



GEOPOLITICAL RISK MONITORING

Taiwan Strait

Rapid assessment of people, assets, priority risks, decision triggers, disruption exposure, and accountability.

LOCATION / AREA OF CONCERN	WHY IT MATTERS	STATUS	LAST REVIEWED
Taiwan Strait, Taiwan and adjacent Western Pacific routes	Coercion short of war can disrupt semiconductor allocation, shipping, aviation, cyber systems and investment decisions before physical supply stops. PLA ADIZ incursions fell to 190 in Jul 2026, under half the Jul 2025 and Jul 2024 totals, which reflects a change in method rather than a reduction in intent.	Elevated	20 AUG 2026

PEOPLE AND ASSETS EXPOSED

PERSONNEL	FACILITIES / EQUIPMENT	SUPPLY CHAIN / DATA	CUSTOMERS / COMMITMENTS
Employees, travelers, contractors, engineers and regional partners	Semiconductor fabs, ports, airports, vessels, power and communications	Chips, electronics, machinery, shipping lanes, cloud systems, supplier and cyber data	Technology, automotive, defense, healthcare, finance and consumer markets

PRIORITY RISK AND BUSINESS EXPOSURE

#	RISK EVENT	WHO ABSORBS IMPACT	LIKELIHOOD	IMPACT	DISRUPTION COST	OPERATIONAL EFFECT
1	Large exercise, quarantine, or inspection regime restricts access	Carriers and suppliers first; manufacturers, customers and investors later	M	H	Severe \$1M+	Two-day live-fire drills ran in the Strait on 23-24 Jul 2026. Japan's Defense White Paper of 4 Aug 2026 flags the risk of a blockade imposed through the China Coast Guard, which would restrict access without a shot being fired.
2	Cyberattack disrupts suppliers, power, communications or payments	Taiwanese firms, global manufacturers, banks, customers and governments	H	H	High-Severe	Operational outages propagate through order, production and payment systems before physical inventory is exhausted.
3	Export-control or political escalation constrains advanced chips	Technology firms, industrial manufacturers, investors and national programs	M	H	High-Severe	Enforcement is already active. Taiwanese prosecutors detained an Nvidia employee in Jul 2026 in a chip-smuggling probe covering Super Micro AI servers with controlled Nvidia chips, the third round of searches after May and June. Allocation, redesign and compliance actions raise cost and concentrate demand on limited alternatives.
4	Retaliatory tariffs or sanctions between the US and China raise input cost	Importers, electronics and industrial manufacturers, investors and consumers	M	H	High-Severe	The US-China tariff truce expires in Nov 2026. Non-renewal would raise rates on Chinese-origin goods and add a second cost channel alongside the Taiwan supply channel.

DECISION TRIGGERS

#	OBSERVABLE TRIGGER	THRESHOLD / SOURCE	REQUIRED ACTION
1	PLA exercise closes major sea or air zones or persists beyond 72 hours, or CCG action moves from patrol to interdiction	Taiwan MND and CGA, US State and Defense, NOTAM and maritime notices, ISW-AEI China and Taiwan Update	Escalate to Critical. Map personnel, tiered suppliers, inventory, shipping, air routes, power and communications dependencies.
2	Tier-one supplier reports outage, allocation, or export restriction	Suppliers notice plus government or exchange disclosure	Activate alternate sourcing and customer allocation. Model production loss by component, inventory days and substitution lead time.
3	US-China tariff truce lapses at expiry in Nov 2026	USTR notice and Federal Register publication	Recalculate landed cost on Chinese-origin inputs. Confirm pass-through rights and qualify alternates before the expiry date rather than after it.

ANALYST ASSESSMENT / COST BASIS / KEY GAP

Assessment: The first material business shock may precede open conflict. Exercises, cyber disruption, inspections, insurance repricing or supplier allocation can reduce effective supply and trigger precautionary buying. Semiconductor dependencies are often buried below tier one, so disruption may surface as an unexplained production constraint in distant industries. Substitution is constrained by requalification rather than by supply. Requalification and recertification lead time is the binding factor in automotive, medical and aerospace, and it is carried in Key gap below because the range is client and sector specific.

Cost basis: High-to-Severe exposure (\$250K to \$1M+) reflects premium freight, component price escalation, production downtime, supplier allocation, inventory hoarding, compliance review, product redesign and delayed launches. The amount can exceed \$1M rapidly when one unavailable component stops a high-value production line or affects multiple product families.

So what: The relevant exposure is not simply purchases from Taiwan. It is the revenue and operational capacity dependent on components that cannot be substituted within the available inventory window. Firms that identify those dependencies only after allocation begins will compete for the same limited alternatives.

Key gap: Tier-two and tier-three semiconductor dependencies, component substitutability, inventory days, production value at risk, allocation rights, and requalification and recertification lead times by sector.

Sources: ISW-AEI China and Taiwan Update, 31 Jul and 7 Aug 2026, including Taiwan MND ADIZ incursion data for Jul 2026. Japan Ministry of Defense white paper, 4 Aug 2026. Taiwan CGA reporting on CCG incursions at Kinmen, Jul 2026. Taiwanese prosecutorial reporting on the chip-smuggling probe, Jul 2026. US DoD China military reporting.