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2026

BACKGROUND GUIDE

國家安全會議
NATIONAL SECURITY COUNCIL

HIGH-LEVEL MEETING OF THE NATIONAL SECURITY COUNCIL (REPUBLIC OF CHINA)

1. LETTER FROM THE EXECUTIVE BOARD

Dear Delegates,

It is our privilege to welcome you to the High-Level Meeting of the National Security Council (Republic of China) at La Martiniere Model United Nations. For the duration of this conference you will not be diplomats speaking for distant capitals. You will be the people in the room when Taiwan's leadership decides how to protect the island's most valuable strategic asset: an advanced semiconductor industry, anchored by TSMC, that the rest of the world cannot easily do without.

For a quarter of a century, analysts have argued that Taiwan's dominance of leading-edge chipmaking acts as a "Silicon Shield," raising the cost of aggression so high that no rational actor would risk it. In 2026 that idea is under more pressure than ever. Washington is using tariffs, export controls and investment deals to pull advanced manufacturing onshore; TSMC has committed US$265 billion to Arizona and runs fabs in Japan and Germany; Beijing's pressure has shifted from warplanes to coast-guard hulls; and summit diplomacy between Washington and Beijing has left Taipei unsure where it stands. Is the shield being strengthened by being spread across friendly democracies, or thinned out until it no longer protects the island that forged it? There is no single correct answer.

This is a High-Level Meeting of the NSC in a semi-crisis format. You will debate as in a conventional committee, but the world will not stand still: we, the Executive Board, will run the crisis backroom ourselves, answer your directives, play the governments and companies you contact, and introduce developments that test your plans. Your final product will be a National Security Directive or Strategic Policy Framework that the President could plausibly sign.

Three expectations will guide our evaluation. **Realism**: every action must lie within your portfolio's legal authority and be consistent with the facts. **Research**: this guide is a starting point, not a ceiling; the strongest delegates will read the primary sources we cite and follow events closely. **Collaboration**: disagreement is healthy, but a council that cannot decide has failed the country it serves.

The guide is written for every level of experience. First-time crisis delegates should begin with Sections 4, 7 and 12; experienced delegates should concentrate on Sections 8 to 11. Above all, debate with rigour and respect: this subject concerns real people living with real risk. We look forward to meeting you, and to seeing what kind of council you become.

Should you have any questions before the conference, please write to the Executive Board at nsctaiwan.lmun26@gmail.com.

Warm regards,

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Co-Chairperson
Executive Board,
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3. ABOUT THE COMMITTEE

3.1 Constitutional and Legal Basis

The National Security Council (NSC) of the Republic of China (Taiwan) is the President's principal forum for deliberating on national security. Its constitutional foundation lies in Article 2 of the Additional Articles of the Constitution, which permits the President to establish a national security council and a subordinate National Security Bureau in order to determine major policies for national security, with their organisation to be prescribed by law. That law is the Organic Act of the National Security Council, first promulgated in 1993 and amended in 2003.[1]

Two features of the Organic Act matter enormously for this committee. First, the NSC is a **consultative** body: Article 2 of the Act describes it as the body that advises the President on major national security policy, and Article 5 provides that its resolutions serve as a reference for the President's decisions. The NSC does not itself command troops, spend money or pass laws. Its authority is the authority of the President it advises. Second, its membership is unusually broad. The Act lists thirteen statutory attendees: the President, who chairs the Council; the Vice President, who acts as chair in the President's absence; the Premier and Vice Premier; the Ministers of the Interior, Foreign Affairs, National Defense, Finance and Economic Affairs; the Minister of the Mainland Affairs Council; the Chief of the General Staff; the NSC Secretary-General; and the Director-General of the National Security Bureau. The President may also designate other officials to attend.[2] Unlike the advisory model of the United States NSC, the uniformed Chief of the General Staff and the head of the intelligence service sit as full members.

Table 1: Statutory attendees of the ROC National Security Council and their representation in this committee

Statutory attendee (Organic Act)	Role in the Council	Represented in this committee?
President	Chairs the Council; final decision-maker	No: the Council advises the President
Vice President	Acting chair when the President is absent	No
Premier (President of the Executive Yuan)	Heads the Cabinet that implements policy	Yes
Vice Premier	Coordinates cabinet policy	Yes
Minister of the Interior	Domestic security, civil defence, border control	Yes
Ministers of Foreign Affairs, National Defense, Finance, Economic Affairs	Line ministers with core security responsibilities	Yes
Minister, Mainland Affairs Council	Cross-strait policy	Yes
Chief of the General Staff	Senior uniformed officer	Yes
NSC Secretary-General	Runs the NSC staff and agenda	Yes
Director-General, National Security Bureau	Heads the principal intelligence agency	Yes

[1] Jamestown Foundation n.d.

[2] Jamestown Foundation n.d.

Beyond the statutory attendees, this committee uses the President's power to designate additional participants. It also seats the heads of security, intelligence, investigative, cyber and trade agencies, senior NSC advisers, the commanders of the three armed services, the leaders of key cross-strait, maritime, planning and resilience bodies, and a seven-member delegation from TSMC and the wider semiconductor industry. Section 3.5 lists every portfolio.

3.2 A Brief History of the Council

The Council's history mirrors Taiwan's political history. Its forerunner, a National Defense Council, emerged in the early years after the ROC government relocated to Taiwan, and the National Security Council itself was created in 1967 under the "Temporary Provisions" that suspended normal constitutional limits during the martial-law era.[3] In that period the NSC functioned as a powerful instrument of executive rule. Democratisation transformed it. With the Temporary Provisions abolished in 1991 and the Organic Act adopted in 1993, the Council was placed on a statutory footing and recast as an advisory body answerable to a directly elected President, while the Legislative Yuan retained its budgetary and oversight powers.

Recent Presidents have used the Council actively. On 13 March 2025, President Lai Ching-te convened a high-level NSC meeting after which he described the People's Republic of China (PRC) as a "foreign hostile force" under Taiwan's Anti-Infiltration Act and announced seventeen measures addressing infiltration, espionage and united-front activity.[4] In June 2024 the President also created a Whole-of-Society Defense Resilience Committee, which he chairs, to coordinate civil defence, energy, communications and supply resilience. In an interview published on 4 August 2026, NSC Secretary-General Joseph Wu described a cross-government platform set up by the NSC to respond to maritime coercion, and warned that the danger he feared most was a public that had grown numb to pressure from Beijing.[5]

3.3 What a "High-Level Meeting" Means

A regular NSC meeting follows a formal agenda prepared by the Secretariat. A **high-level meeting** is convened by the President, usually at short notice, when a development requires the most senior officials to align on a response. The March 2025 meeting is the clearest recent precedent: it produced a defined package of measures, announced publicly by the President. Our committee adopts this format. Delegates should imagine that the President has summoned the Council in the aftermath of September's Trump–Xi summit in Washington, to take stock of a strategic environment in which the foundations of the Silicon Shield appear to be shifting.

3.4 Mandate and Outputs of this Committee

Our mandate is to evaluate the strategic security implications of global chip export restrictions and of TSMC's offshore diversification, and to recommend a coherent national response. Because the NSC advises the President, who is not a portfolio in this committee, our final output will be a **National Security Directive** or a **Strategic Policy Framework**, a document

[3] Jamestown Foundation n.d.

[4] On the modernisation of the NSC and its recent use under President Lai, see Jamestown Foundation n.d.

[5] CommonWealth Magazine 2026.

that states the government's strategic assessment, sets priorities and assigns tasks to ministries and agencies. It is not a United Nations resolution; it should not contain preambulatory clauses "urging" foreign states, and it cannot bind anyone outside the ROC government.

Delegates should also respect the constitutional limits on implementation. Under Article 37 of the Constitution, most presidential orders require the countersignature of the Premier and relevant ministers, and new spending or new statutes require the approval of the Legislative Yuan, where the governing Democratic Progressive Party (DPP) does not hold a majority. A directive that assumes the legislature will simply pass whatever the Council wants is unrealistic. The best frameworks identify which measures the executive can take on its own authority, which require legislation, and how the government intends to win the necessary votes.

3.5 Composition of this Committee

The committee has thirty-five portfolios in two delegations: twenty-eight representing the Government of the Republic of China and seven representing TSMC and the wider semiconductor industry. The President and Vice President are not portfolios. The Council's recommendations are addressed to the President, and the Executive Board will convey presidential decisions where the committee requires them.

Table 2: Government portfolios

No.	Portfolio	Remit in brief
1	Premier	Heads the Executive Yuan (Cabinet); countersigns presidential orders; submits budgets and bills
2	Minister, National Science and Technology Council	Science and technology policy; National Core Key Technologies list; science parks
3	Minister of Foreign Affairs	Diplomacy with allies and unofficial partners
4	Minister of National Defence	Defence administration, procurement and the defence budget
5	Secretary-General, National Security Council	Runs the NSC staff and agenda; crisis coordination
6	Minister, Mainland Affairs Council	Cross-strait policy and regulation of cross-strait exchanges
7	Director-General, National Security Bureau	Intelligence and counter-intelligence coordination
8	Director-General, Ministry of Justice Investigation Bureau	Investigations into espionage, infiltration and economic crime, including trade-secret theft
9	Minister, National Development Council	National development planning; oversight of the National Development Fund
10	Director-General, Cyber Security Administration	National cybersecurity administration and incident response
11	Senior Advisor, NSC (Cross-Strait Affairs)	Advises the Council on cross-strait affairs
12	Minister without Portfolio, Office of Trade Negotiations	Leads trade negotiations, including implementation of the ART
13	Senior Advisor, NSC (Science and Technology Security)	Advises the Council on technology protection and security
14	Director-General, INDSR	Heads the defence-affiliated Institute for National Defense and Security Research
15	Vice Premier	Coordinates Cabinet policy; statutory NSC attendee
16	Minister of Finance	Taxation, customs and public finance
17	Minister of Economic Affairs	Export-control lists; investment review; energy policy and Taipower

No.	Portfolio	Remit in brief
18	Chief of General Staff	Senior uniformed officer; joint operations and readiness
19	Deputy Secretary-General, National Security Council	Supports the Secretary-General across the Council's work
20	Governor, Central Bank of the Republic of China	Monetary and exchange-rate policy; financial stability
21	Commander, Republic of China Navy	Command of naval forces under the Chief of General Staff
22	Commander, Republic of China Air Force	Command of air forces under the Chief of General Staff
23	Chairman, Whole-of-Society Defence Resilience Committee	Civil defence, energy, communications and supply resilience
24	Minister of the Interior	Police, civil defence, border and immigration administration
25	Commander, Republic of China Army	Command of ground forces under the Chief of General Staff
26	Chairman, Straits Exchange Foundation	Semi-official channel for technical cross-strait contacts, authorised by the Mainland Affairs Council
27	Minister, Ocean Affairs Council	Maritime policy; oversight of the Coast Guard Administration
28	Senior Advisor, NSC (National Security Affairs)	Advises the Council on national security affairs

The Chairman of the Whole-of-Society Defence Resilience Committee represents that body's resilience remit; in practice the committee is chaired by the President, but in this simulation the portfolio does not carry presidential authority.

Table 3: TSMC and industry portfolios

No.	Portfolio	Remit in brief
29	Chairman and Chief Executive Officer, TSMC	Leads TSMC's strategy, fab siting and capacity allocation
30	Executive Vice President and Co-Chief Operating Officer, TSMC	Oversees TSMC operations
31	Executive Vice President and Co-Chief Operating Officer, TSMC	Oversees TSMC operations
32	Senior Vice President, Advanced Technology, TSMC	Development of leading-edge process technology
33	Vice President, Research and Development, TSMC	Research and development
34	Chief Financial Officer, TSMC	Finance, capital expenditure and investor relations
35	Chairman, Taiwan Semiconductor Industry Association	Represents Taiwan's wider semiconductor industry

The TSMC and industry portfolios are private actors. They advise, persuade and decide for their companies and their association, and they are accountable to boards, shareholders and members rather than to the President. They hold no state authority, and the government cannot simply order them to act.

