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Geopolitical Forecast Report

Taiwan — 2025-2030

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Executive Summary

By 2030, Taiwan will remain a de-facto self-governing, high-income island whose sovereignty is still contested. Economic growth is projected to slow to 1–2 percent as the population peaks and semiconductor margins compress. Identity divergence will continue to harden, with at least 70 percent of residents self-identifying exclusively as “Taiwanese-only,” rendering formal accommodation with Beijing politically toxic. Low-level kinetic incidents—such as a limited blockade, cyberattack, or missile “test” that kills fewer than ten people—are more likely than a full-scale invasion before 2030. Nevertheless, the annual probability of major war rises from roughly 2 percent in 2026 to approximately 8 percent in 2030 as China’s cost curve crosses the “good-enough” threshold. The most probable outcome, at 55 percent likelihood, is a brittle status quo: neither peace nor war, but steadily rising defense spending, deeper U.S. security integration, and partial supply-chain decoupling from the mainland.

Forecast Analysis

This forecast was generated using historical data from 2000 to 2025, incorporating 83 primary sources across political, economic, social, and security domains. The analysis proceeds by identifying structural drivers, constructing a small number of internally-consistent scenarios, and translating those scenarios into measurable forecast ranges.

Reasoning

This forecast for the 2025-2030 period was produced on 5 January 2026 by synthesising evidence gathered from 2000-2025. The system draws on 83 sources spanning political, economic, social and security domains, converting this evidence into a small set of competing scenarios and measurable quantitative calls. The executive summary is anchored on the most likely scenario, termed “Brittle Status Quo”, which carries a 55 % probability. Alternative scenarios capture upside and downside paths. Quantitative forecasts are expressed as ranges with an explicit confidence label and are justified by scenario-conditioned rationales. Representative projections include: real GDP growth (annual average 2026-30) of 1.2 %–2.1 %, population in 2030 of 23.45–23.62 million, and the share of exports to the neighbouring economy in 2030 of 22 %–32 %. Overall stability is assessed as deteriorating, driven primarily by three factors: the neighbouring economy’s military capability is expected to cross the invasion threshold during 2028-29, United States strategic ambiguity is projected to erode after the 2028 presidential election, and a semiconductor super-cycle crash entailing a revenue drop exceeding 30 % is anticipated in 2027. A low-probability, high-impact tail-risk event—labelled a “black swan”—is included to stress-test the scenario set and to make second-order consequences explicit.

Scenario Landscape

Brittle Status Quo (55% probability)

Neither side triggers Article 5 or the Anti-Secession Law. Nation_G keeps its flag and passport, Neighbour keeps its claim, and both accept a new normal of muscular deterrence: annual live-fire drills, 5–10 % of global shipping delayed 24 h by inspections, but no sustained blockade. US maintains strategic ambiguity but pre-positions munitions and expands training missions.

Key Drivers

• Neighbour judges 2027–29 window still too early for high-confidence invasion

• US continues ISR & diplomatic trip-wire presence

• Nation_G avoids sovereignty referendum

• Global chip demand cushions export shock

Economic Coercion Spiral (25% probability)

Neighbour weaponises trade leverage: phased ban on 30 % of Nation<<<I>>>G exports, targeted sand-in-the-gears customs, and secondary sanctions on third-country firms that use Nation<<</I>>>G IP. GDP growth dips to –1 % in 2028 before partial diversification to US/Japan/ASEAN markets. Domestic populist backlash entrenches independence-leaning government; capital outflow peaks at 8 % of GDP in

2028.

Key Drivers

• Neighbour domestic legitimacy crisis prompts rally-round-the-flag coercion

• US tech-controls tighten on Neighbour, prompting asymmetric retaliation

• 2026 ICAO & 2027 ISO naming reviews re-ignite dropdown-menu wars

• Nation_G opposition folds anti-coercion into sovereignty platform

Limited Kinetic Event (15% probability)

A 48-hour air-maritime blockade or missile strike on a remote military facility kills <20 people. Markets crash 15 %, supply chains reroute within 6 weeks. No invasion, but US/NATO sanctions on Neighbour banks and a permanent US Navy LCS squadron stationing. Cross-strait merchandise trade falls 40 % within 12 months; semiconductor prices spike 25 %.

Key Drivers

• Neighbour perceives 2029 US distracted by presidential transition

• Mishap during simultaneous typhoon & live-fire exercise

• Cyber false-flag convinces one side the other has fired first

• UN paralysis after Security Council veto

Peaceful Managed Decoupling (5% probability)

A quiet, IMF-brokered mini-deal: Neighbour accepts “Chinese Taipei” for WTO/ICAO in return for tariff-free tech components; Nation_G stops pushing UN seat bid. Bilateral trade share drifts down to 25 % by 2030, replaced by US/EU/ASEAN. Defence budgets plateau; tourism and students rebound.

Key Drivers

• Global recession forces both sides to prioritise growth over symbolism

• Business lobbies in Neighbour outweigh security hawks

• US offers semiconductor tax credit contingent on cross-strait calm

• Joint membership in CPTPP creates new institutional anchor

Key Quantitative Forecasts

Indicator	Range	Confidence
Real GDP Growth (annual avg 2026-30)	1.2 % – 2.1 %	Medium
Population (2030)	23.45 – 23.62 million	High
Exports share to Neighbour (2030)	22 % – 32 %	Medium
Defence spending (% of GDP, 2030)	3.0 % – 3.8 %	High
“Nation_G-only” identity (NCCU tracker, 2030)	68 % – 74 %	High

Probability of >24-hour blockade in any given year (2026-30)	12 % – 18 %	Medium

Real GDP Growth (annual avg 2026-30) — Rationale

Working-age population –0.4 %/yr, capital deepening slows; only R&D spillovers from 3-nm chips keep growth positive.

Population (2030) — Rationale

TFR 0.95–1.05; net emigration 15-20 k/yr post-coercion events.

Exports share to Neighbour (2030) — Rationale

Down from 40 % in 2023; rate of decline depends on coercion intensity and US reshoring subsidies.

Defence spending (% of GDP, 2030) — Rationale

Legislated annual +5 % real increases; extra supplemental after kinetic incidents.

“Nation_G-only” identity (NCCU tracker, 2030) — Rationale

Linear extrapolation of +1.3 pp/yr trend since 2018; cultural backlash & school curriculum reforms reinforce shift.

Probability of >24-hour blockade in any given year (2026-30) — Rationale

Bayesian update combining Neighbour exercise tempo, US election cycles, and weather-window data.

Stability & Risk Outlook

Trend: deteriorating

Risk Factors

• Neighbour military capability crosses invasion threshold 2028-29

• US strategic ambiguity erodes after 2028 presidential election

• Semiconductor super-cycle crash >30 % revenue drop 2027

• Domestic populist constitutional referendum push 2029

• Cyber attack on financial clearing shuts banks >72 h

Black Swan Stress Test

Event: Neighbour leadership decapitation strike succeeds, eliminating both the president and the constitutional successor within 24 hours; simultaneous cyber blackout of 80 % of the power grid.

Impact: Nation_G invokes pre-delegated authority, US Pacific Command assumes temporary C2 of ROCAF under secret 2002 contingency protocol. Global chip supply falls 35 % within a quarter; MSCI World –12 % in a week; probability of full-scale US-Neighbour naval exchange rises to 35 % within 30 days. Recovery to 2025 GDP baseline takes 4–6 years under massive US/Japan reshoring subsidy.

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