on cross-strait affairs primarily covers aspects of interdependence and economic tenacities. Aspects such as cross-strait movement of capital, labour, and technology have been the focus of literature in measuring economic proximities and political volatilities. Many literatures emphasise the critical role of economics in preventing further escalation in relations. Christensen (2025) represents a school of scholars that believes in the continuity of engagement and the imminent risks of decoupling, underlining mainland China's significant gravity factor. The article summarises that regional economic integration and interdependence facilitated peace between mainland China and Taiwan. He notes that proponents of economic decoupling and deglobalisation overlook that economics serves as a deterrent to war and conflict. He elaborates that the economic dependence between mainland China and Taiwan has compelled mainland

China to limit its sanctions on Taiwan. Christensen sums up that despite the pro-independence stance adopted by the Democratic Progressive Party (DPP) regime, mainland China did not impose heavy sanctions on critical sectors, such as electronics and telecommunications, which comprise 70% of Taiwan's exports to mainland China. Claiming that mainland China-led asymmetries are merely rhetorical (Christensen 2025), the author argues that mainland China's economic coercion of Taiwan is limited to the rhetorical imposition of sanctions on food products, fruits, and soft drinks. This illustrates that economic interdependence acts as an incentive for peaceful cross-strait relations.

Beijing's strategy to integrate and diversify Taiwan's economy is well elaborated in Cha's (2023) research on the collective resilience factor that Taiwan plans to build upon. Cha argues that mainland China weaponizes economic interdependence and global integrated supply chains to achieve political goals and territorial gains. Cha (2023: 92) defines mainland China's economic coercion strategy as "predatory liberalism". To sinicise Taiwan's interdependencies, Cha argues that Beijing uses economic coercion and global networks to limit Taiwan's international presence. When the United States (US) House of Representatives Speaker Nancy Pelosi visited Taiwan in 2022, mainland China imposed sanctions on Taiwanese food product exports and limited the natural sand required for Taiwan's semiconductor industry. Also, mainland China conducted military drills to intimidate Taiwan. Cha emphasises the merits of a collective resilience strategy to counter mainland China's predatory liberalism.

Some scholars have also debated structural and institutional inertia as a focus area. Mainland China's financial influence over cross-strait affairs is one of the variables that explain how mainland China's limitations in creating asymmetries (financial dependencies) helped Taiwan circumvent mainland China's pressure. Mainland China's economic statecraft has witnessed limited financial integration with Taiwan, as Lee and Knoerich (2023) explained. The duo argue that Chinese investments in Taiwan are not an effective tool for coercion. Lee and Knoerich (2023) have demonstrated the ineffectiveness of mainland China's investments in Taiwan in achieving its political goals. Investments from mainland China in Taiwan are primarily driven by corporations that are not always under state influence, and these investments form a meagre portion of total overseas Chinese investments, around 2.7%. Lee and Knoerich further claim that mainland China's commercial interests in Taiwan are limited. Any attempt by the Chinese state to utilise these investments for political purposes has been met with pushback from the Taiwanese state, bureaucracy, and civil society.

On the critical side, amid the rising debates about economic decoupling between the two powers, the US and mainland China, Taiwan's economic policy towards mainland China is perceived as inconsistent and irrational. Muyard (2012) has characterised Taiwan's economic policy as moving between liberalisation and restrictions at different periods. He argues that, apart from structural and global factors, Taiwan's economic policy towards mainland China is influenced by its ambivalence towards cross-strait relations. In his article, Lin (2022) argues that Taiwan's national identity plays a vital role in shaping its economic policy. He even suggests that solidifying national identity may limit the range of policy options, but it does not lead to a consistent economic policy. The economic policy oscillates between liberalisation and restraints across periods under different parties.

The nuanced literature covering the spectrums of these phenomena is getting further traction. However, objectively augmenting research in deconstructing the integrations' projectiles remains a significant challenge. While Taiwan explores how it needs to de-risk and de-couple its structural dependencies, mainland China attempts to circumvent Taiwan's diversification efforts by influencing regional integration strategies and creating a theatre of projectiles.

East Asian actors, including those from mainland China and Taiwan, have been key players in the East Asian integration process, encompassing economic, political, and social aspects. The economic achievements of these players have been playing a pivotal role in shaping the aspirations of the entire region. The emphasis on integration becomes vital against historical disputes and territorial claims. The focus on cooperation and interdependence among East Asian players, including nation-states and regional institutions such as the Association of Southeast Asian Nations (ASEAN), has been influenced by mainland China, but at the same time, it has developed a niche with Taiwan. ASEAN+3, along with political measures such as the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS), have underscored the variation in the existing integrity mechanism. Identifying and discussing the critical terms this article uses while elaborating the arguments is imperative.

In the Asian context, the definition of integration varies from traditional Western theories based on European integration experiences. The disastrous pan-continental wars and Cold War circumstances turned these examples ideal for rebuilding the post-war world, where the emphasis was given to examples like the European Economic Community (EEC). Jean Monnet (Mayne 1967) and Robert Schuman (McKesson 1952) advocated for European integration to foster economic cooperation and prevent future conflicts, especially in Europe. The emphasis was further enhanced when economic integration theories became the primary vehicle to alleviate historical animosities affecting integration. The work by Jacob Viner, *The Customs Union Issue* (1950), and Bela Balassa's *The Theory of Economic Integration* (1961) served as stepping stones for the Asian examples of economic integration. In East Asia, the term integration was used by political leaders and scholars who advocated for more robust regional ties to enhance economic development and thereby control political volatilities to an extent. It became a crucial part of the regional discourse as economic and political cooperation evolved. East Asian integration characteristics relied on the importance of economic interdependencies, despite political divergences—historical animosities, territorial claims, non-political dissimilarities—as well as cultural and religious beliefs and stages of development (*Asia Society* 2000).