KEY TAKEAWAYS

- The NSC is an **advisory** body: its resolutions inform the President's decisions but do not themselves command, spend or legislate.
- The committee has thirty-five portfolios, twenty-eight government and seven TSMC and industry; the President and Vice President are not portfolios.
- Our output is a National Security Directive or Strategic Policy Framework, dependent on the Premier's countersignature and, for money and new law, an opposition-controlled legislature.

4. UNDERSTANDING A SEMI-CRISIS COMMITTEE

4.1 What "Semi-Crisis" Means

A semi-crisis committee combines two ways of working. Much of the time you will debate as you would in a conventional committee, through moderated and unmoderated caucuses, speeches and the drafting of a collective document. Unlike a general assembly, however, the world around you is live. At intervals the Executive Board will deliver **crisis updates** that change the situation: a new tariff announcement, a cyber-attack on a supplier, a ship detained near an outlying island, a leak to the press. You will also be able to act individually through your portfolio, and your actions will have consequences that we announce back to the committee.

In many conferences, a separate crisis staff runs a "backroom" that processes delegates' private actions. In this committee **we, the Co-Chairpersons, run the backroom ourselves**. That means we will read every note you send, decide its outcome, and weave those outcomes into the story. It also means our time is finite. Clear, concise and well-reasoned directives will be answered faster and more favourably than long, vague ones.

4.2 How Time and Information Flow

Committee time does not move at a fixed rate. A single session may cover a few hours of crisis time or several weeks; each update will state its in-world date. Information arrives unevenly, as it does in real government. Some updates will be public to the whole committee, while others will be delivered privately to a single portfolio, such as an intelligence assessment to the NSB Director-General or a confidential message from a customer to TSMC's leadership. Deciding what to share, and when, is part of the game.

4.3 Crisis Instruments

The following instruments are available. Indicative formats appear in Appendix C; the Executive Board may revise them at its discretion.

Table 4: Crisis instruments available to delegates

Instrument	Who submits it	Visibility	Typical use
Committee Directive	Several portfolios; debated and voted on	Public within committee	Collective action by the government, e.g., activating an inter-agency task force or issuing a national energy contingency order
Portfolio Directive (overt)	One delegate	Announced to committee	Using your own office's powers publicly, e.g., the Ocean Affairs Council ordering additional Coast Guard patrols near Kinmen
Portfolio Directive (covert)	One delegate	Known only to the author and the Executive Board	Confidential actions within your authority, e.g., an intelligence-collection tasking
Joint Private Directive	Two or more delegates	Known only to the authors and the Executive Board	Coordinated action between portfolios without informing the full Council

Instrument	Who submits it	Visibility	Typical use
Press Release / Statement	One or more delegates	Public, in-world	Shaping domestic and international opinion
Communiqué / External Message	One or more delegates	Sent to an outside actor played by the Executive Board	Contacting a foreign government, company or organisation

4.4 Portfolio Powers and Their Limits

Your portfolio powers are those that the real office holds under ROC law and practice. The Minister of Finance can adjust tax administration and propose budgets, but cannot unilaterally appropriate new money. The Central Bank Governor controls monetary and foreign-exchange policy and is institutionally independent. The Minister of Economic Affairs administers export-control lists for strategic high-technology commodities and reviews outbound investment. The Ocean Affairs Council oversees the Coast Guard, which enforces law at sea but is not a navy, while the three service commanders lead their forces under the Chief of General Staff and civilian authority. Senior Advisors and the Director-General of INDSR advise; they do not command. TSMC's executives can make corporate decisions within the authority their board delegates, but cannot command state resources and are accountable to shareholders, many of whom are foreign institutional investors; the Chairman of the Taiwan Semiconductor Industry Association speaks for the industry but cannot bind its member companies.

We will evaluate each directive against three tests: **Is it legal?** (Does your office actually have this power?) **Is it plausible?** (Could it be done in the time and with the resources available?) **Is it proportionate?** (Is it a sensible response to the situation?) Directives that fail these tests may be rejected, delayed, or allowed to succeed with unintended consequences. Ambitious ideas are welcome; unexplained miracles are not.

4.5 Model Formats

A good directive is short and specific. It names the actor, the action, the resources used, the timing and the intended outcome. Compare the two examples below.

A weak portfolio directive

"The Director-General of the Cyber Security Administration stops China from hacking TSMC." This names no method, resources or timeline, and claims an outcome no agency can guarantee.

A strong portfolio directive

"The Director-General of the Cyber Security Administration, under existing agency authority, (1) raises the cyber-threat alert level for semiconductor-sector critical infrastructure for 30 days; (2) requests that the National Security Bureau and the Investigation Bureau share any indicators of compromise relating to semiconductor suppliers within 24 hours; and (3) convenes a closed meeting with the security teams of TSMC and its major suppliers to review incident-response plans. Purpose: improve early warning of supply-chain intrusions and shorten response times."

4.6 Strategy and Common Mistakes

Successful delegates in semi-crisis committees tend to share a few habits. They keep a clear sense of what their portfolio wants and what it fears. They build a small number of working relationships early, rather than trying to coordinate with everyone. They use private directives to prepare the ground for public proposals, and they read every crisis update for second-order effects. A Chinese coast-guard inspection near Pratas Island, for example, is a maritime-law problem, an energy-supply problem, an insurance-market problem and a signalling problem at the same time.

The most common mistakes are equally predictable. Some delegates try to "win" the crisis in a single directive through implausible escalation. Others forget that they serve the same President and treat colleagues as enemies. Many neglect the domestic political constraint: with the opposition Kuomintang (KMT) and Taiwan People's Party (TPP) controlling the Legislative Yuan, any measure requiring legislation needs a political strategy. Finally, delegates often ignore the private sector. Seven portfolios represent TSMC and the wider industry; their decisions are not the government's to dictate, and the relationship between the state and its most important company is itself part of the agenda.

4.7 Rules of Procedure: Committee-Specific Practice

The conference Rules of Procedure apply in full. Within them, we will apply the following practices, which reflect the nature of a small executive council. Moderated and unmoderated caucuses will be the default mode of debate; a formal speakers' list will be used sparingly. Committee directives require a sponsor group of at least three portfolios and pass by simple majority of portfolios present and voting, unless the conference rules specify otherwise. The final National Security Directive or Strategic Policy Framework will be introduced in the last session and may be amended through friendly or unfriendly amendments in the usual way. The Co-Chairpersons may, for the sake of realism, rule that a measure falls within the sole authority of a single portfolio and therefore requires that portfolio's consent. Individual crisis directives may be submitted at any time and do not require recognition from the Co-Chairpersons. TSMC and industry portfolios may co-sponsor committee documents, but measures requiring state authority must be carried out by government portfolios; the industry delegation acts through corporate decisions, statements and communiqués.

KEY TAKEAWAYS

- Semi-crisis combines conventional debate with a live scenario; the Executive Board runs the backroom directly.
- Every directive is judged on legality, plausibility and proportionality; specify actor, action, resources, timing and purpose.
- Remember the Legislative Yuan and the industry delegation: neither will simply do what the Council wants.

5. INTRODUCTION TO THE AGENDA

5.1 Reading the Agenda

Our agenda is: *Re-assessing the Taiwan Semiconductor Manufacturing Company's position as the Silicon Shield amid Advanced Node Semiconductor Export Restrictions and Offshore Fabrication Diversity.* Each part of that sentence deserves attention. "Re-assessing" asks whether TSMC still provides Taiwan with a protective Silicon Shield. "Advanced Node Semiconductor Export Restrictions" includes US controls on China, Taiwan's own controls, allied controls in Japan and the Netherlands, and Beijing's counter-controls on critical minerals. "Offshore Fabrication Diversity" refers to TSMC's fabs in the United States, Japan and Germany, and to the political pressures that produced them.

The agenda therefore sits at the meeting point of three debates. The first is **industrial**: how should Taiwan keep its technological lead while its champion spends hundreds of billions of dollars abroad? The second is **geopolitical**: does Taiwan's indispensability still bind the United States and its allies to the island's security, or does diversification weaken that bond, particularly when Washington and Beijing are negotiating directly? The third is **domestic**: how can a divided political system, facing an energy crisis and relentless gray-zone pressure, agree on a strategy and fund it?

5.2 Why This Matters Now

Three developments make 2026 a turning point. First, the United States has built an unprecedented architecture of tariffs and deals to pull advanced chipmaking onshore, culminating in TSMC's announcement on 16 July 2026 of a further US$100 billion investment in Arizona, taking its total US commitment to US$265 billion.[6] Second, great-power diplomacy has returned: President Trump met Chinese leader Xi Jinping in Beijing in May 2026 and hosted him in Washington from 23 to 25 September 2026, and on at least one occasion described a pending arms package for Taiwan as something held "in abeyance."[7] Third, Taiwan's own vulnerabilities have become visible: the war involving Iran since late February 2026 disrupted the liquefied natural gas on which Taiwan's grid depends, while Chinese coast-guard activity around the island reached record levels in July 2026.[8]

5.3 A Note on Terminology

Terminology in this field is politically charged, and delegates should use it deliberately. Throughout this guide we use "Republic of China (Taiwan)" or simply "Taiwan" for the government in Taipei, which is how that government describes itself in English. We use "People's Republic of China" (PRC), "Beijing" or "China" for the government in Beijing, and "mainland China" where the geographic sense is intended. Other terms carry other meanings:

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[6] Arizona Commerce Authority 2026; TSMC 2026b.

[7] Global Taiwan Institute 2026c; Al Jazeera 2026.

[8] CSIS 2026; Blumenthal et al. 2026.

Beijing refers to the "Taiwan region" and the "Taiwan authorities"; Taiwan participates in the World Trade Organization as the "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu," and in bodies such as the International Olympic Committee as "Chinese Taipei." Since you represent officials of the ROC government, you should speak as they would. We ask you to avoid gratuitously provocative language about any party, while recognising that choosing words is itself a policy act.

5.4 Glossary of Key Terms

The terms below recur throughout the guide and in committee. Newer delegates should read them before Sections 6 to 8.

Table 5: Glossary of key terms

Term	Meaning
Advanced packaging	Techniques that combine several chips (for example a processor and stacks of memory) into one package. TSMC's CoWoS (Chip-on-Wafer-on-Substrate) is essential for AI accelerators.
ADIZ (Air Defense Identification Zone)	Airspace in which a state asks aircraft to identify themselves. PLA flights into Taiwan's ADIZ are a standard measure of military pressure; an ADIZ is not sovereign airspace.
ART (Agreement on Reciprocal Trade)	The US–Taiwan trade agreement signed on 12 February 2026, capping US tariffs on Taiwanese goods at 15 per cent in exchange for investment and purchase commitments.
BIS (Bureau of Industry and Security)	The US Commerce Department agency that writes and enforces export-control rules, including the Entity List.
Blockade / quarantine	A blockade cuts off access to an area by force and is generally treated as an act of war. A "quarantine" is a narrower, law-enforcement-style interdiction of selected shipping, possibly by coast-guard vessels, designed to stay below the threshold of war.
Broken Nest	A 2021 proposal by two US scholars that Taiwan and the US should credibly threaten to destroy Taiwan's chip industry if invaded, so that conquest would yield no prize.
Chokepoint	A stage of a supply chain dominated by one or a few firms or countries, so that denial of access halts production elsewhere.
CHIPS and Science Act	The 2022 US law providing subsidies and tax credits for domestic semiconductor manufacturing and research.
Critical minerals	Raw materials such as gallium, germanium, antimony and rare-earth elements that are vital to electronics and defence and whose processing China dominates.
Cross-strait	Relating to relations between the two sides of the Taiwan Strait. A deliberately neutral term used by both Taipei and Beijing.
De-risking / friend-shoring	Reducing dependence on potentially hostile suppliers by relocating production to allied or friendly countries, as opposed to full decoupling.
DUV / EUV lithography	Deep-ultraviolet and extreme-ultraviolet lithography, the processes that print circuit patterns onto wafers. EUV machines, made only by the Dutch firm ASML, are required for the most advanced nodes.
EDA (Electronic Design Automation)	Software used to design chips, dominated by US-headquartered firms.
ECCN	Export Control Classification Number, the code identifying an item on the US Commerce Control List (e.g., 3A090 for certain advanced chips).
Entity List	A BIS list of foreign parties that need a US licence to receive specified items; Huawei and SMIC are listed.

