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Bloomberg

Balance of Power

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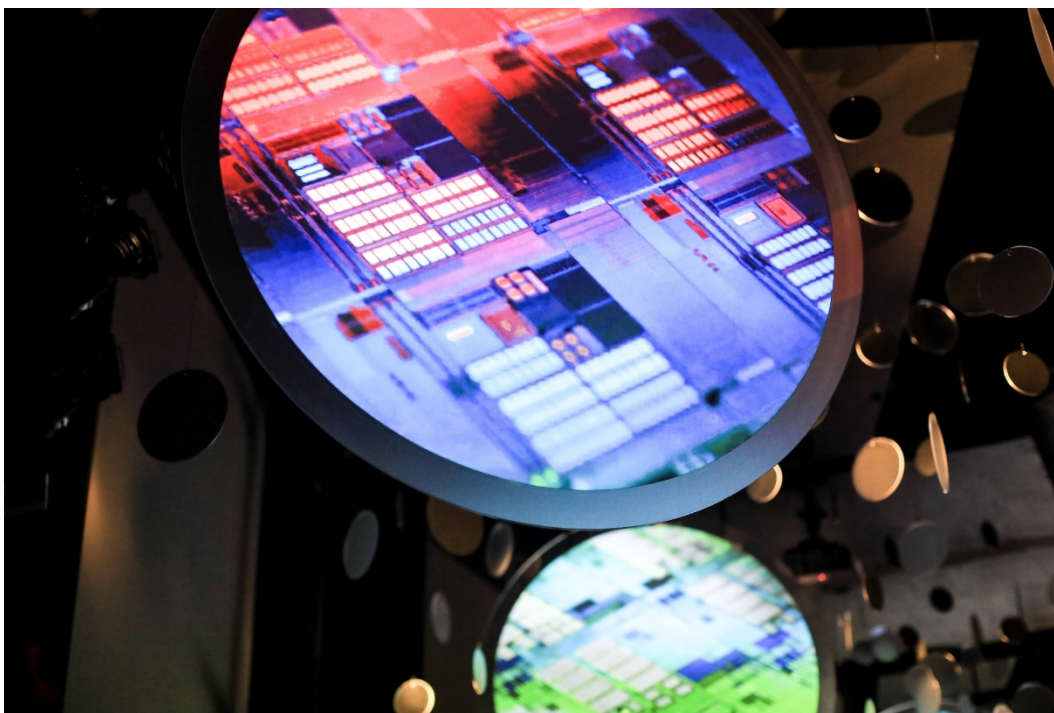
Caught between two fractious superpowers, Taiwan and its world-leading semiconductor industry might be bracing for a year of geopolitical tempest.

For now, though, the main headwinds are [coming from within](#).

As one of the key flashpoints in US-China relations, Taiwan is experiencing uncertainty over Donald Trump's return to the White House this month.

Unlike his predecessor, Trump has been reluctant to commit to [defending Taiwan](#) in the event of any Chinese invasion. He's accused it of taking the chip business away from the US, and suggested that the democratic archipelago should pay the US for protection.

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Taiwan's chipmakers are reaping the rewards of the AI boom. *Photographer: I-Hwa Cheng/Bloomberg*

Yet officials in Taipei appear relatively unfazed so far.

Trump has threatened 60% tariffs on China, but an escalation of the trade war is likely to impact Taiwan's export-oriented economy. As home to the world's most advanced chipmakers, Taiwan has enjoyed robust growth thanks to the artificial intelligence boom.

Officials argue that further US technology curbs on China may even benefit Taiwan as more production would shift back to the islands.

Taiwan's central bank has suggested that President Lai Ching-te's government could buy more energy, agricultural products and military goods from the US — a position that seems to align with Trump's rhetoric.

As Beijing ramps up its pressure with military drills and daily incursions, Taiwan has proposed a record military budget for 2025. However, the spending plan has [faced some resistance](#) from opposition parties.

Lai's Democratic Progressive Party retained the presidency in the 2024 election but lost its legislative majority to the Beijing-friendly Kuomintang and its ally, the Taiwan People's Party.

Those parties have already passed laws aimed at obstructing Lai's agenda, complicating his ability to govern at a time of mounting challenges.

Taiwan lives under constant Chinese threats. It knows that the US under Trump will be a fickle ally.