Some critical theories and perspectives related to mainland China-Taiwan economic integration, such as market integration and the gravity model of trade (Kanavos and Wouters 2014), rely on underlying extensive trade and investment flows. The model claims that direct political investments by both sides have led to lower political tensions, focusing more on reducing trade barriers, harmonising regulations, and increasing economic interdependence through trade, investment, and labour mobility. The gravity model of integration overemphasises the undeniable role of economic openness from both sides and underlines how each side had its advantages to benefit from the engagements. This article examines the nuances of integration that have evolved or been devised as these cross-strait dependencies have led to a more significant regional impact. The volatilities of cross-strait relations did impact the shorter and longer integration cycles. While mainland China attempted to create a gravity model of interdependencies, Taiwan attempted to escape the overinfluence of the Chinese economic gravities and tried to use mainland China's market as a gravity assist (Kanavos and Wouters 2014). The article examines these dynamics through cross-strait economic integration models and beyond, aiming to understand how the integration has undergone economic, political, and military centrifugation.

The term “asymmetry” involves assessing the power dynamics between entities with significantly different capabilities or influence levels. It is a metric used to measure an actor's ability to project and exercise power. The asymmetrical relations refer to the structural realism in action, despite bandwagoning for integration. This means that the integration practised is suggestive and often reflects the subversive tendencies of players like mainland China, and it is used as a tool for manifesting control. The article centres on the idea that the growing influence of mainland China

on regional matters is undeniable, causing political, economic, and military displacements that trigger lateral asymmetries. Consequently, the myriad relations emerging in the region stem from this phenomenon, which leads to the selection of alternatives while balancing national interests and strategic integrity.

The article extensively discusses Sinicisation as a historical, cultural, and assimilation process, particularly focusing on theoretical perspectives, historical interpretations, and its impact on identity formation. Sinicised integration (Cheng 2021) in the Asia-Pacific refers to mainland China's increasing influence in shaping regional economic, political, and cultural dynamics. In pursuit of making mainland China's rise central to Asia-Pacific Economic Cooperation (APEC), ASEAN, and other institutions, mainland China launched sequential strategies over the past two decades. Mainland China's interest in the Regional Comprehensive Economic Partnership (RCEP) reflects its ambitions. The literature and references in mainland China's policy documents highlight the RCEP, and such initiatives will be utilised to further its interests. Reflections on various forms of Sinification are necessary to understand the challenges related to dependence, sovereignty, and regional balance regarding Taiwan's role in addressing "de-Taiwanisation" by mainland China. The de-Taiwanisation by mainland China is an attempt to weaken Taiwan's position in controlling mainland China's domestic economic indices, including employability, critical technology supplies, and enabling research and development of cutting-edge inventions (Chang 2019).

THE CROSS-STRAIT RELATIONS BETWEEN 2000–2008

Centrifugalities and Makeover of Taiwan's Regional Influence (Taiwanisation)

The presidential elections and the contest for the Legislative Yuan in 2000 changed the course of cross-strait relations. The 2000 election results signalled more than just the end of Kuomintang's (KMT) rule. A non-KMT party was set to re-evaluate Taiwan's relations with the mainland for the first time in the island's history. The anticipated course correction was to mark the significant deviation in cross-strait matters. The DPP's rise to power under Chen Shui-bian's leadership led to a rapid escalation of cross-strait relations, as the political leadership in Taiwan questioned mainland China's increased interventions. The rise of the DPP marked a clear shift towards independence in Taiwan, albeit with caution. Chen's presidency followed the long rule of the KMT, which maintained the status quo by avoiding adverse engagement with mainland China. The KMT was one of the parties from the island which supported the 1992 Consensus (Wei 2015) and stayed away from rekindling Taiwan's political identity. Chen's strategic centrifugalities involved identifying Taiwan's interests independent of mainland China's influence. The identification of such unique positioning helped Taiwan lay the foundation for Taiwanisation. Taiwan's insistence on its version of regional integration and denouncing the Sinification of the region was the first step in achieving its economic ascendance, with the belief that it would eventually lead to political pressure. The period between 2000 and 2008 can be termed the Taiwanisation in action.

The Taiwanisation was a multi-pronged, slower and patient phenomenon. Chen's Four Noes and One Without policy was cognisant of narrow possibilities in pursuing adventurous policies of Taiwan's independence. Chen's Taiwanisation used the status quo in cross-strait relations to shape Taiwan's geo-economics ties beyond the cross-strait to the Asia-Pacific. His initial stance was conciliatory and cautious, offering not to declare independence, change the national

title, or include the two-state theory in the constitution, as long as mainland China did not use military force. Caught in a dilemma of the US' ambiguous role in mainland China's rising military posturing.

Chen had to decisively cope with the mainland's *neiwai jiaokun* (internal trouble and external pressure) strategy. Hence, Taiwan had to build its optics of integrations and plan countermeasures to the adversarial power projectiles that mainland China was pushing, while the US remained non-committal. The denials by the US and mainland China, in a way, helped Taiwan to circumvent the dualities on several strategic matters, one of which was to limit its over-dependence on mainland China and the US.

In 2002, with USD101.9 billion in trade, Taiwan was mainland China's fifth-largest trading partner, following Japan, the US, Hong Kong, and Korea (Chang 2008). During his presidential years, Chen ensured Taiwan continued to ride along with mainland China, benefitting from the globalised trade arrangements in East and Southeast Asia. The period marked mainland China's rising trade share globally when it became a part of the World Trade Organisation (WTO). As Figure 1 illustrates, mainland China's trade deficit with Taiwan quadrupled between 2000 and 2008, as Taiwan's exports to mainland China increased eightfold.