Term	Meaning
Fab / foundry	A fab is a chip factory. A foundry manufactures chips designed by other companies; TSMC pioneered the "pure-play" foundry that makes no chips of its own design.
Fabless company	A firm that designs chips but outsources manufacturing, such as Nvidia, AMD, Apple or Qualcomm.
FDPR (Foreign Direct Product Rule)	A US rule extending export controls to foreign-made items produced with US technology or equipment.
Gray-zone coercion	Pressure that stays below the threshold of war, such as coast-guard incursions, cyber-attacks, disinformation, cable-cutting or economic sanctions.
HBM (High-Bandwidth Memory)	Stacked memory chips packaged next to AI processors, produced chiefly by South Korean firms.
IDM (Integrated Device Manufacturer)	A company that both designs and manufactures its own chips, such as Intel or Samsung.
Mature / legacy node	Older process technologies (commonly 28 nm and above) used in cars, appliances and industrial equipment; China is expanding capacity rapidly here.
Median line	An informal line down the centre of the Taiwan Strait that the PLA largely respected for decades and has crossed routinely since August 2022.
N-1 / N-2 rule	Taiwan's policy that technology deployed in overseas fabs should trail the most advanced domestic process by one (N-1) or two (N-2) generations, applied through technology-protection and investment review.
National Core Key Technologies	Technologies designated by Taiwan's NSTC for special protection under the National Security Act, including advanced integrated-circuit processes.
Node (process node)	A generation of manufacturing technology, labelled in nanometres (e.g., 3 nm) or angstroms (A16, A13). Labels are now marketing names rather than physical measurements.
One China principle / policy	Beijing's one-China principle asserts that Taiwan is part of the PRC. The US one-China policy acknowledges Beijing's position without endorsing it and is shaped by the Taiwan Relations Act.
Section 232	A US trade-law provision allowing tariffs on imports that threaten national security; used for semiconductors in January 2026.
Section 301	A US trade-law provision allowing retaliation against unfair foreign practices; used for tariffs on China since 2018 and on some sixty economies from 24 July 2026.
Silicon Shield	The idea, popularised by Craig Addison in 2001, that global dependence on Taiwanese chips deters attack and encourages outside powers to defend Taiwan.
Status quo	The existing situation in which Taiwan is governed separately from the PRC without a formal declaration of independence; each actor defines it differently.
Strategic ambiguity	The long-standing US practice of not stating definitively whether it would intervene militarily to defend Taiwan.
VEU (Validated End-User)	A US authorisation allowing a specific foreign facility to receive controlled items without individual licences; TSMC's Nanjing fab lost its VEU status from 31 December 2025.

KEY TAKEAWAYS

- The agenda joins an industrial question (keeping the lead), a geopolitical question (does indispensability still deter?) and a domestic question (can Taiwan agree and pay?).
- 2026 is a turning point: a US$265 billion Arizona commitment, direct Trump–Xi summitry and exposed energy and maritime vulnerabilities.
- "Export restrictions" include US, allied, Taiwanese and Chinese measures, not only US controls on China.
- Words matter: speak as ROC officials would, and avoid needless provocation.

6. HISTORICAL BACKGROUND

6.1 A State Under Pressure, 1949–1996

The Republic of China government relocated to Taiwan in 1949 after losing the Chinese civil war. Its survival in the following decades depended heavily on the United States, which sent the Seventh Fleet into the Taiwan Strait after the outbreak of the Korean War in 1950 and signed a Mutual Defense Treaty with Taipei in 1954. Crises over Kinmen and Matsu in 1954–55 and 1958 set an enduring pattern: Beijing applies pressure at points of its choosing, and Taipei and Washington must respond without triggering a wider war.

Diplomatic isolation followed. In 1971 United Nations General Assembly Resolution 2758 transferred China's seat to the PRC, and on 1 January 1979 the United States switched diplomatic recognition to Beijing and ended the defence treaty. Congress responded with the Taiwan Relations Act, signed on 10 April 1979, which commits the United States to provide Taiwan with defensive arms and declares that any non-peaceful effort to determine Taiwan's future would be of "grave concern."[9] At home, Taiwan lifted martial law in 1987 and held its first direct presidential election in 1996, amid PLA missile tests that became known as the Third Taiwan Strait Crisis.

6.2 Building an Industry from Nothing, 1973–1987

Taiwan's semiconductor industry was a deliberate act of state planning. The government founded the Industrial Technology Research Institute (ITRI) in 1973 and in 1976 licensed integrated-circuit technology from the American firm RCA, sending young engineers to the United States for training. ITRI spun off United Microelectronics Corporation (UMC) in 1980, the same year the Hsinchu Science Park opened. In 1985 the government recruited Morris Chang, a senior executive from Texas Instruments, to lead ITRI.

Chang's central insight was that many companies could design chips but few could afford to build the factories to make them. In 1987 TSMC was founded as a joint venture between the Taiwanese state and the Dutch electronics firm Philips, with private investors, as the world's first dedicated "pure-play" foundry. It would manufacture chips for others and never compete with its customers by selling chips of its own design. At the time, the idea was widely regarded as a gamble.

6.3 The Foundry Revolution, 1987–2016

The gamble transformed the industry. The pure-play model allowed a generation of "fabless" companies to design chips without owning factories, while TSMC captured economies of scale by serving many customers at once. Over three decades TSMC closed the gap with integrated manufacturers such as Intel by investing counter-cyclically, building dense supplier clusters and earning a reputation for reliable yields and for protecting customers' designs. By the late

[9] Taiwan Relations Act 1979.

2010s, delays at Intel and yield difficulties elsewhere left TSMC as the leader at the most advanced nodes.

The same period deepened economic ties across the Strait. Taiwanese firms invested heavily in mainland China, and under President Ma Ying-jeou (2008–2016) the two sides signed the Economic Cooperation Framework Agreement in 2010. The Chi-Chi earthquake of 21 September 1999, which briefly disrupted production, showed that concentration brings fragility as well as leverage.

6.4 The "Silicon Shield" Idea

The phrase "Silicon Shield" was popularised by the journalist Craig Addison, first in a 2001 newspaper column and then in his book *Silicon Shield: Taiwan's Protection Against Chinese Attack*, published by Fusion Press in 2001.[10] Addison argued that the digital economies of the United States and other developed countries depended so heavily on Taiwanese silicon that Chinese aggression would cut off a large share of global supply, giving Beijing a strong reason to hold back and giving Washington a strong reason to defend the island.

The concept has two distinct mechanisms that delegates should keep separate. The **deterrence** mechanism holds that China itself depends on Taiwanese chips and would suffer from war. The **commitment** mechanism holds that outside powers, above all the United States, would be more willing to defend Taiwan because they cannot afford to lose its output. Critics have challenged both. Some argue that Beijing's decisions on Taiwan are driven by nationalism and regime legitimacy rather than economics. Others argue that the shield creates perverse incentives: in 2021 Jared McKinney and Peter Harris proposed a "Broken Nest" strategy, arguing that Taiwan and the United States should make clear that an invasion would leave the industry destroyed, so that conquest would yield no prize.[11] Taiwanese officials have rejected that idea, but it shows how easily the shield can be reimagined as a target.

6.5 The Technology War Begins, 2018–2022

From 2018 onward, the US–China rivalry turned semiconductors into an instrument of statecraft. The United States imposed tariffs on Chinese goods under Section 301 of the Trade Act, added the Chinese memory maker Fujian Jinhua to the Entity List in 2018, and added Huawei in 2019. In 2020 Washington expanded the Foreign Direct Product Rule to cover chips made abroad with US tools, forcing TSMC to stop producing for Huawei's chip-design arm, HiSilicon.

The global chip shortage of 2020–21, which idled car factories around the world, convinced governments that supply concentration was a national-security risk. In August 2022 the US enacted the CHIPS and Science Act to subsidise domestic fabs. The same month, Speaker Nancy Pelosi's visit to Taipei prompted the largest PLA exercises around Taiwan to that date, and Beijing issued a white paper, *The Taiwan Question and China's Reunification in the New*

[10] Addison 2001a; Addison 2001b.

[11] McKinney and Harris 2021.

Era, restating its goal of unification.[12] On 7 October 2022 the Commerce Department imposed sweeping controls on advanced computing chips and chipmaking equipment destined for China, later joined in part by Japan and the Netherlands. Beijing retaliated in 2023 with export controls on gallium and germanium.

6.6 Diversification and Its Discontents, 2020–2025

TSMC's overseas expansion began in earnest in 2020, when it announced its first Arizona fab. The commitment grew in stages: in December 2022 the company announced a second Arizona fab, and in March 2025 it announced an additional US$100 billion, taking the planned total to US$165 billion. In November 2024 the US finalised a CHIPS Act award of up to US$6.6 billion to TSMC Arizona. Arizona's first fab, producing 4-nanometre chips, entered high-volume production in the fourth quarter of 2024.[13] In Japan, TSMC's majority-owned joint venture Japan Advanced Semiconductor Manufacturing (JASM), whose partners include Sony, Denso and Toyota, opened its first Kumamoto fab in February 2024. In Germany, the European Semiconductor Manufacturing Company (ESMC), a joint venture with Bosch, Infineon and NXP, broke ground in Dresden in August 2024.

Inside Taiwan, the expansion prompted anxiety that the island was exporting its crown jewels. The government strengthened legal protections: a 2022 amendment to the National Security Act created offences of economic espionage involving "core key technologies," and in December 2023 the National Science and Technology Council (NSTC) published a list of such technologies that includes advanced integrated-circuit processes. Officials also debated how far behind the domestic frontier overseas fabs should remain, an issue discussed in Section 8.4. Meanwhile, cross-strait pressure intensified after the election of President Lai Ching-te in January 2024. The PLA staged large named exercises in 2024 and 2025, including Strait Thunder-2025A in April 2025 and Justice Mission-2025 on 29–30 December 2025, which simulated a blockade and which Beijing framed as a response to US approval, on 18 December 2025, of an arms package worth about US$11.1 billion.[14]

Two further shocks followed in 2025. In April the United States imposed "reciprocal" tariffs under the International Emergency Economic Powers Act (IEEPA), initially exempting chips, and opened a Section 232 investigation into chip imports; in May Taiwan completed its nuclear phase-out, deepening its dependence on imported gas.

