

2026

Dynamics in the Taiwan Strait



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1. INTRODUCTION

As of late 2025, a rapid and interlocking series of strategic moves by China, Taiwan, the United States, and Japan has created a new security paradigm defined by normalized military coercion and a dangerously high risk of strategic miscalculation. The region's baseline instability has transformed into a persistent state of high alert.

Beijing's increasingly realistic and aggressive military exercises, met by Taipei's determined push for a credible asymmetric defence posture, Washington's record-breaking arms sales, and Tokyo's newly assertive rhetoric, have dangerously compressed the timeline for crisis response. This briefing analyses the recent cycle of military escalation, assesses the strategic postures of the involved parties, and forecasts potential conflict scenarios for the upcoming year.

2. CHINA'S COERCIVE DIPLOMACY.

China's recent military activities around Taiwan are not random provocations but components of a calculated, multi-pronged campaign of coercion. These actions are designed to normalize the People's Liberation Army (PLA) presence in the strait, desensitize the international community to its territorial ambitions, and apply immense psychological pressure on Taiwan's leadership and populace. By integrating military drills, gray-zone harassment, and direct signalling to regional powers, Beijing aims to drain Taipei's resources, deter foreign intervention, and establish a perpetual pretext for a rapid escalation to conflict on its own terms.

2.1 Normalization of large-scale military drills.

Throughout 2024 and 2025, China has escalated the scale, frequency, and realism of its military exercises, effectively blurring the line between peacetime training and contingency preparation. These drills are explicitly tied to political triggers, serving as direct retaliation for actions Beijing deems provocative.

- **Progressive Realism:** Major exercises, including "Joint Sword 2024A/B," "Strait Thunder 2025A," and the December 2025 "Justice Mission 2025," have demonstrated increasingly sophisticated joint-force operations. These drills integrate army, naval, air force, artillery, and China Coast

Guard (CCG) units, rehearsing complex, multi-domain scenarios.

- **Blockade and Invasion Rehearsal:** The drills have shifted from mere shows of force to practical rehearsals of key wartime objectives. PLA Navy and CCG vessels now routinely practice tactics for identifying, inspecting, and capturing commercial vessels. The "Justice Mission 2025" exercises included practicing **amphibious raids and the seizure of ports, core components of an invasion scenario.**
- **Geographic Encirclement:** The operational areas of these drills are **progressively encircling Taiwan.** The "Justice Mission 2025" drills were conducted closer to Taiwan's main island than ever before and included an unannounced drill zone east of Taiwan that deliberately overlapped with Japan's Exclusive Economic Zone (EEZ), **signalling an intent to isolate the island** from external support.
- **Targeted Retaliation:** Each major exercise has been a direct response to specific events. "Joint Sword" and "Strait Thunder" were launched after pro-sovereignty speeches by Taiwanese President William Lai. "Justice Mission 2025" was a direct response to a record U.S. arms sale to Taiwan and recent comments from Japanese leadership about potential intervention.

2.2 Escalation in hybrid warfare tactics.

Below the threshold of conventional conflict, China is waging a relentless grey-zone campaign to exhaust Taiwan's military, test its response systems, and erode its claims to sovereignty:

- **Aerial and Naval Incursions:** Daily aerial and naval **crossings of the Taiwan Strait median line** have steadily expanded in number and frequency.
- **Advanced Technology Probes:** Beijing has deployed high-altitude surveillance balloons over Taiwan proper to **weaken its concept of sovereign airspace** and has utilized drones to probe the island's early warning systems.
- **Periphery Island Pressure:** The China Coast Guard has conducted repeated incursions around Taiwan's outlying **Kinmen Islands**, seeking to undermine Taipei's control over features close to the Chinese coast.

- **Simulated Strategic Strikes:** Disturbing intelligence indicates that during recent drills, the PLA conducted **missile strikes against full-scale replicas of Taiwan's critical natural gas storage facilities**, signalling a clear intent to target civilian energy infrastructure in a future conflict.

2.3 Signalling to regional powers.

Beijing's military posturing has increasingly targeted Japan, **aiming to deter Tokyo from intervening in a Taiwan contingency**. In December 2025, the Liaoning aircraft carrier task group conducted extensive drills in the Miyako Strait near Okinawa. During these exercises, Chinese J-15 fighter jets launched from the carrier performed dangerous manoeuvres, including **conducting repeated radar locks on Japanese F-15s** scrambled to intercept them. These actions, combined with **drills inside Japan's EEZ**, are an unambiguous message intended to demonstrate China's capability to hold Japanese forces at risk and assert its dominance in the East China Sea.

Beijing's campaign, intended to intimidate and isolate, has instead catalysed a **strategic hardening in Taipei**, forcing an accelerated evolution of its defence posture from ambiguity toward explicit denial.

3. TAIWAN'S DEFENCE POSTURE.

In the face of mounting pressure, Taiwan is accelerating its shift toward a more sustainable and credible defence strategy. As detailed in its 2025 National Defence Report (NDR), **Taipei is focusing on "deterrence by denial"—a posture** designed not to match China's military might symmetrically but **to make a blockade or invasion so costly and difficult that Beijing is dissuaded from attempting it**. This strategy is being implemented even as Taiwan navigates significant domestic political and fiscal constraints.