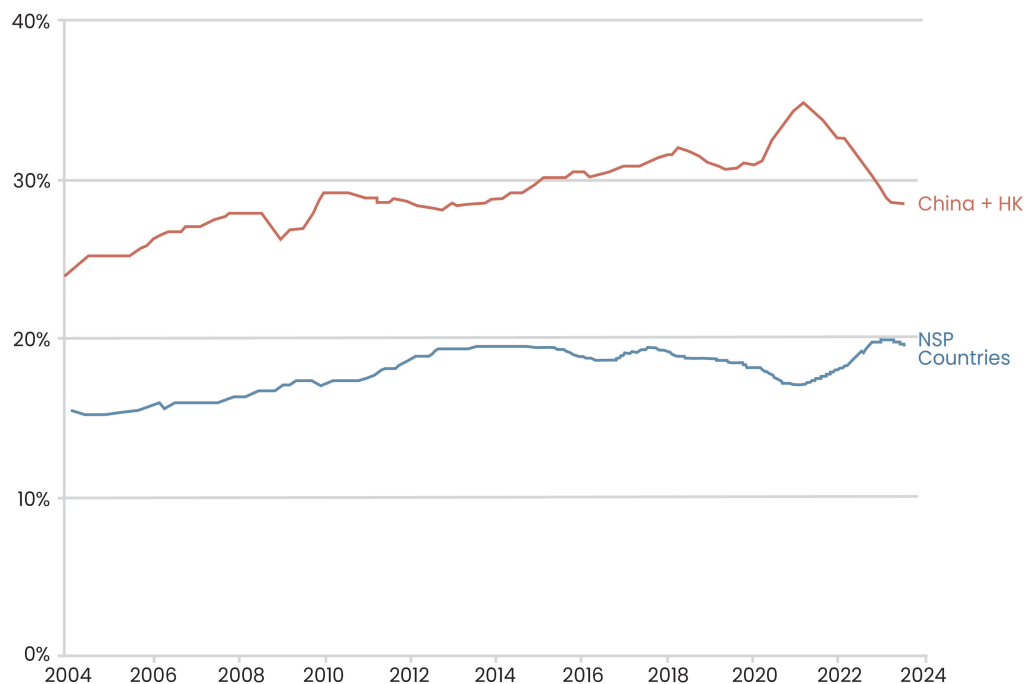


Figure 1: Taiwan's trade with China and New Southbound Policy (NSP) countries (12-month rolling average).

Source: Mark and Graham (2023).

Despite facing significant challenges, including diplomatic pressure from mainland China and regional competition, Taiwan increased its engagement with Southeast Asia and the Asia-Pacific region. These efforts laid the groundwork for Taiwan's continued regional integration and influence, thereby, contributing to its economic resilience and enhanced international presence. Chen Shui-bian's policies were based on praxis and attached greater importance to Taiwan's undeniable might in electronics and high-end technologies. While his predecessors also attempted to create an independent identity for Taiwan, they could not succeed due to

the Southeast Asian countries' reservations about mainland China's pressure to withdraw from the regional trade setup and directly threaten the ties with mainland China. Taiwan's full participation in the APEC, ARF, and even the Council for Security Cooperation in the Asia Pacific (CSCAP) would implicitly reinforce the island's view of its independent status. Chen Shui-bian's policies towards Southeast Asian nations aimed to enhance Lee Teng-hui's "go south" strategy by promoting Taiwanisation (Bing 2017: 103).

The essence of Taiwanisation also featured structural initiatives to make the national economy resilient and agile. Between 2000 and 2008, the government began implementing the i-Taiwan 12 Projects to bolster the nation's capital stock by expanding public investment and boosting private investment (Council for Economic Planning and Development 2012). Moreover, keeping its emphasis on high-tech industries, the government continued to promote industrial remodelling by developing six major emerging industries and four emerging intelligent industries, building an "intelligent Taiwan", increasing R&D inputs, and creating industrial innovation corridors and new high-tech industrial clusters, to raise the rate of technological progress (Council for Economic Planning and Development 2012: 25). As per the Council for Economic Planning and Development (2010) Executive Yuan report, Figure 2 explains how Taiwan became the biggest magnet for integration in high-tech industries.

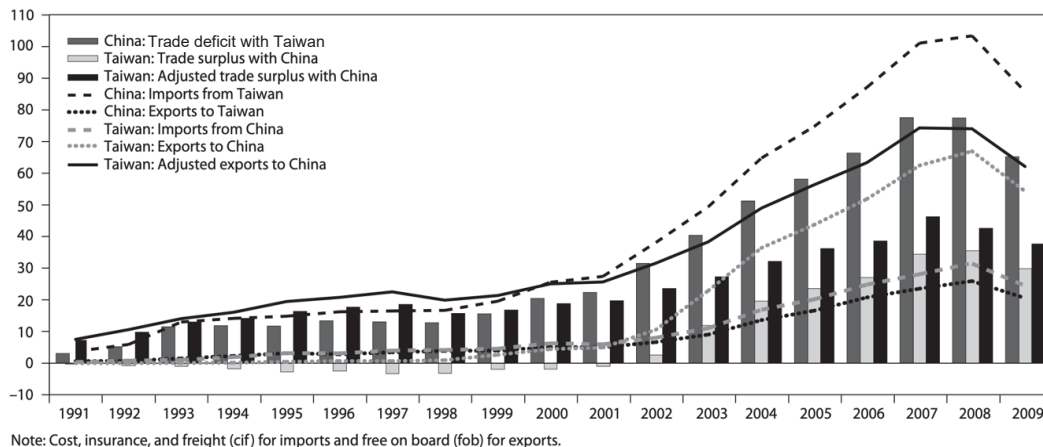


Figure 2: Cross-strait merchandise trade, nominal and adjusted flows, 1991–2009 (billions of USD).

Source: Rosen and Wang (2011).

At the same time, between 2000 and 2004, Taiwan focused on strengthening its integration with Southeast Asia and the Asia-Pacific region to diversify its economic partnerships and reduce its overreliance on mainland China (Jing 2016). This period saw various initiatives to foster economic, trade, and diplomatic relations with countries in these regions. Between 2000 and 2008, the period proved to be a significant stepping stone for Taiwan's integration strategies, and its tech economy played a crucial role in making it possible. Chen Shui-bian launched his version of the "go south" strategy after Taiwan acceded to the WTO in 2002 (Jing 2016). The government encouraged Taiwanese businesses to invest in Southeast Asian countries, particularly in the manufacturing and technology sectors. At the end of 2009, based on Taiwanisation initiatives, Taiwan emerged as one of the largest trading partners for Southeast Asian, European, and other select economies. Taiwan could enhance its standing in ASEAN, Europe, Japan, and the US; refer Table 1 for products of which Taiwan was the world's largest supplier in 2012.

Table 1: Taiwan's rise in high-end manufacturing and global supplies

Product (excluding offshore production)	Taiwan's global market share (%)
Mask read-only memory (Mask ROM)	99.4
Integrated circuit (IC) testing	70.5
Foundry	65.2
Optical discs	63.0
Chlorella	50.5
IC packaging	45.7
Electro-deposited copper foil	37.3
Product (including offshore production)	Taiwan's global market share (%)
Motherboards	95.5
Notebook PCs	95.3
Netbook PCs	90.7
Wireless local area network (WLAN)	81.0
Cable customer premises equipment (CPE)	78.6
Personal navigation devices	76.9
Golf head	75.1
Liquid crystal display (LCD) monitors	71.8
Digital subscriber lines CPE	63.0
Cathode ray tube (CRT) monitors	59.2
Glass fibre	41.1
Desktop PCs	38.9
Power wheelchairs and power scooters	38.6
Instant noodles	29.9

Source: Council for Economic Planning and Development (2012).