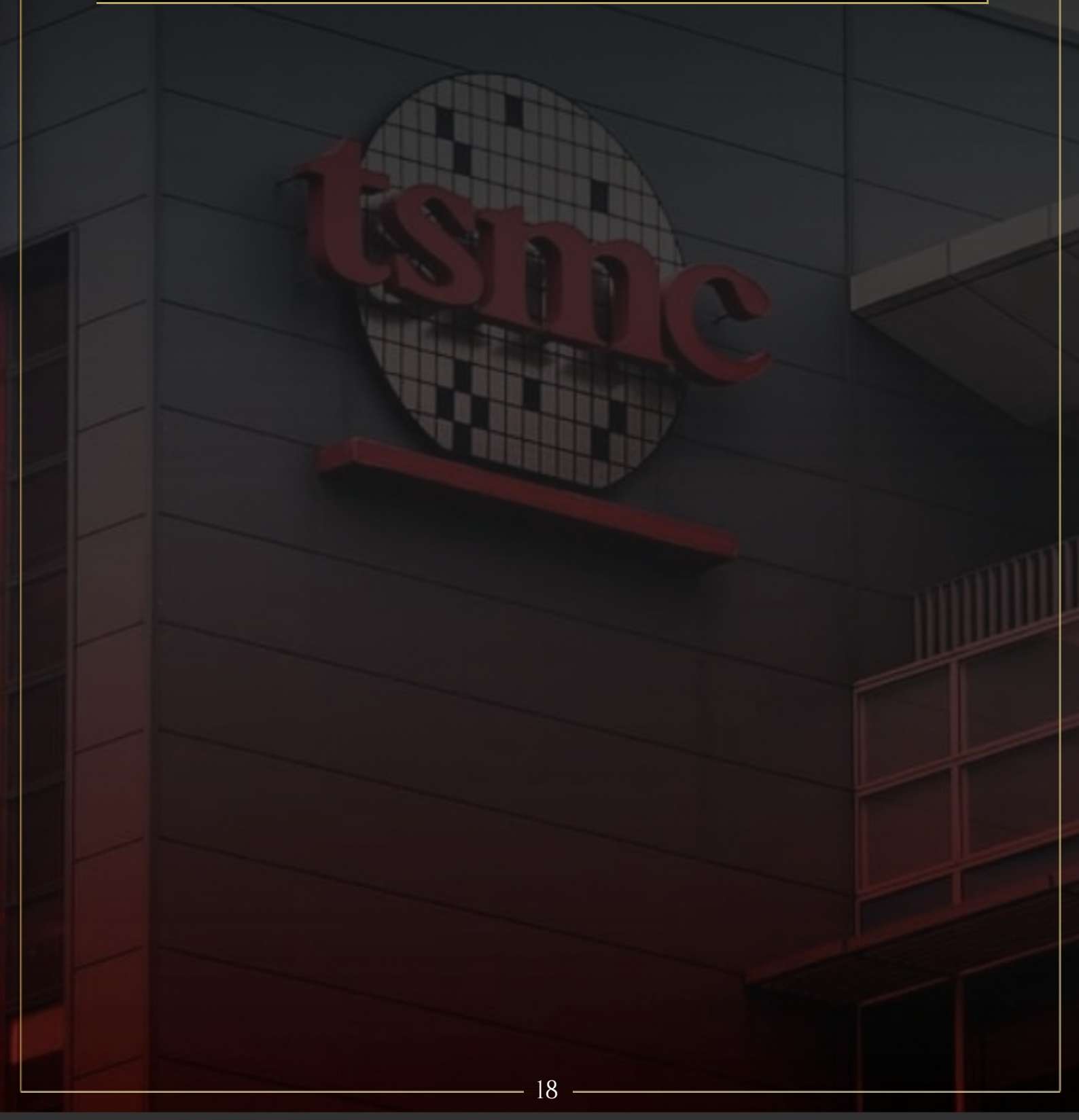
[12]State Council Information Office 2022.

[13]TrendForce 2026a; TSMC 2026d.

[14]Global Taiwan Institute 2026a; Xinhua 2025.

KEY TAKEAWAYS

- Taiwan's chip industry was a deliberate state project: ITRI (1973), RCA licensing (1976), UMC (1980) and TSMC (1987).
- The pure-play foundry model made TSMC the indispensable manufacturer for the world's fabless designers.
- The "Silicon Shield" (Addison, 2001) has two mechanisms, deterrence of China and commitment of outsiders; critics dispute both, and "Broken Nest" shows how the shield can become a target.
- Since 2018, US export controls have increasingly determined whom TSMC may serve; since 2020, US, Japanese and German subsidies have drawn TSMC abroad.



7. TECHNICAL PRIMER: HOW CHIPS ARE MADE AND WHY IT MATTERS

You need not be an engineer to succeed in this committee, but you must understand why leading-edge chipmaking is so hard to replicate.

7.1 What a Chip Is

A chip, or integrated circuit, is a small piece of silicon carrying billions of microscopic switches called transistors. Different chips perform different jobs. **Logic chips**, such as the processors in phones and the accelerators that train artificial-intelligence (AI) models, perform calculations. **Memory chips** store data. **Analogue and power chips** manage electricity and signals in cars, appliances and industrial machines. TSMC's strategic importance comes mostly from leading-edge logic: the most advanced processors for smartphones, data centres and AI.

7.2 From Design to Finished Chip

Chipmaking proceeds in three broad stages. In **design**, engineers at firms such as Nvidia, Apple or AMD lay out a chip using specialised EDA software. In **fabrication** (the "front end"), a fab turns that design into physical circuits on 300-millimetre silicon wafers through hundreds of steps over roughly three months. **Lithography** is the heart of the process: light is shone through a patterned mask to print features onto the wafer, and at the most advanced nodes this requires extreme-ultraviolet (EUV) machines made only by ASML of the Netherlands. Finally, in **assembly, packaging and test** (the "back end"), wafers are cut into individual dies, tested and packaged. For AI chips, advanced packaging such as TSMC's CoWoS, which places processors beside stacks of high-bandwidth memory, is itself a bottleneck.

7.3 What the Node Numbers Mean

Each generation of process technology is called a node. Labels such as "3 nm" or "A16" (1.6 nm) no longer describe a physical dimension; they are brand names for improvements in density, speed and efficiency. TSMC began high-volume production of its N2 (2 nm) node, its first to use gate-all-around "nanosheet" transistors, in the fourth quarter of 2025. Its A16 node, which adds backside power delivery, is scheduled for volume production in the second half of 2026, and in April 2026 the company unveiled a still more advanced A13 roadmap.[15] In the second quarter of 2026, 3-nanometre wafers accounted for 30 per cent of TSMC's wafer revenue and 5-nanometre for 33 per cent, while 2-nanometre, in volume production only since late 2025, reached 3 per cent.[16]

7.4 Why Leading-Edge Fabs Are Hard to Move

Building a leading-edge fab costs tens of billions of dollars, but money is the easy part. Output depends on **yield**, the share of chips that work, and yield improves through a slow process of

[15] TSMC 2026b; TrendForce 2026a.
[16] TSMC 2026b.

learning that relies on experienced engineers, thousands of process recipes and constant problem-solving with equipment and materials suppliers. Taiwan's fabs sit within dense industrial clusters in which suppliers, maintenance crews and research teams are minutes away and can work around the clock. Replicating that ecosystem abroad takes a trained workforce, reliable utilities and years of time, and costs are generally higher outside Taiwan, which is why TSMC's newest nodes have always launched in Taiwan first.

7.5 The Chokepoints

No country makes advanced chips alone. Several stages are dominated by one country or firm, and these chokepoints are the levers that export controls pull (see also Appendix D).

Table 6: Principal chokepoints in the semiconductor supply chain (qualitative)

Stage	Leading locations and firms	Why it matters for this committee
Chip design and EDA software	United States (EDA tools; leading fabless designers such as Nvidia, AMD, Apple, Qualcomm)	US software and licensing give Washington reach over foreign-made chips through rules such as the FDPR.
Fab equipment	Netherlands (ASML, sole EUV supplier); United States and Japan (deposition, etch, inspection, DUV)	Without EUV, no fab can produce the most advanced nodes at scale; US, Dutch and Japanese controls restrict sales and servicing in China.
Wafers, chemicals and gases	Japan (wafers, photoresists), various	Specialised materials are hard to substitute quickly.
Critical minerals	China (processing of gallium, germanium, antimony, rare earths)	Beijing's counter-controls can raise costs across the chain; its suspensions currently run only to early 2027.
Leading-edge fabrication	Taiwan (TSMC); South Korea (Samsung); US (Intel, TSMC Arizona)	TSMC held 72.5 per cent of global foundry revenue in the second quarter of 2026.
Advanced packaging and HBM	Taiwan (TSMC CoWoS); South Korea (HBM memory)	AI accelerators cannot ship without both.

Industry projections suggest that diversification is real but gradual. A 2024 study by the Semiconductor Industry Association and Boston Consulting Group projected that the United States would capture about 28 per cent of global semiconductor capital expenditure between 2024 and 2032, second only to Taiwan at 31 per cent.[17] Capacity is moving, but Taiwan remains the centre of gravity.

KEY TAKEAWAYS

- TSMC's strategic weight lies in leading-edge logic chips for smartphones, data centres and AI.
- Chipmaking has three stages (design, fabrication, packaging) and several single-country chokepoints, notably US design software and Dutch EUV machines.
- Fabs are hard to move because yield depends on tacit knowledge, clustered suppliers and skilled people, not only on money.
- Diversification is under way but gradual: Taiwan is projected to retain the largest share of capital investment through 2032.

[17] SIA and BCG 2024.

8. THE CURRENT SITUATION (AS OF 30 SEPTEMBER 2026)

This section describes the situation as of 30 September 2026. Delegates should independently verify the information and check for developments before the conference.

8.1 TSMC in September 2026: Scale, Technology and Finances

TSMC enters the final quarter of 2026 at the height of its commercial power. In full-year 2025 it reported revenue of about US$122.4 billion, net income of about US$55.2 billion and a gross margin of 59.9 per cent, after capital spending of roughly US$40.9 billion.[18] Demand for AI accelerators has since pushed results higher. For the second quarter of 2026 the company reported revenue of NT$1,270.38 billion (about US$40.2 billion) and a gross margin of 67.7 per cent, guided third-quarter revenue of US$44.6–45.8 billion, raised its 2026 capital-expenditure budget to US$60–64 billion from US$52–56 billion, and said it expected full-year revenue growth in US-dollar terms of slightly above 40 per cent.[19] Monthly figures confirm the trend: August 2026 revenue was NT$514.81 billion, up 53.3 per cent year on year, and revenue for January to August reached NT$3,386.87 billion, up 39.3 per cent.[20]

TSMC's market position is unmatched. TrendForce estimates that it earned 72.5 per cent of the revenue of the world's ten largest foundries in the second quarter of 2026, against 5.9 per cent for Samsung and 5.4 per cent for China's SMIC, which has grown rapidly in mature nodes despite lacking access to EUV equipment.[21] Technologically, N2 has been in volume production since the fourth quarter of 2025 and A16 is scheduled for the second half of 2026. The company is led by C.C. Wei, who serves as both Chairman and Chief Executive Officer. Its third-quarter results are due on 15 October 2026, before the conference, and delegates should read them.[22]

Table 7: TSMC at a glance (most recent figures as of 30 September 2026)

Indicator	Figure	Period / date
Revenue	US$122.42 billion	Full year 2025
Net income	US$55.21 billion	Full year 2025
Revenue	NT$1,270.38 billion (c. US$40.2 billion)	Q2 2026
Gross margin	67.7%	Q2 2026
Wafer revenue by node	2 nm 3%; 3 nm 30%; 5 nm 33%; 7 nm 11%	Q2 2026
Capital expenditure plan	US$60–64 billion (raised from US$52–56 billion)	2026, announced 16 July 2026
Foundry market share	72.5% (Samsung 5.9%; SMIC 5.4%)	Q2 2026 (TrendForce)
US investment commitment	US$265 billion in Arizona	Announced 16 July 2026

[18] TSMC 2026a.
[19] TSMC 2026b.
[20] TSMC 2026c.
[21] TrendForce 2026b.
[22] TSMC n.d.

8.2 The American Tariff and Trade Architecture

The legal basis of US trade policy changed dramatically in 2026. On 20 February 2026 the US Supreme Court struck down the tariffs imposed under IEEPA. The administration responded on 24 February with a temporary 10 per cent global tariff under Section 122 of the Trade Act of 1974, which is limited by statute to 150 days. When that authority expired on 24 July 2026, it was replaced by tariffs of 10 to 12.5 per cent on some sixty economies under Section 301, justified by findings concerning forced labour. Taiwanese goods face the 10 per cent rate, and goods already covered by Section 232 measures, including semiconductors, were carved out of the Section 301 stack.[23]

Semiconductors are treated separately under Section 232. A presidential proclamation of January 2026 imposed a 25 per cent tariff, effective 15 January 2026, on a narrow set of advanced logic chips, while foreshadowing a broader second phase.[24] At the time of writing we have not found evidence that the broader phase has been implemented.
Separately, the US Trade Representative concluded a Section 301 investigation into China's semiconductor policies with an affirmative determination in December 2025, setting an initial additional tariff of zero per cent on Chinese chips that is scheduled to rise on 23 June 2027.[25]

For Taiwan, the centrepiece is the **US–Taiwan Agreement on Reciprocal Trade (ART)**. Following a memorandum of understanding on 15 January 2026, the two sides signed the ART on 12 February 2026. Under the agreement, Taiwanese companies are to invest at least US$250 billion in the United States, principally in semiconductors and technology, supported by US$250 billion in credit guarantees from the Taiwanese government; the US reciprocal tariff on Taiwanese goods is capped at 15 per cent; and Taiwan commits to purchases between 2025 and 2029 including about US$44.4 billion of LNG and crude oil, US$15.2 billion of civil aircraft and engines and US$25.2 billion of power-generation equipment.[26] The agreement enters into force only once the Legislative Yuan approves it, and its text links future tariff exemptions to conditions including Taiwan funding defence at 3 per cent of GDP;[27] we have found no record of legislative approval at the time of writing.
Because the IEEPA ruling removed the tariffs the ART was designed to cap only days after signature, its value is debated in Taipei: supporters see insurance and partnership, critics an excessive price.