3.1 The shift to deterrence by denial.

The core of Taiwan's strategy is to **survive an initial Chinese assault and wage a protracted war of attrition**¹. This requires a military force

¹ It sounds like a Ukrainian lesson-learnt strategy.

structure built around mobile, low-cost, numerous, and survivable asymmetric platforms capable of fighting in a distributed manner, even if central command and control is disrupted. The military's five-year force buildup plan prioritizes the procurement of the following systems:

Platform Type		Specific Systems Mentioned
Man-Portable Systems		Javelin anti-armor missiles, Stinger anti-air missiles
Road-Mobile Defence	Air	Sky Bow II/III, PAC-3, NASAMS
Road-Mobile Strike		Hsiung Feng II/III missiles, HIMARS rocket artillery
Unmanned Vehicles	Aerial	Chien Hsiang loitering munitions, goal of 5,000 drones by 2028

3.2 Domestic constraints and political will.

Despite strategic clarity, Taiwan's defence ambitions face several significant domestic hurdles.

Budgetary battles: Taiwan's 2025 arms procurement budget stands at approximately \$4.42 billion, a figure dwarfed by its extensive modernization needs. President Lai's ambitious proposal for a \$40 billion supplemental defence budget aims to close this gap, but it faces a major political obstacle. The opposition Kuomintang (KMT) and Taiwan People's Party (TPP) hold a majority in the legislature and have demonstrated a willingness to cut or freeze defence spending.

Societal readiness: Progress has been slow. Civil-military coordination for "Urban Resilience" exercises remains a challenge, and the military has shown hesitancy to support wide-scale citizen armament initiatives beyond the national conscription program, potentially creating a bottleneck in preparing the populace for a whole-of-society conflict.

Internal security: Espionage remains a critical vulnerability. High-profile scandals involving senior military officials and even presidential staff on Beijing's payroll have prompted President Lai to advocate for reviving the military trial

system to impose stricter punishments for such betrayals.

Talent pipeline: The military has seen some success in improving recruitment, exceeding its 2025 goals for both voluntary troops and officer cadets through better pay and conditions. However, this success is overshadowed by an inescapable demographic imbalance; while Taiwan recruited 1,687 officer cadets in 2025, China's official figures show it recruited over 17,000 for its military academies in the same period, highlighting a ten-to-one disparity in officer talent pipelines.

This domestic landscape, marked by both strategic resolve and significant internal friction, underscores Taipei's critical dependence on external partners to underwrite its security.

4. THE ROLE OF EXTERNAL POWERS

The actions of the United States and Japan are no longer peripheral to the cross-strait balance; they are now central factors shaping the escalation ladder and regional stability. As Beijing increasingly views international support for Taipei as a direct threat, the policies of these external powers have become potential flashpoints in their own right.

4.1 United States

The U.S. posture under the Trump administration is characterized by a dual-track approach. While the president has focused on securing a comprehensive trade deal with China, this has been paired with a robust commitment to Taiwan's defence, designed to enhance both regional stability and Washington's burden-sharing expectations.

- **Record-breaking arms sale:** In December 2025, Washington proposed a landmark **\$11.1 billion arms sale to Taiwan**. The package is specifically tailored to bolster Taipei's asymmetric capabilities, including HIMARS rocket systems, advanced drones, and anti-tank missiles.
- **Policy continuity:** This massive sale signals a fundamental continuity in the U.S. commitment to provide Taiwan with the articles necessary for its self-defence, reassuring Taipei and regional allies of American resolve.

- **Strategic pressure:** By visibly supporting Taiwan's defence modernization, the U.S. is also applying indirect pressure on Taiwan's KMT-led opposition. Blocking funds for arms that Washington has already approved would be politically difficult and risk straining relations with Taipei's most critical security partner.

4.2 Japan.

Under Prime Minister Sanae Takaichi, Japan's position has evolved from that of a concerned observer to an active stakeholder in Taiwan's security. This shift has been met with a furious reaction from Beijing, which appears to be hardening Tokyo's resolve rather than intimidating it.

In a landmark statement on November 7, 2025, Prime Minister Takaichi publicly suggested that Japan could intervene militarily to stop a Chinese invasion of Taiwan, breaking with decades of strategic ambiguity.

Beijing responded immediately and forcefully with a combination of economic retaliation against Japanese industries and direct military intimidation, including large-scale drills in Japan's EEZ and dangerous radar-lock incidents targeting Japanese fighter jets.

Beijing's coercive measures are proving counterproductive. Instead of intimidating Tokyo into passivity, they are consolidating Japanese political will for military modernization, the amendment of restrictive defence export laws, and the strengthening of regional defence partnerships with the U.S., the Philippines, and Australia.

This intensifying international involvement, while intended to bolster deterrence, has paradoxically created new and potent flashpoints, fundamentally altering the region's risk calculus.