Chen Shui-bian's emphasis on Taiwanisation played a crucial role in laying the groundwork for regenerating self-confidence among the Taiwanese and other regional players, including those in Southeast Asia, who believed they could engage with Taiwan despite cross-strait tensions. The routine visits of delegations from Southeast Asian countries, comprising students, parliament members, and business representatives, continued to increase. Taiwan had an opportunity to come out of diplomatic isolation and the collision years after the 1992 Consensus. Taiwan catalysed economic integration, leveraging its significant influence in revamping tech supply chains.

THE RECONCILIATORY INTEGRATION IN TAIWAN'S CROSS-STRAIT AND REGIONAL POLICIES (2008–2016)

Emitting from its democratic transitions and regaining economic confidence, the DPP-led government under Chen Shui-bian projected Taiwanese ascent in regional matters. The period

also witnessed mainland China's one-China policy offensive in the neighbourhood (Fukuda 2023). The successive tenure under KMT's Ma Ying-jeou contrasted with that of Chen Shui-bian. Between 2008 and 2016, the period emerged as critical for mainland China and Taiwan. As a result, the core of their external behaviour remained complementary, especially when global relations went through financial turmoil and cycles of volatility (Matsuda 2015). The integration based on economic interests was not the only criterion for improving relations, but the risk of a political crisis arising from not controlling the effects of the financial crisis would have had a direct impact on both sides. Nevertheless, the matters about the 1992 Consensus remained the golden boundaries that were not to be crossed.

The improving cross-strait relations assured mainland China of its diplomatic endeavours and earned Taiwan an irresistible market. On the strategic front, this ad-hoc peace helped Taiwan build its resilience by diversifying, sourcing reasonable alternatives, and plugging in mainland China's not-too-far but known market. This proved historically critical for Taiwanese businesses to create shorter cross-strait supply chains and longer integration cycles, latching onto global production and supply chains handled through their mainland China units. Growing cross-strait relations also reduced the risk of miscalculation and an unpleasant exchange of diplomatic notes from mainland China, and Taiwan benefited by achieving limited parity. It could control power dynamics with neighbours, balance its rise and stature, and enjoy the priorities offered by mainland China. With improved cross-strait relations, Taiwan could alleviate its role in regional security affairs. The power projectiles remained under mainland China's influence, but Taiwan emerged as a vital player.

The cross-strait relations were stable and smooth during the global financial crisis, which coincided with the new leadership in Taiwan under Ma Ying-jeou (Muyard 2012). Contemplating the political change in Taiwan and its influence on creating avenues in cross-strait relations, Chinese President Hu Jintao's six-point approach (Hsiao 2009), deliberately allowed Taiwan to align with mainland China vis-à-vis the non-regional powers. In addition, this was suggestive of mainland China's subtle emphasis on de-internationalising Taiwan's integration efforts (Kuo 2023). The ambiguity in US relations and commitment towards Taiwan further shaped cross-strait relations in mainland China (Kuo 2023). The uncertain political stand over the island's status led Taiwan to adopt calculative diplomatic moves towards the US and other Western powers. Under Ma Ying-jeou's rule, the impact of engagement during this period was wide-ranging. The June 2010 Economic Cooperation Framework Agreement (ECFA) between Taiwan and mainland China attempted to convert the trade relations constructive. The ECFA offered Taiwan better positioning vis-à-vis its Chinese counterparts and the indirect benefits of its standing in the region, especially in the market equations.

The strained cross-strait relations impacted Taiwan's regional equations during Chen Shui-bian's period as mainland China remained a sizable partner for other Asian trading countries, especially in Southeast Asia. For example, though Taiwan reached a free trade agreement with Central Asian and Southeast Asian countries, it did not bring significant material benefits to Taiwan.

Although Chen Shui-bian attempted to bring aggressiveness in its "independent" pursuance, the Taiwanese businesses found it challenging to compete directly with mainland China and non-Chinese competitors (non-mainland and non-island) from the Southeast Asian countries. After the regime change, the ECFA helped companies from the island overcome their non-competitive edge. The ASEAN-China Free Trade Area (ACFTA), which came into effect, offered both sides 90% tariff relief by 2010 (except for Cambodia, Lao PDR, Myanmar, and Vietnam, which requested extended protection for their markets and an extension of the deadline until

2015). The Taiwanese leadership attempted to outmanoeuvre the Chinese mercantile interests, but mainland China's power projections had a significant presence in the region, overshadowing Taiwanese entities and interests. With the lower tariffs, the competition for the mainland Chinese market was getting more challenging for the Taiwanese as the exports from ASEAN countries to mainland China remained reasonably competitive. In 2010, the ECFA, agreed by the KMT government, provided relief for Taiwan (Mainland Affairs Council n.d.).

The initial phase of trade liberalisation, including the pilot list of tariff concessions, also known as the "early harvest" list (Tsai and Liu 2017: 19), brought both sides to the table to negotiate, including investment and service trade, and further reduced barriers to trade in goods. These areas garnered consideration due to the expanding economic cooperation. The collaboration under the ECFA encompassed diverse areas, including intellectual property rights, financial cooperation, agriculture and animal inspection, and air and maritime shipping (Tsai and Liu 2017). Both sides signed twenty-three cooperation treaties during this period, significantly improving the institutional structure governing interactions across the strait. The cross-strait engagement between the two sides also encompassed cross-strait investments and people-to-people movements, with an increasing interdependence. For example, the initial investments by Taiwanese companies on the mainland were restricted to small, labour-intensive industries, but as the dependencies grew more profound, so did the risk-bearing. In the aftermath of the global financial crisis, as mainland China's exports suffered, Taiwan's exports to mainland China were also impacted. Taiwanese exports to mainland China fell by 40% in 2008 (Shen 2024), and in the subsequent years, they had a relatively stable relationship with Chinese global supplies. Mainland Chinese entities utilised high-tech Taiwanese intermediate goods in manufacturing and exporting finished goods that were subsequently exported from mainland China.