Table 8: The US tariff landscape affecting Taiwan, 2026

Measure	Legal basis	Status at 30 September 2026	Relevance to Taiwan
"Reciprocal" tariffs (2025)	IEEPA	Struck down by the Supreme Court, 20 Feb 2026	Removed the original basis of Taiwan's tariff rate
Temporary global tariff	Section 122	10%, 24 Feb–24 Jul 2026; expired	Bridging measure

[23]Honigman 2026; Focus Taiwan 2026c.
[24]White House 2026.
[25]USTR 2025.
[26]USTR 2026; Executive Yuan 2026; Global Taiwan Institute 2026b.
[27]Global Taiwan Institute 2026b.

Measure	Legal basis	Status at 30 September 2026	Relevance to Taiwan
"Forced-labour" tariffs	Section 301	10–12.5% on c. 60 economies from 24 Jul 2026	Taiwan at 10%; Section 232 goods excluded
Semiconductor tariffs, phase 1	Section 232	25% on narrow set of advanced logic chips from 15 Jan 2026	Broader phase foreshadowed
China semiconductor action	Section 301	Determination Dec 2025; 0% rising 23 Jun 2027	Shapes demand for non-Chinese mature-node chips
US–Taiwan ART	Executive agreement	Signed 12 Feb 2026; LY review for investment and purchases	Tariff cap of 15% in exchange

8.3 Export Controls and the Technology-Denial Regime

US export controls remain the most powerful external constraint on TSMC's business. Since October 2022 the Commerce Department has restricted exports of advanced computing chips and chipmaking tools to China, and the regime has continued to evolve. In January 2026 BIS moved licence reviews for specified AI chips destined for China and Macau to a case-by-case basis, subject to supply, security and testing conditions.[28] On 31 May 2026 BIS issued guidance confirming that licences are still required for advanced-computing items, including those classified under ECCNs 3A090.a and .b and 4A090, when destined for entities headquartered in, or with an ultimate parent in, Country Group D:5 or Macau, even when those entities are located elsewhere.[29] Enforcement against diversion is intensifying: at the end of August 2026 reports emerged that BIS was investigating a Singapore-based logistics company over dozens of shipments suspected of routing controlled chips towards China.[30]

Congress is pressing for tighter rules. The AI OVERWATCH Act (H.R. 6875), introduced on 18 December 2025 by the Chairman of the House Foreign Affairs Committee, Brian Mast, would strengthen congressional oversight of advanced AI-chip exports; the committee advanced it by 42 votes to 2 on 21 January 2026, and a Senate version was introduced in May 2026. We found no evidence that it had been enacted at the time of writing.[31]

These rules reach directly into TSMC's own operations. TSMC's fab in Nanjing, which produces mature-node chips, lost its Validated End-User status with effect from 31 December 2025, as did Chinese facilities of Samsung and SK Hynix, meaning that shipments of US-origin tools and materials require licences. Washington subsequently granted TSMC an annual licence covering 2026.[32] Every future renewal is therefore a point of leverage.

Taiwan has also built controls of its own. In June 2025 the Ministry of Economic Affairs added Huawei and SMIC, along with hundreds of affiliated entities, to its Strategic High-Tech Commodities entity list, requiring permits for exports to them.[33] The 2022 amendments to the National Security Act made the theft of "core key technologies" a serious crime, and their first

[28] Morgan Lewis 2026.
[29] BIS 2026.
[30] Blumenthal et al. 2026.
[31] The Hill 2026.
[32] Taipei Times 2025b; Reuters 2025.
[33] CNBC 2025a.

major test came on 27 April 2026, when a court sentenced former employees of Tokyo Electron's Taiwanese unit and associates to prison terms of up to ten years for stealing TSMC trade secrets and fined the company's local subsidiary.[34]

Beijing, meanwhile, has demonstrated that it can impose chokepoints of its own. In October 2025 China announced sweeping controls on rare-earth elements and related technologies; after the Trump–Xi meeting in Busan on 30 October 2025, it suspended them for one year. It also suspended its ban on exports of gallium, germanium and antimony to the United States.[35] The rare-earth suspension was due to lapse on 10 November 2026, but on 24 September US Treasury Secretary Scott Bessent announced that the truce would be extended to **10 January 2027**, keeping tariffs lower and rare earths flowing while Washington assesses whether Beijing is meeting its commitments.[36] Whether the separate suspension of the gallium, germanium and antimony ban, due to lapse on **27 November 2026**, has also been extended is not yet clear.

8.4 Offshore Diversification and the "N-2" Debate

TSMC now operates or is building fabs on three continents. In **Arizona**, the first fab has produced 4-nanometre chips in volume since late 2024, and the second is expected to begin 3-nanometre volume production in the second half of 2027.[37] On 16 July 2026 TSMC announced an additional US$100 billion to build four more fabs capable of 2-nanometre or more advanced production, raising its total Arizona commitment to US$265 billion across ten fabs, two advanced-packaging facilities and a research and development centre.[38] In **Japan**, JASM's first Kumamoto fab is operating and the second has been re-planned for 3-nanometre production around 2028, while Japan is also backing its own national champion, Rapidus, which plans 2-nanometre production in Hokkaido from fiscal 2027.[39] In **Germany**, ESMC in Dresden targets production from 2027.

Table 9: TSMC's principal overseas manufacturing sites

Site	Structure	Technology	Status (30 September 2026)
Arizona, United States	Wholly owned (TSMC Arizona)	Fab 1: 4 nm; Fab 2: 3 nm; later fabs: 2 nm and beyond	Fab 1 in volume production since Q4 2024; Fab 2 volume production expected 2H 2027; total commitment US$265 billion
Kumamoto, Japan	Majority-owned JV (JASM) with Sony, Denso, Toyota	Fab 1: mature to 12 nm class; Fab 2: re-planned to 3 nm	Fab 1 operating since 2024; Fab 2 around 2028
Dresden, Germany	Majority-owned JV (ESMC) with Bosch, Infineon, NXP	Mature nodes for automotive and industrial use	Under construction; production targeted 2027

[34] AP 2026.
[35] CNBC 2025b; Wiley Rein 2025.
[36] CNBC 2026.
[37] TrendForce 2026a.
[38] Arizona Commerce Authority 2026.
[39] TrendForce 2026a.

Site	Structure	Technology	Status (30 September 2026)
Nanjing and Shanghai, China	Wholly owned	Mature nodes	Operating under a US annual licence for 2026

At home, the question is how far behind the domestic frontier these fabs should stay. Taiwan has long applied an informal "N-1" approach under which overseas fabs trail Taiwan's most advanced process. In December 2025 the NSTC reaffirmed a stricter "N-2" principle. An NSTC deputy minister illustrated the rule by explaining that if TSMC were producing 1.4- or 1.2-nanometre-class technology in Taiwan, only 1.6-nanometre-class production would be eligible abroad.[40] Delegates should note how the rule works in practice. It is not a standalone statute that mechanically bans exports; it is applied through the designation of core key technologies under the National Security Act and through the government's review of outbound investment and technology transfer. That gives ministers discretion, and it makes the rule a subject of negotiation with Washington, with TSMC and with the Legislative Yuan.

8.5 Great-Power Diplomacy: The 2026 Summits

Direct diplomacy between Washington and Beijing is now the most important variable in Taiwan's environment. After meeting in Busan on 30 October 2025 and agreeing a one-year trade truce, President Trump travelled to Beijing for a summit on 13–15 May 2026. Taiwan featured prominently. According to contemporaneous analysis, Trump said that arms sales to Taiwan were being held "in abeyance" and that the decision "depends on China," in reference to an arms package of about US$14 billion announced in January 2026 and subsequently delayed; he later described the package as a negotiating chip.[41] Analysts in Washington differed on what Beijing had gained, but agreed that Taipei had reason for concern.[42]

Xi Jinping then made a state visit to Washington from 23 to 25 September 2026. Reporting described a warm tone, agreement on a dialogue on AI and on tariff reductions covering about US$30 billion of "non-sensitive" goods in each direction, and the extension of the trade truce to 10 January 2027, although the two sides' accounts differed on what had been agreed.[43] According to Xinhua, Xi urged Washington to "oppose" Taiwan independence, wording stronger than the long-standing US formulation that it does not support independence.[44] The White House issued no readout of the meeting, and the two leaders did not say at first whether Taiwan had been discussed;[45] on 26 September Trump said that it had come up but that they had not talked about it much.[46] A senior US official said the President would decide on a new arms package for Taiwan "in a fairly short time," and the United States, Japan and South Korea issued a joint statement during the week expressing support for Taiwan.[47] For our committee, the key point is ambiguity: Taipei still does not know what, if anything, was agreed about its

[40]Taiwan News 2025; Tom's Hardware 2025.
[41]Global Taiwan Institute 2026c; Brookings Institution 2026.
[42]Council on Foreign Relations 2026.
[43]Al Jazeera 2026; Irish Times 2026; The Diplomat 2026b.
[44]Taipei Times 2026d; Bloomberg News 2026b.
[45]Taipei Times 2026e.
[46]Bloomberg News 2026c.
[47]NBC News 2026.

future. Further Trump–Xi meetings are possible at the APEC meeting in Shenzhen in November and the G20 summit in Miami in December.[48]

Other capitals matter too. In **Japan**, Prime Minister Sanae Takaichi, in office since 21 October 2025, has taken a firm line on Taiwan-related security, and relations with Beijing have been strained as a result.[49] In **Beijing**, Xi's purge of the military leadership has continued: former Central Military Commission vice-chairman Zhang Youxia and former Joint Staff chief Liu Zhenli were removed from the state CMC on 28 August 2026 and expelled from the Party and the PLA on 21 September 2026.[50]

8.6 The Home Front: Gray-Zone Pressure, Energy and Politics

Gray-zone pressure

The character of Chinese pressure has shifted. PLA aircraft incursions into Taiwan's ADIZ fell to 125 in August 2026, less than half the level of August 2024 or August 2025 and roughly back to the baseline before President Lai took office. At the same time, maritime pressure has surged. Beijing began permanent patrols east of Taiwan in May 2026, and Taiwan's Coast Guard Administration recorded a record 244 Chinese non-military vessels in the waters around Taiwan in July 2026, compared with 58 in July 2025. The China Coast Guard has entered the restricted waters around Kinmen roughly four times a month since February 2024 and made a further incursion near Pratas Island in August 2026.[51] Undersea cables have also been damaged in several incidents. Taiwan has responded with organisational change, including a new Littoral Combat Command created in July 2026 to centralise coastal defence.[52]

Energy insecurity

Energy is Taiwan's most acute vulnerability, and TSMC is among its largest consumers of electricity. Taiwan imports about 96 per cent of its energy and relies on LNG for roughly half of its power generation, while holding only around 11 to 12 days of LNG reserves, a figure the government plans to raise to 14 days from 2027.[53] The war involving Iran since late February 2026, which disrupted shipping through the Strait of Hormuz and damaged Qatar's Ras Laffan export complex, cut off a supplier that had provided around a third of Taiwan's LNG; Taipei responded by diversifying purchases, and around 60 per cent of its crude oil now comes from the United States.[54] Beijing has exploited the moment through disinformation predicting blackouts, and suspected Chinese hackers targeted Taiwanese energy companies in July 2026.[55]