5. STRATEGIC ASSESSMENT

The confluence of China's military assertiveness, Taiwan's defensive resolve, and the deepening involvement of the United States and Japan has created an environment where the risk of miscalculation is dangerously high. As all sides prepare for a potential conflict, the space for de-escalation is shrinking, and actions previously considered

mere political signalling are now being interpreted as direct threats warranting a military response.

The current state of deterrence is fragile, with several factors actively heightening the risk of war:

Shortening escalation ladder	China's normalization of large-scale, realistic military drills has compressed the gap between its daily grey-zone harassment and overt kinetic action. This means that a tactical misstep, previously a localized incident, now carries a strategic-level risk of triggering a pre-planned escalatory response.
Risk of miscalculation	Beijing's decision-making process appears increasingly centralized and insulated under an aging President Xi Jinping. Therefore, standard deterrence signals from Taipei and Washington may be filtered through a confirmation bias that discounts their credibility, making Beijing dangerously overconfident in its ability to control escalation.
Internationalization as a flashpoint	Beijing now interprets Taiwan's diplomatic gains and vocal support from partners like Japan as direct threats to its core interests that justify a military response. This shifts the strategic calculus, transforming what allies see as routine diplomatic support into a potential <i>casus belli</i> for Beijing, thereby turning allied reassurance into a primary vector for conflict initiation.

This volatile strategic landscape makes it **critical to consider the potential trajectories of the conflict** in the near term.

6. FORECAST

Based on the strategic trends and triggers identified in this briefing, the following five scenarios outline the potential evolution of the Taiwan Strait situation over the next 12 months.

1 Sustained High Tensions (Status Quo).

This is the **most likely** scenario. China will continue its established pattern of using large-scale military drills and sustained grey-zone pressure as responses to perceived provocations, such as further U.S. arms sales or diplomatic outreach by Taipei. In parallel, Taiwan and its international partners will continue to bolster defensive capabilities and strengthen political ties. This dynamic maintains a persistently unstable and dangerous baseline but avoids crossing the threshold into direct, kinetic conflict.

2 Increased Hybrid Warfare.

This scenario is **highly likely**. China could intensify its non-kinetic and grey-zone activities to increase pressure on Taiwan without risking a direct military confrontation and the attendant international sanctions. This could involve more frequent and intrusive use of surveillance balloons, more aggressive probing by drones, expanded CCG operations around the Kinmen Islands, and a heightened campaign of espionage and cyberattacks.

3 Quarantine or Blockade.

This is a **plausible, high-risk** scenario. China's documented military drills rehearsing the inspection and capture of commercial vessels provide the capability for such an action. A likely trigger would be a significant development that Beijing feels it must answer decisively, such as a major U.S. policy shift or a perceived fundamental change in Taiwan's political status. Taiwan's demonstrated aversion to initiating kinetic action suggests its response would focus on escorting vessels and broadcasting the events to garner immediate international intervention, creating a volatile scenario where a tactical interdiction could unintentionally trigger a strategic conflict.

4 Limited War (Invasion of Outlying Islands).

This is a **less likely, but possible**, scenario. The ongoing CCG pressure around the Kinmen Islands makes them a potential target for a limited military action. Such a move would represent a major escalation intended to shatter Taiwanese morale and test international resolve. However, it would also carry an immense and unpredictable risk of triggering a full-scale military response from the United States and its allies, making it a high-stakes gamble for Beijing.

5 Open War (Full-Scale Invasion).

Based on current intelligence and strategic postures, this is the **least likely** scenario in the next 12 months. While China is actively building the capability to conduct a full-

scale invasion (with 2027 often cited as a benchmark), the current pattern of activity suggests both Beijing and Taipei are seeking to avoid an all-out kinetic conflict. Such a catastrophic action would likely only be triggered by a fundamental strategic miscalculation by one side or a formal declaration of independence by Taiwan, neither of which appears imminent in the provided context.

7. REMARKS

What you've read is a **traditional approach** to geopolitics and a **conservative** manner to assess the situation around Taiwan.

However, the scenario analysis and calculations (maths) made using Bayesian networks and Analysis of Competing Hypotheses, suggest that **the most probable outcome is China enforcing a blockade on the island by late 2026**. Furthermore, this scenario is distinguished by a likelihood exceeding 80%.

The least likely hypothesis would be keeping things as they are. An escalation is unavoidable and de-escalation is not a looming possibility right now.

Time will tell, but both approaches indicate that tensions will remain in the region and that it will escalate. The difference between both approaches lies on the pace of escalation.

Having said this, it is also remarkable that **Taiwan is losing support internationally**, shutting down embassies and representations due to the efforts carried out by China, mainly among countries in the Pacific.

According to the latest intelligence from December 2025, **Russia is actively assisting the People's Liberation Army (PLA) in modernizing its airborne forces**. This support is specifically aimed at enhancing the PLA's ability to establish and **defend an airhead** (a designated area in hostile territory used to land troops and supplies) during potential invasion scenarios.

U.S. and Japanese support are key to keep China at bay.