The increase in the export of intermediate technologies, such as semiconductors and electrical equipment, helped boost mainland Chinese exports. The agreement also helped cross-movement people in various industries. Taiwanese workers moved to mainland China for work, and as a result, in 2011, around 400,000 Taiwanese workers were working in mainland China. The presence of companies like Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics Corporation (UMC) employed people from mainland China. The semiconductor industry proliferated, and the interdependence between mainland China and Taiwan increased. Mainland China referred to this interdependence as integration, which led to steady export growth to the mainland China (Mark and Graham 2023). The 2010 ECFA offered multiple benefits to Taiwan. This cooperation helped strengthen the collaboration between ASEAN, mainland China, and Taiwan, as well as the supply chains and the spillover effects on the members' economies.

The quantification of these interdependencies suggested relations beyond "statehood", "unification" and "1992 Consensus" (Brown 2020). Hu Jintao's six points suggested that mainland China's willingness to recognise Taiwan's activities involving international organisations would be limited, assuming there would be no compromise regarding sovereignty. On these points, Taiwan was allowed to participate as an observer in the World Health Organisation in 2009 and approved to participate in the International Civil Aviation Organisation (ICAO) in 2013. During this period, mainland China did not attempt to provide diplomatic aid to countries that did not recognise Taiwan. These efforts were made cautiously to maintain good relations with Taiwan. The intertwined integrations between the two sides and their extended partners did act as auxiliaries, promoting confidence.

THE CROSS-STRAIT RE-ALIGNMENTS SINCE 2016: ASYMMETRIC POWER PARITY

The 2016 presidential elections and the Legislative Yuan marked yet another distinctive phase in these realignments. Tsai Ing-wen of the DPP campaigned for a stronger Taiwanese identity and resistance against pressures from mainland China (Lams 2018). The DPP maintained the status quo in cross-strait relations without compromising Taiwan's sovereignty, and Tsai emphasised economic diversification, innovation, and reducing Taiwan's economic dependence on mainland China.

As a candidate from the DPP, Tsai Ing-wen's win had profound implications for Taiwan's domestic policies and its relationship with mainland China. Tsai Ing-wen's refusal to endorse the 1992 Consensus triggered interpretations and tensions with Beijing. The gradual weakening of the cross-strait relations soon appeared on the horizon as mainland China strategised to prepare for the onslaught of de-Taiwanisation within its boundaries and in the region. This meant that mainland China's radical approaches were ready to take action against Tsai Ing-wen's attempt to increase Taiwan's visibility and participation in the international community.

The change was inevitable for the Chinese, and the country experienced the rise of a new kind of nationalism under Xi's rule. Xi Jinping's views on issues related to sovereignty and territoriality, including Taiwan's reunification, were more assertive and radical than those of his predecessors. Mainland China under Xi Jinping shown signs of change in strategy towards Taiwan. Under Xi, mainland China has intensified efforts to isolate Taiwan internationally. Since taking the reins of mainland China, Xi has tightened his grip over issues such as national security and control over nationalistic narratives (Lian and Wang 2022). The concept of "national rejuvenation" is a well-revered and widely proliferated narrative within party circles (Mazuelos 2022). As the CPC's propaganda stipulates, unifying Taiwan, even if it requires the use of force (Mazuelos 2022), remains the core principle of Xi's CPC and his mainland China.

In 2016, to strengthen Taiwan's regional integration, the administration of President Tsai Ing-wen introduced the New Southbound Policy (NSP) (Glaser et al. 2018). Taiwanese businesses employed foreign direct investment (FDI) diversification in Southeast Asia and other NSP partner nations to resist mainland China's actions in response to the escalating tensions and blockades by the mainland. Specific vital industries, such as semiconductors and communications, attempt to decouple from mainland China, while other sectors, including coal, chemicals, and electronic components, employ de-risking strategies. President Tsai reiterated the need to build Taiwan's power projectiles beyond mainland China. This meant Taiwan pushed for non-Sinification, and mainland China resisted pressure by pressuring Taiwan. The evolving asymmetries highlighted the disparities in capabilities, resources, and strategic leverage, as both sides tried to convert to their favour. In the long run, these result in unequal dynamics and outcomes in bilateral or multilateral engagements.

The emitting points of these projectiles begin from CPC and DPP's deep-rooted mistrust. While mainland China's CPC sidelined the popular mandate and ignored the DPP's significance in domestic politics, the DPP vowed to remove the political attractiveness of the KMT in Taiwan, forcing the CPC to recognise the DPP as the sole counterpart in negotiations and to agree to DPP demands (Chen 2022). The unstable cross-strait relations also necessitated reorienting the limited focus of external engagement from mainland China to other regional neighbours, primarily the US, to mitigate the adverse effects of deteriorating cross-strait relations on Taiwan's autonomy. Taiwan's attempt to de-risk was seen as undercutting mainland China's role in cross-strait affairs

and adversely impacting mainland China's strategic choices. For the CPC, integrations in the Asia-Pacific region referred to pushing for its importance over Taiwan, even if it required soft coercion or tough military posturing. To counter mainland China's pressures, Taiwan sought to compete for diplomatic recognition, flex its military might, promote people-to-people exchanges, and assert its sovereignty (Bush 2021). To ward off military build-up by mainland China and rising instances of limiting air space and control over Taiwan's adjoining maritime bodies, Taiwan's military strategy is carefully balanced to avoid unnecessarily provoking mainland China while ensuring its defence capabilities. Taiwan has been actively developing a responsive and dual-pronged strategy to mitigate the increasing pressure from mainland China.

Taiwan emphasises asymmetric warfare strategies to leverage its strengths and counterbalance mainland China's numerical and technological superiority. The primary objective is to make any potential aggression by mainland China costly and complex. Taiwan's military strategy focuses on deterrence (Ross 2002) and defence rather than offensive capabilities. On the second front, Taiwan continues to focus on maintaining a superior position by building high-tech economic asymmetries against mainland China. It is this asymmetry which pole-vaults Taiwan's power trajectories. Taiwan's technological prowess attracts partnerships with leading global companies and countries, enhancing its international influence and support. Collaborations with the US, Japan, and European countries are particularly significant. Taiwan's role in global supply chains, particularly in semiconductors, and information and communication technology (ICT), makes it a critical player in the global economy, strengthening its strategic importance (as shown in Table 1). Taiwan's de-risking, aimed at leveraging its strengths in advanced technology and innovation to create economic advantages and maintain a competitive edge, has adverse impacts on mainland China, forcing it to diversify its supply lines and avoid perishing.