Nuclear power has returned to the agenda. Taiwan shut its last reactor in May 2025, and an August 2025 referendum on restarting the Maanshan plant won about 73.5 per cent support but

[48]CNBC 2026.
[49]Taipei Times 2026c; Blumenthal et al. 2026.
[50]Blumenthal et al. 2026; AEI and ISW 2026.
[51]Blumenthal et al. 2026.
[52]Blumenthal et al. 2026.
[53]CSIS 2026; Blumenthal et al. 2026.
[54]Atlantic Council 2026a; CSIS 2026; Bloomberg News 2026a.
[55]Blumenthal et al. 2026.

failed to reach the turnout threshold. In March 2026 the state utility Taipower submitted a restart plan for Maanshan to the Nuclear Safety Commission, which began its review in April; safety inspections could take up to two years, so generation would be unlikely before about 2028.[56] On 28 August 2026 the Central Election Commission approved a new referendum on reintroducing nuclear power, to be held alongside the nationwide local elections on 28 November 2026.[57]

Defence budgets and domestic politics

Taiwan's politics are divided. The DPP holds the presidency, but the Legislative Yuan is controlled by the opposition: the KMT holds 52 seats and works with two independents, the DPP holds 51, and the TPP holds 8, with Han Kuo-yu of the KMT as Speaker. President Lai has pledged to raise defence spending to 5 per cent of GDP by 2030. The legislature, however, cut the government's NT$1.25 trillion special defence budget to NT$780 billion, passing it on 8 May 2026 by 59 votes to none with DPP legislators abstaining, and tied the funds largely to US Foreign Military Sales.[58] The cabinet announced in August that it would seek to restore the original proposal.[59] The 2026 general budget passed only on 14 August 2026 after a delay of nearly a year, and on 27 August the legislature passed an NT$240 billion drone budget in the opposition's version, with annual caps and yearly reviews, which the cabinet has indicated it will implement.[60] On 29 September President Lai urged the legislature to support a further supplementary budget of nearly NT$60 billion for drone development.[61]

The opposition parties are themselves in flux. Cheng Li-wun, who became KMT chair on 1 November 2025, met Xi Jinping in Beijing on 10 April 2026 and visited the United States in June, presenting the KMT as able to reduce the risk of war through dialogue.[62] The TPP, now led by Huang Kuo-chang, was shaken when its founder Ko Wen-je was sentenced on 26 March 2026 to 17 years in prison in a corruption case, a sentence expected to bar him from the 2028 presidential race.[63] Public opinion constrains every party: National Chengchi University surveys show most people identify as Taiwanese or as both Taiwanese and Chinese, and most prefer some form of the status quo (check the latest figures).[64]

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[56]World Nuclear News 2026; Taiwan News 2026.

[57]Blumenthal et al. 2026.

[58]Taipei Times 2026a; The Diplomat 2026a.

[59]Taipei Times 2026b.

[60]Blumenthal et al. 2026.

[61]Focus Taiwan 2026e.

[62]Atlantic Council 2026b; Global Taiwan Institute 2026d; Focus Taiwan 2026b.

[63]Focus Taiwan 2026a.

[64]Election Study Center, NCCU n.d.

KEY TAKEAWAYS

- TSMC is stronger than ever (67.7% gross margin; 72.5% foundry share) yet has committed US$265 billion to Arizona.
- Taiwan faces 10% US tariffs under Section 301; the ART trades a 15% cap for US$250 billion of investment, pending legislative approval.
- The US–China truce now runs to 10 January 2027; Taipei faces summit ambiguity, record maritime pressure, thin LNG reserves and a divided legislature.

9. KEY ISSUES AND DEBATES

Each question below divides serious people inside and outside Taiwan. We present the strongest case on each side; argue your portfolio's position while understanding the other.

9.1 Does Diversification Strengthen or Weaken the Silicon Shield?

The case that diversification strengthens Taiwan. Supporters argue that the shield was never only about the location of fabs. It rests on the fact that TSMC is the indispensable partner of the world's leading technology firms, and investment in Arizona, Kumamoto and Dresden gives the United States, Japan and Europe a direct economic and political stake in TSMC's success. On this view, fabs abroad generate goodwill in Congress and allied parliaments, secure tariff relief and blunt the charge that Taiwan is a single point of failure, while the newest nodes and core research stay at home.

The case that diversification weakens Taiwan. Critics argue that the shield depends on others being unable to do without Taiwan itself. Every leading-edge fab built abroad reduces the cost to outside powers of losing the island, and therefore reduces their incentive to defend it. They point to the scale of the Arizona commitment, to US statements favouring onshore production, and to the May 2026 treatment of arms sales as a bargaining chip, and ask whether Washington's commitment is becoming transactional. They also warn that talent, suppliers and tax revenue may follow capacity abroad, "hollowing out" the island.

9.2 How Tightly Should Taiwan Guard Its Technology?

For strict limits. Advocates of the N-2 principle and strong technology-protection law argue that Taiwan's lead is its leverage, and that leverage exported cannot be recovered. Strict review of outbound investment ensures that the most advanced nodes, and the know-how to run them, remain in Taiwan; the April 2026 trade-secrets verdict shows the risks of leakage are real.

For flexibility. Others argue that rigid rules could backfire. They could slow TSMC's service to its largest customers, invite US pressure or tariffs, and push allies to accelerate rival champions such as Intel or Rapidus. TSMC's competitive advantage, on this view, lies in continuous innovation that cannot be copied by moving a single process abroad; the government should protect it through investment in research and talent at home rather than through limits on the company's global footprint.

9.3 Alignment with US Controls versus Commercial Ties with China

For closer alignment. Taiwan's security depends on the United States, and credibility in Washington requires Taiwan to be seen as a reliable enforcer of controls on China, not a leaky partner. Blacklisting Huawei and SMIC, cooperating on smuggling cases and aligning export rules with Washington's strengthens Taiwan's claim to be an indispensable democratic ally.

For preserving commercial space. China remains a large market for Taiwanese firms, and TSMC's mature-node fabs in China serve customers there. Over-alignment exposes Taiwanese companies to Chinese retaliation, including the critical-mineral controls that are suspended only until early 2027, and may be unnecessary if Washington and Beijing reach a broader

accommodation over Taiwan's head. Some argue that Taiwan should avoid giving Beijing pretexts while quietly complying with US rules.

9.4 Energy Security and the Industrial Base

For restarting nuclear power and expanding storage. A leading-edge chip industry cannot run on eleven days of gas reserves. Supporters of a Maanshan restart, including the opposition parties that proposed the November referendum, argue that nuclear power would reduce Taiwan's exposure to blockade or quarantine and to supply shocks such as the 2026 Hormuz crisis.

For caution and renewables. Opponents note that any restart is years away, that safety and waste concerns remain unresolved, and that faster gains are available from LNG storage, grid hardening, renewables and demand management.

9.5 Paying for Defence and Governing a Divided State

The government's case. The DPP administration argues that the threat demands rapid, multi-year investment in defence, including asymmetric capabilities such as drones, and that cutting or conditioning budgets signals weakness to Beijing and Washington alike.

The opposition's case. The KMT and TPP argue that they support defence but insist on legislative scrutiny, value for money and a balance between deterrence and dialogue. They contend that tying spending to US Foreign Military Sales improves accountability, and that engagement with Beijing, as in the KMT chair's April 2026 visit, can reduce risk.

9.6 Responding to Gray-Zone Coercion

For firmness. Some argue that each unanswered coast-guard incursion normalises Chinese jurisdictional claims, so Taiwan should respond visibly, publicise violations and coordinate with partners to impose costs.

For restraint. Others argue that Beijing's law-enforcement tactics are designed to provoke an overreaction that could be portrayed as Taiwanese escalation. On this view, Taiwan should absorb pressure calmly, invest in resilience and avoid giving Beijing a pretext, while building international awareness.

KEY TAKEAWAYS

- Diversification can be read as spreading the shield among allies or as thinning it; both readings are defensible.
- The N-2 debate is a trade-off between guarding leverage and keeping customers and allies close.
- Alignment with US controls buys credibility in Washington but may invite Chinese retaliation, especially as the truce deadline of 10 January 2027 approaches.
- On gray-zone pressure, the core tension is between firmness that deters and restraint that denies Beijing a pretext.

10. STAKEHOLDER ANALYSIS

Each actor below has its own interests, fears and levers, and we will play many of them in the backroom.

10.1 Domestic Stakeholders

The Presidential Office and the DPP government. President Lai's government sees the PRC as the principal threat to Taiwan's democracy and treats economic security as national security. It supports TSMC's US investment as a way of binding Washington to Taiwan, while insisting that the most advanced technology and research remain at home. Its central challenge is governing without a legislative majority.

The Kuomintang (KMT). The largest party in the Legislative Yuan presents itself as the party of peace through dialogue and pragmatic economics. Under Chair Cheng Li-wun it has engaged directly with Beijing, including her meeting with Xi Jinping in April 2026, while also courting Washington. It is sceptical of what it sees as excessive concessions to the US, including the scale of TSMC's overseas commitments, and favours restarting nuclear power.[65]

The Taiwan People's Party (TPP). Led by Huang Kuo-chang since its founder's conviction, the TPP casts itself as a pragmatic third force. Its eight legislators often vote with the KMT on budgets and oversight, giving it influence well beyond its size.

TSMC and the wider industry. TSMC's interests are commercial: serve its customers, protect its technology, earn returns for shareholders and manage political risk in every jurisdiction where it operates. It welcomes government support on energy, water, land and talent, but resists being treated as an instrument of state policy. Suppliers, other foundries such as UMC and designers such as MediaTek share many of its concerns; in committee, the wider industry is represented by the Chairman of the Taiwan Semiconductor Industry Association.

The public and civil society. Taiwan's voters are pragmatic and resilient, but divided on energy, relations with Beijing and trust in the United States. The local elections and nuclear referendum of 28 November 2026 will test the parties' positions.

10.2 External Stakeholders

The United States. Washington's policy has several centres of gravity. The executive, led by President Trump with Commerce Secretary Howard Lutnick, Trade Representative Jamieson Greer, Secretary of State Marco Rubio and Treasury Secretary Scott Bessent, prioritises onshore manufacturing, trade leverage and a deal-oriented relationship with Beijing. Congress is more consistently hawkish on China and supportive of Taiwan across party lines, as shown by the AI OVERWATCH Act. US companies such as Nvidia, Apple and AMD depend on TSMC and lobby for stable supply and for access to the Chinese market. US policy remains grounded in the Taiwan Relations Act and the one-China policy.[66]

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[65] Atlantic Council 2026b; Global Taiwan Institute 2026d.

[66] Taiwan Relations Act 1979.

The People's Republic of China. Beijing regards Taiwan as part of China and unification as a historic mission, while preferring to achieve it without war; its 2022 white paper restates both the preference for peaceful means and the refusal to renounce force.[67] It seeks to isolate the DPP government, cultivate the opposition and business, and deter "separatist" moves and "external interference," while building its own chip industry and using mineral controls as counter-leverage.

Japan. Japan sees Taiwan's security as closely linked to its own and has invested heavily in chipmaking, including JASM and Rapidus. Under Prime Minister Takaichi it has been outspoken on Taiwan, at the cost of friction with Beijing.

South Korea, the Netherlands and the EU. Samsung competes with TSMC in foundry while SK Hynix supplies the high-bandwidth memory TSMC packages into AI accelerators. ASML's monopoly on EUV equipment makes the Netherlands a pivotal export-control actor, and the EU seeks supply security through its Chips Act and the ESMC project.