But for Lai, domestic tensions are the most immediate headache. — [Yian Lee](#)



Lai Ching-te delivers a New Year Day speech at the Presidential Palace in Taipei on Jan. 1.
Photographer: Daniel Ceng/Anadolu/Getty Images

Global Must Reads

House Speaker Mike Johnson's political future is on the line when the new US Congress convenes today, with rebellious ultra-conservatives threatening to block his re-election to the post. Trump offered his "Complete & Total Endorsement" of

Johnson, but the Republican speaker still must [navigate factions](#) within his own party unhappy with his performance and his dealmaking with Democrats.



House Speaker Mike Johnson at the US Capitol in Washington on Dec. 20. *Photographer: Valerie Plesch/Bloomberg*

South Korean anti-corruption investigators failed with an attempt to arrest impeached President Yoon Suk Yeol today after [a nearly six-hour standoff](#). Investigators backed by about 2,700 police officers surrounded Yoon's residence in Seoul but his security detail blocked them from executing an arrest warrant for insurrection related to his [brief imposition](#) of martial law a month ago.

China proposed export controls on various technologies including some used for lithium refining and [battery chemicals production](#), as Beijing looks to protect its dominance of the supply chain for electric-vehicle output. President Joe Biden's administration is meanwhile considering proposals to limit or ban [Chinese drones](#) in the US on national-security grounds.

Meta Platforms said Nick Clegg will step down as president of global affairs and named the former deputy UK prime minister's deputy, Joel Kaplan, as policy chief, [elevating an executive](#) with staunch Republican ties ahead of Trump's return to the White House. Meta has been subject to increased regulatory scrutiny, multiple

antitrust lawsuits and persistent criticism over the impact on society of its Facebook and Instagram services.

The European Union stepped up efforts to build ties with Syria's new leaders and persuade them to reduce Russia's influence over the country with [a trip](#) by the German and French foreign ministers to Damascus today. Germany's Annalena Baerbock and her French counterpart, Jean-Noël Barrot, are holding talks with de-facto leader Ahmed Al-Sharaa and are the highest-ranking Western officials to visit since al-Sharaa's Islamist group ousted President Bashar al-Assad last month.

Biden has decided to [block the sale](#) of US Steel to Japan's Nippon Steel, ending a \$14.1 billion deal that has faced months of vocal opposition and raising questions over the future of an American industrial giant.



The US Steel Mon Valley Works–Irvin Plant in Glassport, Pennsylvania. *Photographer: Justin Merriman/Bloomberg*

China will expand consumption subsidies to cover smartphones and other electronics, in a step to [promote domestic spending](#) as external headwinds intensify.

Israeli Prime Minister Benjamin Netanyahu has authorized a delegation to travel to Qatar for [discussions on a ceasefire](#) with Hamas in Gaza, possibly the last effort to secure a deal before Trump takes office.

Biden is preparing to issue a decree [permanently banning](#) new offshore oil and gas development in some US coastal waters, locking in difficult-to-revoke protections during his final weeks in the White House.

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Chart of the Day

Conservatives on Track for Huge Majority

Nanos poll has Liberals trailing by more than 25 points

■ National political party of preference



Source: Nanos Research

Note: The Bloc Quebecois runs candidates only in Quebec.

Bloomberg

Canada's main opposition Conservative Party extended its lead ahead of national elections due this year, in a poll taken in late December that's fueled calls by lawmakers in Prime Minister Justin Trudeau's Liberal Party for him to quit. Trudeau has largely [disappeared from public view](#) since Dec. 16, when his finance minister and close ally, Chrystia Freeland, dramatically resigned with a public letter criticizing him.

And Finally

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In Port Sudan, musicians played drums and tanbours long into the night as a bride and groom celebrated their wedding — while [trying to forget a conflict](#) that's ravaged their country. With Sudan's economy devastated and no functioning government, festive wedding scenes like these underscore the determination of Sudanese people to try to stick to the rhythms of a more normal way of life. Across the North African nation that's rich in gold, a starving, weary population has been forgotten as a war that broke out in April 2023 continues to rage.



A wedding party in the city of Port Sudan on Oct. 29. *Photographer: Eduardo Soteras Jalil/Bloomberg*

Pop quiz (no cheating!). Which self-ruling territory did Trump hint he's still interested in buying? Send your answers to balancepower@bloomberg.net

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