Taiwan continues to develop asymmetries, focusing on technological might and multi-pronged integrations through semi-diplomatic channels. Investing in advanced technologies enhances Taiwan's self-reliance in critical sectors, reducing vulnerabilities to external pressures. On the other hand, Chinese semiconductor companies lag behind Taiwanese firms in manufacturing technology and production capabilities despite significant investments. This dependence hampers mainland China's goal of achieving self-sufficiency in semiconductors. These asymmetries help Taiwan to build strategic leverage of its own, and the subtleties of tech-economic deterrence work in the island's favour.

DE-RISKING AND DE-COUPLING NEW ORIENTATIONS OF INTEGRATIONS

The evident non-conciliatory approach by Taiwan under the DPP's government-initiated diversifications and deviations from pro-mainland China stances, emphasising re-Taiwanisation. With democratic transitions in place, Taiwan lauds its democratic institutions, contrasting with mainland China's authoritarian model, while also trying to strengthen the rule of law, protect human rights, and promote transparency in governance, thereby, making its governance model starkly different from mainland China's. The DPP's plans under Tsai looked more progressive than merely aggressive and provocative, as they were during Chen Shui-bian's period.

The NSP policy aims to extend economic, technological, agricultural, educational, and cultural links with ASEAN, South Asia, Australia, and New Zealand (Kennedy et al. 2018). President Tsai has acknowledged the NSP as "Taiwan's regional strategy for Asia" (Hsiao and Yang 2024) and as being "at the centre of Taiwan's own Indo-Pacific Strategy" [Office of the President Republic of China (Taiwan) 2022]. This indicates how NSP became an established concept for expanding

Taiwan's involvement in regional affairs, if not a formal legal dialogue partner. These, together known as public-private-people partnerships (P-P-P-P), were made possible by the government's proactive efforts, the unwavering support of civil society, and the accomplishments of the private sector. The fact that these partnerships have continued over the past eight years is evidence of the NSP's indispensable role in reducing dependence on mainland China.

Taiwanese companies used FDI diversification in Southeast Asia and other NSP partner countries as a cohesive countermeasure. The coal, chemical, and electronic component industries used de-risking strategies, while specific significant industries, such as semiconductors and communications, are attempting to decouple from mainland China.

Mainland China's share of Taiwan's total outward FDI has decreased. According to estimates, between 2020 and 2023, only 5% of Taiwan's total outbound FDI projects went to mainland China. This was substantially lower compared to 42% between 2012 and 2015 and 23% between 2016 and 2019 (Hunt 2024). According to officially recorded investment data, mainland China accounted for 34% of Taiwanese enterprises' global investments in 2022, followed by 31% in Southeast Asia and India and 13% in the US and Europe (Chiang 2023). Using the prism of each side's bond exchange-traded fund crash and the widening gap between the economies of Taiwan and mainland China, one can notice the volley. Supply chain interruptions, mainland China's economic slowdown, and geopolitical tensions are the leading causes of this phenomenon. Taiwanese banks have been decreasing their participation in mainland China's financial system, and Taiwanese investment in mainland China bonds dropped by more than 94% from a peak of more than USD58 billion in 2019 (Hou 2023). This indicates Taiwan's exposure to mainland China has been at its lowest point since 2013 after declining over the previous ten quarters. Ten years ago, mainland China accounted for more than two-thirds of Taiwan's external foreign investment. Taiwanese companies in mainland China, particularly in the ICT sector, have moved part of their manufacturing and export capacity to Taiwan and other emerging nations, most notably India and Vietnam. This diversification led to new, shorter, and more resilient cycles of integrations in South and Southeast Asia.

Taiwanese businesses have been divesting from mainland China and increasing the substantial flow of capital to the US. Taiwan's investments in the US surged ninefold to USD9.6 billion in 2023. According to Taiwan's Investment Commission, investments continued to grow, reaching USD11 billion in 2022 (Chiang 2023), ranking the US as Taiwan's third-largest outbound investment destination, behind mainland China and Singapore. US bans on the export of sophisticated semiconductor chips and equipment for AI, including shipments from Taiwanese enterprises to mainland China, have further undermined cross-strait trade relations (Ding 2023). Taiwan's de-risking and diversification also help India. As of early 2024, Taiwanese companies in India have made approximately USD4.46 billion worth of investments. According to Taiwan's Ministry of Finance, the growth rates of Taiwan's exports to Southeast Asia accelerated significantly. In recent years, the trend has shown strong tendencies. Compared to 2020, Taiwan's exports to ASEAN totalled USD70.24 billion in 2021, a 32% increase (*New South Bound Policy Portal* 2022). In the first quarter of 2024, the figures appear more promising, with Taiwan's exports to Southeast Asia increasing by 25%, accounting for one-fifth of Taiwan's total exports (Hoang and Pham 2024). Following Apple's plan to move iPhone production to India, Taiwan may be able to increase its shipments of semiconductor chips to India for use in the final assembly of iPhones. Taiwan sends semiconductor chips to third countries for device assembly, with Apple being a major supplier of these chips. By 2027, India is predicted to produce 50% of iPhones, up from 5% (Feng 2023).

Due to their heavy reliance on importing semiconductor chips from Taiwan, Chinese companies will be particularly susceptible when the cross-strait industrial network is disrupted. Reduced exports will add multiple problems, resulting in long-term effects as mainland China's domestic economy struggles with a stagnating real estate market and low private consumption. Taiwan has demonstrated stronger trade resilience than mainland China in the initial economic de-risking and de-coupling phase across the Taiwan Strait.