India, South-East Asia and others. India aims to build a domestic semiconductor base, including a fab project in Gujarat led by Tata Electronics in partnership with Taiwan's Powerchip Semiconductor Manufacturing Corporation (PSMC). South-East Asia hosts important assembly and test capacity, and Singapore has become a focus of US investigations into chip diversion.[68]

Table 10: Stakeholders at a glance

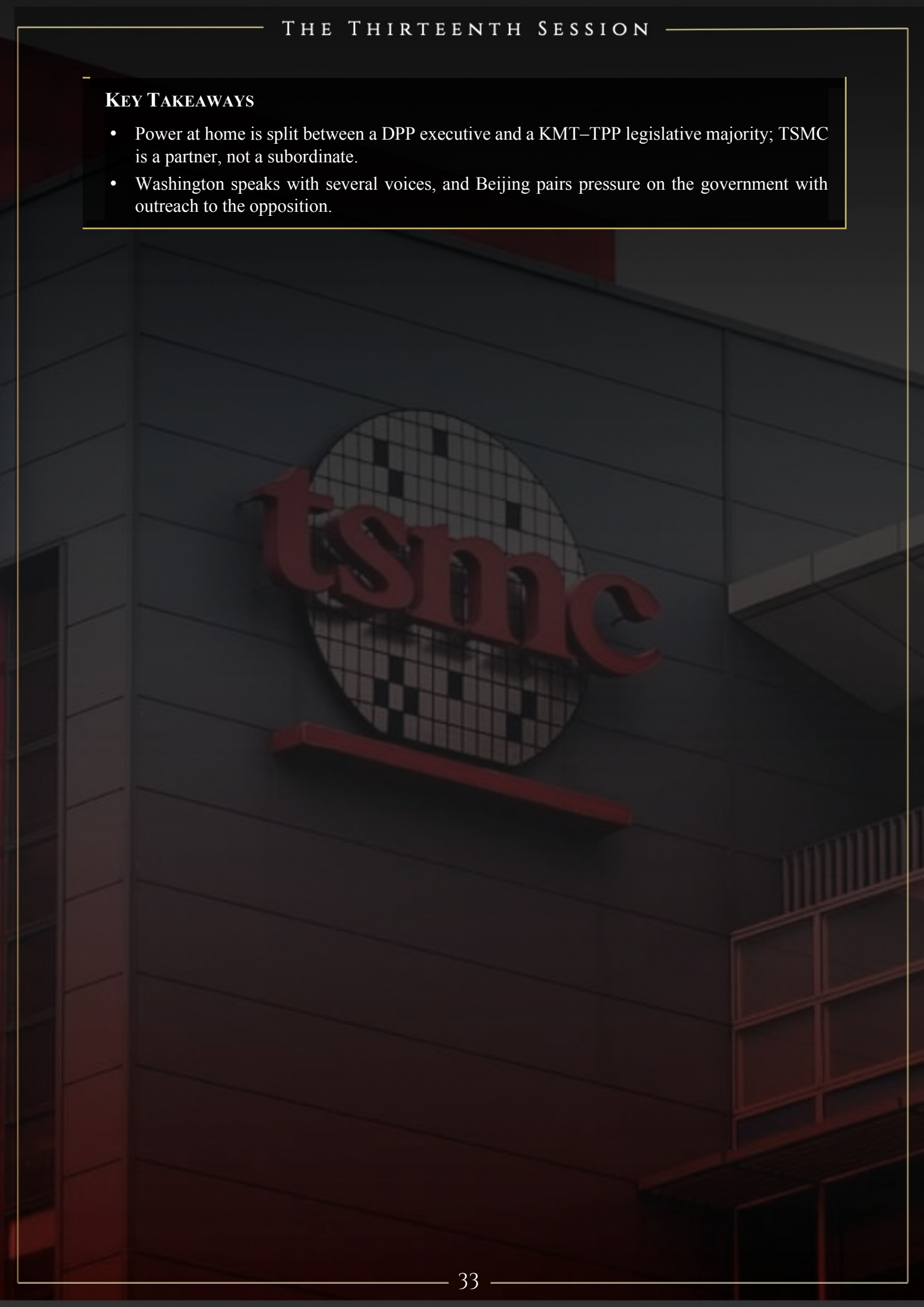
Stakeholder	Core interest	Principal leverage	Key concern in 2026
DPP government	Security, sovereignty, US backing	Executive power; TSMC relationship	Divided legislature; US reliability
KMT / TPP	Stability, dialogue, oversight	Legislative majority	Election performance; energy; costs of US deals
TSMC	Customers, technology lead, returns	Indispensability; capital; know-how	Politicisation; energy; IP leakage
United States	Onshore capacity; tech lead over China	Tariffs, controls, arms, market access	Supply security; deal with Beijing
PRC	Unification; tech self-reliance	Military and gray-zone pressure; minerals; market	"Independence"; US controls
Japan	Regional security; chip revival	Alliances; subsidies; equipment	Taiwan contingency; China friction
South Korea	Competitiveness; alliance	Memory and HBM; Samsung foundry	Tariffs; China exposure
Netherlands / EU	Supply security; values	ASML; Chips Act funding	Automotive supply; China retaliation

[67] State Council Information Office 2022.

[68] Blumenthal et al. 2026.

KEY TAKEAWAYS

- Power at home is split between a DPP executive and a KMT–TPP legislative majority; TSMC is a partner, not a subordinate.
- Washington speaks with several voices, and Beijing pairs pressure on the government with outreach to the opposition.



11. QUESTIONS A DIRECTIVE MUST ANSWER (QADMA)

A strong National Security Directive or Strategic Policy Framework will address most of the following questions. You need not answer all of them, but you should be able to explain why any omitted question is less important.

1. What is the Council's assessment of the Silicon Shield in 2026: is it strengthening, eroding or changing in character?
2. What balance should Taiwan strike between keeping leading-edge technology at home and supporting TSMC's overseas expansion, and how should the N-2 principle be applied and reviewed?
3. How should Taiwan align its own export controls and enforcement with those of the United States and other partners, and what exposure to Chinese retaliation is acceptable?
4. How should the government implement, renegotiate or defend the ART, and what does Taiwan seek from Washington in return for its commitments?
5. What steps will secure the energy supply of the semiconductor industry against blockade, quarantine or external shocks, in the short term and by 2030?
6. How will Taiwan protect its critical infrastructure, including undersea cables, power grids and digital networks, from gray-zone disruption?
7. How will the government protect core technologies and trade secrets across TSMC's domestic and overseas operations?
8. How should the Council respond to China Coast Guard pressure around the outlying islands without escalating to military confrontation?
9. How should Taiwan prepare for a possible lapse of China's critical-mineral control suspensions when the US–China truce expires on 10 January 2027?
10. How will the framework be funded and legislated given the composition of the Legislative Yuan, and which measures can the executive take alone?
11. How should the government communicate its strategy to the public, to partners and to Beijing?
12. What should the relationship between the state and TSMC be during a crisis: partnership, direction or arm's length?

KEY TAKEAWAYS

- A directive should assess the Silicon Shield, then set priorities across technology, trade, energy, infrastructure and maritime security.
- Every measure needs a lead agency, a legal basis and a timeline, and must say whether it requires the Legislative Yuan.
- Address the risk of renewed Chinese mineral controls and the state's relationship with TSMC explicitly.

12. PREPARATION GUIDE

12.1 How to Research Your Portfolio

Begin with this guide, then move to primary sources. Read your office's official website and its most recent press releases, speeches and legislative testimony. Identify the laws that define your powers. Then read two or three analytical pieces from different perspectives, including at least one from a source you would not normally read. Finally, follow the news right up to the conference. If you have questions about your portfolio, write to the Executive Board at nsctaiwan.lmun26@gmail.com.

12.2 Building a Strategy

Before committee, write down on a single page your portfolio's three main objectives, its three greatest fears, the three portfolios you most need to work with and the one measure you would most like to see in the final directive. Prepare a short opening statement of no more than ninety seconds that explains your office's view of the agenda. Draft at least two portfolio directives in advance, one overt and one covert, that you could submit in the first session.

KEY TAKEAWAYS

- Arrive with objectives, fears, partners and a signature proposal written down.
- Draft directives before committee; speed and clarity matter in a live crisis.
- Research primary sources first and follow the news daily until the conference.

13. FURTHER READING

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APPENDIX A: MASTER TIMELINE

Key events from 1949 to 30 September 2026, followed by scheduled dates to watch. Dates are given as precisely as sources allow.

Table 11: Master timeline, 1949 to 30 September 2026, with upcoming dates

Date	Event
Dec 1949	ROC government relocates to Taiwan after the Chinese civil war.
Jun 1950	Korean War begins; US Seventh Fleet deployed to the Taiwan Strait.
Dec 1954	US–ROC Mutual Defense Treaty signed during the First Taiwan Strait Crisis (1954–55).
Aug 1958	Second Taiwan Strait Crisis: PLA shelling of Kinmen.
1967	National Security Council established under the Temporary Provisions.
Oct 1971	UNGA Resolution 2758 transfers China's UN seat to the PRC.
1973	Industrial Technology Research Institute (ITRI) founded.
1976	ITRI licenses integrated-circuit technology from RCA.
1 Jan 1979	United States switches diplomatic recognition to the PRC.
10 Apr 1979	Taiwan Relations Act signed into US law.
1980	UMC spun off from ITRI; Hsinchu Science Park opens.
1985	Morris Chang becomes president of ITRI.
1987	TSMC founded as the first pure-play foundry; martial law lifted (July).
1991–93	Temporary Provisions abolished; Additional Articles adopted; NSC Organic Act promulgated (1993).
1995–96	Third Taiwan Strait Crisis; first direct presidential election (March 1996).
21 Sep 1999	Chi-Chi earthquake briefly disrupts chip production.
2001	Craig Addison publishes *Silicon Shield*.
2003	NSC Organic Act amended.
Mar 2005	PRC adopts the Anti-Secession Law.
Jun 2010	Economic Cooperation Framework Agreement signed.
Mar–Apr 2014	Sunflower Movement occupies the Legislative Yuan.
2018	US Section 301 tariffs on China begin; Fujian Jinhua added to the Entity List.
May 2019	Huawei added to the US Entity List.
May 2020	TSMC announces first Arizona fab; US expands the Foreign Direct Product Rule to target Huawei.
2020–21	Global chip shortage disrupts car production worldwide.
Winter 2021–22	McKinney and Harris publish "Broken Nest" in *Parameters*.
Aug 2022	CHIPS and Science Act enacted; Pelosi visit and large PLA exercises; PRC Taiwan white paper (10 Aug).
7 Oct 2022	US imposes sweeping controls on advanced chips and tools for China.
Jul 2023	China announces export controls on gallium and germanium.
Dec 2023	NSTC publishes the list of National Core Key Technologies.
13 Jan 2024	Lai Ching-te elected President (inaugurated 20 May 2024).
Feb 2024	JASM's first Kumamoto fab opens.
3 Apr 2024	Magnitude 7.2 Hualien earthquake; TSMC restores output quickly.
Jun 2024	Whole-of-Society Defense Resilience Committee established.
Aug 2024	ESMC breaks ground in Dresden.
Q4 2024	TSMC Arizona Fab 1 (4 nm) enters high-volume production; CHIPS Act award finalised (November).
3 Mar 2025	TSMC announces additional US$100 billion US investment (total US$165 billion).