As the US is trying to decouple from mainland China, it means that the US needs to decrease its dependence on the Chinese market. So do Taiwanese companies. That's why we need a bilateral trade agreement, to help the Taiwanese companies to find another big market other than the Chinese one (Yi-lung Elliot Wang, Director General, Taipei Economic and Cultural Office in Atlanta). (Williams 2020)

Authoritarian regimes have actively used economic tools to achieve the political aim of expanding their power. Among these regimes, mainland China is the most adept at weaponizing trade, resources, and the economy to coerce Taiwan. In the face of such tremendous threats from mainland China, Taiwan, which plays a crucial role in the global economy and trade, must be even more prepared to respond. Taiwan must bolster cooperation with like-minded countries, enhance the international competitiveness of its industries, and strengthen economic resilience – Foreign Minister Lin Chia-lung in a report to the Legislative Yuan on 30 May 2024. (Lin 2024)

President Lai Ching-te, in his opening remarks at the Ketagalan Forum: 2024 Indo-Pacific Security Dialogue, put forward the Four Pillars of Peace action plan to ensure Taiwan's security. The second pillar focuses on building economic security [Office of the President Republic of China (Taiwan) 2024]. The President remarked:

Mainland China continues to suppress Taiwan's presence in the international community, impeding us from signing trade agreements with other countries and participating in the regional economy. However, our resolve to engage with the world remains strong. Over the past several years, we have continued to expand our global economic presence and diversify our risks. We have also greatly reduced dependence on mainland China. [Office of the President of the Republic of China (Taiwan) 2024]

EMANATING POWER PROJECTILES IN THE REGION

Within a supply-chain security plan known as Greater China+1, Taiwanese suppliers are being pushed to diversify away from mainland China and their home nation (Wu 2023). The regional implication of Taiwan's re-Taiwanisation is noteworthy. The outcomes regarding FDI have been more notable. Taiwan increased its investment to USD4.2 billion in 2016 (Marston and Bush 2018), a 73% increase, in the ASEAN nations, particularly Vietnam. A change in focus that is ultimately beginning to distance Taiwan from mainland China, for the first time in 2021, recorded investment in the NSP countries exceeded that of mainland China (Mark and Graham 2023). In terms of Taiwan's FDI, by the first half of 2023, the investment had reached USD2.13 billion, compared to just USD1.9 billion in mainland China (Jennings 2023).

Vietnam, one of the best growth aggregators for the region, became a crucial pillar in Taiwan's NSP in Southeast Asia. Vietnam has diverse economic base that includes agriculture, manufacturing, services, and emerging tech sectors. In 2022, Taiwan and Vietnam's total imports and exports reached a record-breaking USD28 billion (*Communist Party of Vietnam Online Newspaper* 2023). More significantly, Taiwan accounted for 2,845 projects and reported a cumulative capital of about USD35.3 billion in 2021 (Taipei Economic and Cultural Office in

Vietnam 2022), placing it fourth among nations investing in Vietnam. Besides, Vietnam and Taiwan also developed common ground to reinforce their integration with the Indonesian market. Taiwan became Indonesia's top import source in 2018, rising from USD3.2 billion in 2016. Taiwan is now Indonesia's eighth-largest export destination after reaching USD690 million in shipments to that country in the first half of 2022, or 2.82% of Indonesia's total exports.

Furthermore, the expanding connections between Taipei and Jakarta go beyond business. Through the Taiwan Economic and Trade Office (TETO) in Indonesia, Jakarta proposed to Taiwan in 2017 to work together on utilising water resource facilities. The Taiwan-Indonesian Cooperation in the Integrated Agricultural Area Pilot Project was introduced in Karawang, West Java, following rounds of surveys conducted by national specialists. Taiwan ranked fifth among Malaysia's trading partners in 2021, while Malaysia ranked seventh among them. The total commerce value between the two was USD25.1 billion in 2021, a 29.8% rise from USD19.3 billion in 2020. From 1980 to 2021, Taiwan ranked as Malaysia's eighth-largest FDI source in the manufacturing sector, accounting for a total of USD13.98 billion in investment value. This investment value resulted in 2,577 investment projects and created 386,762 job opportunities for Malaysians in the manufacturing sector (Leong and Min 2022). In the meantime, regarding interpersonal interactions, 28,472 Malaysians were registered as residents of Taiwan as of 31 December 2021; 13,964 of them were university students. President Tsai Ing-wen said, "The first step of reform is to strengthen the vitality and autonomy of our economy, reinforce Taiwan's global and regional connections, and actively participate in multilateral and bilateral economic cooperation as well as free trade negotiations including the Trans-Pacific Partnership and RCEP" (Taipei Economic and Cultural Office in Brunei Darussalam 2016). However, Foreign Minister Jaushieh Joseph Wu remarked that Taiwan's chances of joining RCEP are slim because of the Chinese presence, and Taiwan has better chances of inclusion in Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) than RCEP, as CPTPP is politically more open towards Taiwan's inclusion (Chang 2019). Taiwan is blocked from joining the RCEP by mainland China in response to Taiwan's increased assertiveness under the DPP regime, as seen in policies such as the NSP and rising calls for independence (Chi 2020). Ko Wen-je, the leader of the Taiwan People's Party, expressed that Taiwan should initiate negotiations with mainland China to join the RCEP. He said that Taiwan is not currently in a position to join the CPTPP (*Focus Taiwan* 2023).

Moving forward, Taiwan will continue seeking admission to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Alongside other countries in the region, we hope to create even more economic success and enhance our economic resilience. [Office of the President Republic of China (Taiwan) 2024]

Furthermore, Taiwan has utilised several official, semi-official, and business community channels to enhance economic ties with Malaysia. Establishing an intergovernmental body to foster mutual trade, investment, and the development of small and medium-sized enterprises (SMEs) (Noor 2024), the Malaysia-Taiwan Economic Cooperation Committee (MTECC) was formed in 2016 by the Ministries of International Trade and Industry (MITI) of Malaysia and the Ministry of Economic Affairs of Taiwan. This economic exchange committee also involved other semi-official organisations, including the Malaysia Investment Development Authority (MIDA) and the Malaysia External Trade Development Corporation (MATRADE). In addition to these official and semi-official routes, several organisations, like Liutai Lianzong (留台聯總) and the Federation of Alumni, have been actively promoting closer commercial connections between Taiwan and Malaysia.

Strengthening economic ties with partner nations alone is insufficient. In Taiwan's opinion, peace cannot be compromised and is essential to the growth of the Asia-Pacific region. Taiwan has welcomed officials from Indonesia, Vietnam, Thailand, the Philippines, and Malaysia for collaborative exchanges on border security management and anti-human trafficking through the NSP and Immigration Benchmark Training Program [Ministry of the Interior National Immigration Agency Republic of China (Taiwan) 2024]. It has also formed border control alliances with several NSP countries and encouraged the mutual usage of computerised immigration clearance systems. Moreover, considering its geographic proximity, Taiwan has been sharing its cutting-edge search and rescue equipment and expertise with firefighting and disaster relief officials from NSP countries since 2018. Taiwan has left behind anything it could not use to build stronger relations with the NSP countries.

Most significant international forums in the Asia-Pacific region, such as the Shangri-La Dialogue and the Raisina Dialogue, have historically focused on security and geopolitics. Still, socio-economic development has long been an unfilled gap. Since its launch in 2017, the annual Yushan Forum, one of the flagship projects of Tsai's NSP, has established itself as an Asian forum for social interaction and advancement (as shown in Table 2). A renewed vision for the Indo-Pacific is being carved out by values-aligned countries joining Taiwan's Yushan Forum in response to growing authoritarian threats. This vision reflects the international recognition of Taiwan's NSP and its crucial role in defining a new framework for developing the Indo-Pacific region.

Table 2: NSP's key institutional initiatives including the Yushan Forum

Initiative/Program	Focus sector(s)	Key objectives
Regional Agricultural Development	Agriculture; Food Security	<ul style="list-style-type: none"> ■ Enhance agricultural cooperation and promote exports of Taiwan's agri-tech. ■ Build cross-border human resources in agriculture. ■ Foster bilateral trade and investment. ■ Improve regional food security.
Medical and Public Health Cooperation and Development of Industrial Chains	Healthcare; Pharmaceuticals; Epidemic control	<ul style="list-style-type: none"> ■ Expand training and capacity building for medical personnel. ■ Promote supply chain cooperation in medical industries. ■ Facilitate regulatory cooperation and epidemic control networks.
Industrial Talent Development	Education; Human resource development	<ul style="list-style-type: none"> ■ Cultivate skilled talent and offer vocational training. ■ Strengthen partnerships with educational institutions. ■ Promote bilateral exchanges and career opportunities.
Industrial Innovation and Cooperation	Innovation; Industrial development; smart Tech	<ul style="list-style-type: none"> ■ Build Asia-Pacific industrial partnerships. ■ Promote industrial innovation via the "Five Plus Two" industries (e.g., smart machinery, green energy). ■ Support SMEs and enhance Taiwan's industrial image.
Yushan Forum and Youth Exchange Platform	Regional dialogue; People-to-People connectivity	<ul style="list-style-type: none"> ■ Facilitate regional dialogue and partnerships. ■ Promote innovation, human resource exchange, and social connectivity. ■ Serve as an annual flagship event for regional cooperation.
Cross-border e-Commerce (Prospective Area)	Digital economy; Trade	<ul style="list-style-type: none"> ■ Develop market linkages and talent cultivation. ■ Support e-commerce platforms and cross-border logistics. ■ Provide legal and professional consultation.

(continued on next page)

Table 2: (continued)

Initiative/Program	Focus sector(s)	Key objectives
Tourism Development (Prospective Area)	Tourism; Cultural exchange	<ul style="list-style-type: none"> ■ Enhance tourism promotion and bilateral tourism cooperation. ■ Foster cultural exchange and understanding. ■ Develop tourism infrastructure & services for Southeast Asian markets.
Infrastructure Development Cooperation (Prospective Area)	Infrastructure; Engineering; Energy; Transport	<ul style="list-style-type: none"> ■ Promote cooperation in power plants, petrochemicals, toll systems, rail transport, and environmental engineering. ■ Offer technical expertise and financing support. ■ Strengthen bilateral industrial partnerships.

Source: Compiled data from Office of Trade Negotiations, Executive Yuan (2017).

CONCLUSION

The unfolding integrations in and around mainland China and Taiwan create multi-layered vector fields. The fields of power, economic influence, interdependencies, exchanges, and complex cycles of supply and value chains are, at the same time, leading to recalibrating the existing dynamics. As both sides strive to remain integrated with the existing and new world order, the struggle to stay integrated becomes a real challenge for both mainland China and Taiwan. Since 2008, mainland China's diminishing size and influence have led to a new radical mainland China that uses power asymmetries to manifest its centrality—the period also noticed ups and downs in cross-strait relations, letting new power vectors emerge. Today's Taiwanese leadership has learnt critical lessons over the past twenty-four years (since the first non-KMT leadership took office in 2000). The democratisation on the island prospered amid political tensions and financial volatilities. Cross-strait relations evolved and reset despite the political tensions. The electoral politics, inter-party contests, and formation of the new government did not allow the Taiwanese identity to perish or take a blow. Despite the KMT-led governments' efforts to establish standard cords of ushering prosperity and interdependencies, Taiwan continued to rise and expand its fields of influence. As discussed, what did not change over twenty-four years is the extension of the arc of Sinification. Hurt by the global economic crisis, the pandemic and more, the democratic island in the neighbourhood, mainland China, is exercising exclusion. Such exclusive policies were targeted to de-Taiwanise the region and de-Taiwanise the Chinese businesses. The de-Taiwanisation was not only limited to domestic and cross-strait relations, but the world noticed how a matrix of radical power attributes of the mainland China leadership pushed Taiwan aside.

The worsening cross-strait relations created a different integration variant for Taiwan and mainland China. At the intersections of Sinification and de-Taiwanisation, diversification emerged decisively. As the data speak, these intersections were exploited by the Taiwanese leadership to practice, assert and project their significance. The re-Taiwanisation was rejuvenated. Taiwan's role in global supplies, technology, and retrofitting the global economy. While both mainland China and Taiwan want to benefit from the integration, mainland China wants the integration to lean in its favour. However, integration requires multi-stakeholders and responsible roles, and the importance of regional actors, including Taiwan, grows manifold.

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NOTE

- * Aravind Yelery is an Associate Professor at Jawaharlal Nehru. He is also an Honorary Fellow at the Institute of Chinese Studies, New Delhi. Previously, he was the Taiwan MOFA Fellow at the National Taiwan University. He also worked as faculty at Peking University's HSBC Business School (Shenzhen). His research focus includes global political economy, geoeconomics and geo-tech politics. He broadly focuses on the East Asian region.

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