Date	Event
13 Mar 2025	NSC high-level meeting; President Lai announces 17 measures.
Apr 2025	US "reciprocal" tariffs under IEEPA; PLA exercise Strait Thunder-2025A.
May 2025	Taiwan completes nuclear phase-out.
Jun 2025	Taiwan adds Huawei and SMIC to its strategic high-tech entity list.
Aug 2025	Maanshan restart referendum fails turnout threshold; cabinet reshuffle.
1 Sep 2025	New NSC Deputy Secretaries-General take office.
Oct 2025	China expands rare-earth controls (9 Oct); Takaichi becomes Japanese PM (21 Oct); Trump–Xi meeting in Busan (30 Oct).
1 Nov 2025	Cheng Li-wun becomes KMT chair.
Nov 2025	China suspends rare-earth controls to 10 Nov 2026 and its gallium–germanium–antimony ban on the US to 27 Nov 2026.
Q4 2025	TSMC N2 enters high-volume production.
Dec 2025	US approves c. US$11.1 billion arms package (18 Dec); NSTC reaffirms N-2; USTR China semiconductor determination; PLA Justice Mission-2025 (29–30 Dec); TSMC Nanjing VEU ends (31 Dec).
15 Jan 2026	Section 232 tariff of 25% on narrow set of advanced chips takes effect; US–Taiwan trade MOU.
21 Jan 2026	House Foreign Affairs Committee advances the AI OVERWATCH Act.
12 Feb 2026	US–Taiwan Agreement on Reciprocal Trade signed.
20 Feb 2026	US Supreme Court strikes down IEEPA tariffs; Section 122 tariff of 10% from 24 Feb.
Late Feb 2026	War involving Iran disrupts Gulf energy shipping and Qatari LNG.
Mar 2026	Taipower submits Maanshan restart plan; Ko Wen-je sentenced to 17 years (26 Mar).
Apr 2026	Cheng Li-wun meets Xi Jinping in Beijing (10 Apr); TSMC trade-secrets verdict (27 Apr); TSMC unveils A13.
8 May 2026	Legislative Yuan passes special defence budget cut to NT$780 billion.
13–15 May 2026	Trump–Xi summit in Beijing; arms package placed "in abeyance."
May 2026	PRC begins permanent patrols east of Taiwan.
31 May 2026	BIS guidance on advanced-computing controls for Chinese-headquartered firms.
Jul 2026	Record 244 PRC non-military vessels near Taiwan; Littoral Combat Command created.
16 Jul 2026	TSMC raises capex to US$60–64 billion and adds US$100 billion in Arizona (total US$265 billion).
24 Jul 2026	Section 301 tariffs replace Section 122; Taiwan at 10%.
14 Aug 2026	2026 general budget passes after nearly a year's delay.
27–28 Aug 2026	NT$240 billion drone budget passes; CEC approves nuclear referendum; Zhang Youxia and Liu Zhenli removed from state CMC.
21 Sep 2026	Zhang Youxia and Liu Zhenli expelled from the CCP and PLA.
23–25 Sep 2026	Xi Jinping state visit to Washington; US–China trade truce extended to 10 January 2027; no White House readout.
26 Sep 2026	Trump says Taiwan came up in talks with Xi but was not discussed at length.
29 Sep 2026	President Lai urges the legislature to back a supplementary drone budget of nearly NT$60 billion.
15 Oct 2026	*Upcoming:* TSMC third-quarter 2026 results.

APPENDIX B: KEY STATISTICS FACT SHEET

All figures are the most recent available as of 30 September 2026; check for newer data before the conference, and see the cited source for definitions.

Table 12: Key statistics

Indicator	Value	Date	Source
TSMC revenue	US$122.42 billion	FY 2025	TSMC 2026a
TSMC net income	US$55.21 billion	FY 2025	TSMC 2026a
TSMC revenue	NT$1,270.38 billion (c. US$40.2 billion)	Q2 2026	TSMC 2026b
TSMC gross margin	67.7%	Q2 2026	TSMC 2026b
TSMC Q3 2026 guidance	US$44.6–45.8 billion	Issued 16 Jul 2026	TSMC 2026b
TSMC 2026 capex plan	US$60–64 billion	Issued 16 Jul 2026	TSMC 2026b
TSMC monthly revenue	NT$514.81 billion (+53.3% y/y)	Aug 2026	TSMC 2026c
TSMC cumulative revenue	NT$3,386.87 billion (+39.3% y/y)	Jan–Aug 2026	TSMC 2026c
Foundry market share	TSMC 72.5%; Samsung 5.9%; SMIC 5.4%	Q2 2026	TrendForce 2026b
Top-ten foundry revenue	US$53.49 billion	Q2 2026	TrendForce 2026b
TSMC Arizona commitment	US$265 billion; 10 fabs, 2 packaging facilities, R&D centre	16 Jul 2026	Arizona Commerce Authority 2026
Projected share of global chip capex, 2024–32	Taiwan 31%; United States 28%	2024 projection	SIA and BCG 2024
ART investment commitment	US$250 billion plus US$250 billion credit guarantees	Signed 12 Feb 2026	USTR 2026
ART tariff cap	15%	Signed 12 Feb 2026	USTR 2026
Current US tariff on most Taiwanese goods	10% (Section 301)	From 24 Jul 2026	Focus Taiwan 2026c
Section 232 chip tariff (phase 1)	25% on narrow set of advanced logic chips	From 15 Jan 2026	White House 2026
Taiwan energy import dependence	c. 96%	2026	CSIS 2026
LNG share of power generation	c. 50%	2026	CSIS 2026
LNG reserve	c. 11–12 days (target 14 from 2027)	2026	CSIS 2026; Blumenthal et al. 2026
PLA ADIZ incursions	125	Aug 2026	Blumenthal et al. 2026
PRC non-military vessels near Taiwan	244 (record; 58 in Jul 2025)	Jul 2026	Blumenthal et al. 2026
Special defence budget	NT$780 billion (request NT$1.25 trillion)	Passed 8 May 2026	Taipei Times 2026a
Drone special budget	NT$240 billion	Passed 27 Aug 2026	Blumenthal et al. 2026
Legislative Yuan seats	KMT 52; DPP 51; TPP 8; independents 2	2024 election	Central Election Commission

APPENDIX C: TEMPLATES

A note on crisis documentation

The formats below are **indicative, not final**. The Executive Board may add, remove or modify accepted crisis documents and their formats at its discretion, before or during the conference.

Keep crisis documentation in proportion. This is a **semi**-crisis committee: substantive debate and the final National Security Directive carry at least as much weight as crisis notes, and a few clear directives serve you better than a large volume of paperwork.

C.1 Portfolio Directive (Overt or Covert)

Title: A short descriptive title.
From: Your portfolio.
Type: Overt (announced to committee) or Covert (Executive Board only).
Legal authority: The power or law you are using.
Action and timing: Numbered, specific steps: who does what, with which resources, and when.
Intended outcome: What you are trying to achieve and how you will know.
Contingency: What you will do if it fails or is discovered.
Joint private directives: Use this template, listing all sponsoring portfolios and which one takes each step.

C.2 Press Release

Header: Issuing office; FOR IMMEDIATE RELEASE; in-world date.
Headline: One line.
Lead paragraph: Who, what, when, where, why.
Body: Two or three short paragraphs; one attributed quotation from your portfolio.
Close: Contact line and "Ends."

C.3 External Communiqué

To / From: Recipient (government, company or organisation), sending portfolio(s), and whether public or confidential.
Purpose: What you are asking for or offering.
Message: Concise text in the tone the real office would use.
Requested response: What reply or action you seek and by when.

C.4 National Security Directive / Strategic Policy Framework (skeleton)

Title and number: e.g., National Security Directive No. 1 (2026).
Strategic assessment: The Council's judgement of the situation (one to two paragraphs).
Objectives: Three to five national objectives.
Lines of effort: For each objective, the measures, the lead and supporting agencies, the legal basis and the timeline.
Legislative and funding plan: Which measures need the Legislative Yuan and how the government will secure support.
Communications: How the directive will be explained domestically and abroad.
Review: When and how the Council will review progress.
Signature: President of the Republic; countersignature where required.

APPENDIX D: SUPPLY-CHAIN CHOKEPOINT MAP

The figure below summarises Section 7.5 visually. It traces a leading-edge chip from design to end market and highlights the stages at which one country or firm is dominant. The assessment of severity is the Executive Board's qualitative judgement for the purposes of discussion, not a quantitative measure.

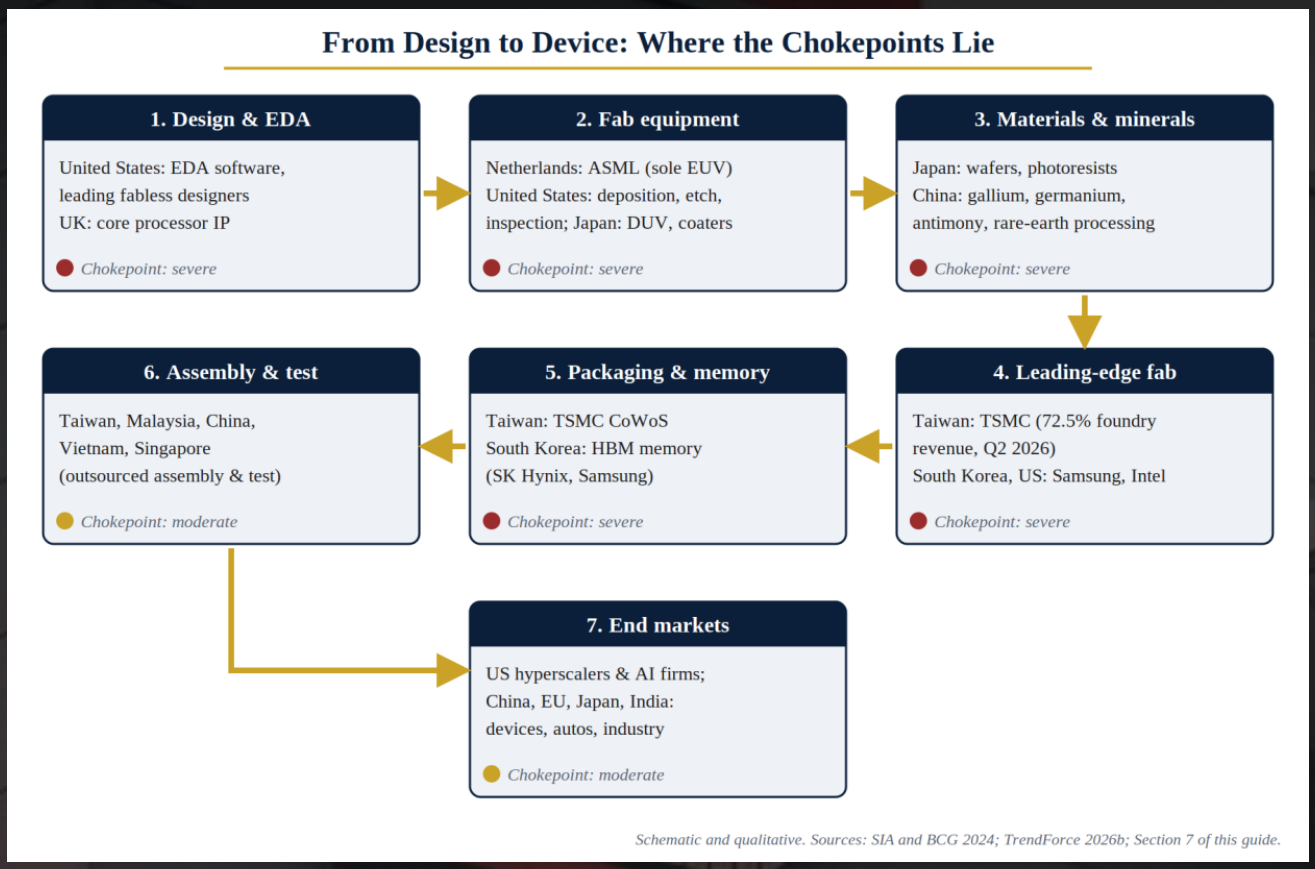

Figure 1: Semiconductor supply-chain chokepoints, schematic (Executive Board, based on SIA and BCG 2024 and TrendForce 2026b)

Three observations follow for the Council. First, Taiwan controls two of the most severe chokepoints, leading-edge fabrication and advanced packaging, which is the material basis of the Silicon Shield. Second, Taiwan itself depends on chokepoints controlled by others, including US design software, Dutch lithography and Chinese mineral processing, which is why export controls and counter-controls affect it so directly. Third, diversification of fabrication does not by itself remove dependence on the other stages; a fab in Arizona still needs Dutch tools, Japanese materials and, often, Taiwanese packaging.

End of Background Guide.