



*Regional Stability and Crisis Escalation
in the Taiwan Strait: The Impact of US-
China Strategic Rivalry after the Recent
US-Iran Conflict.*

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Abstract

This paper examines how the recent US-Iran conflict affects regional stability and crisis escalation dynamics in the Taiwan Strait. Rather than treating the conflict as a direct cause of escalation in East Asia, the study uses it as a contextual stress test for US credibility, restraint, and escalation management under conditions of strategic rivalry. Drawing on deterrence theory and security dilemma logic, the paper argues that external crises can shape Taiwan Strait stability by altering Chinese perceptions of American resolve, military overextension, and willingness to absorb escalation costs. The central mechanism is therefore perceptual and signaling-based: US military action against Iran may be interpreted by Beijing either as evidence of credible deterrent capacity or as a sign of strategic distraction and vulnerability. Through a process-tracing approach focused on official statements, crisis episodes, military activity, and grey-zone coercion, the paper analyzes whether the US-Iran conflict increased the likelihood, speed, or intensity of US-China crisis interactions. It finds that escalation spillover is more likely to occur through calibrated pressure, alliance signaling, and arms-racing dynamics than through immediate military confrontation. The paper contributes to security studies by linking external crisis behavior to deterrence stability in the Taiwan Strait.

Key words

Deterrence - Signaling - External Crisis - Avoidable Confrontation - Security - Opportunism - Stability



Introduction

The security dynamics of the Taiwan Strait cannot be understood in isolation from wider geopolitical developments. Although much of the literature on cross-strait stability focuses on localized indicators such as military balances, force deployments, and alliance commitments, deterrence operates within a broader strategic environment. Crises in distant regions can affect how states interpret an adversary's capabilities, commitments, and willingness to bear political and military costs (Fearon, 1995; Schelling, 1966; Jervis, 1978). The recent US-Iran conflict provides a useful lens through which to examine this problem because it placed renewed pressure on American crisis management, military allocation, and escalation control. Maritime insecurity around the Strait of Hormuz, regional confrontation, and heightened military alert in the Middle East raised questions about whether Washington's attention and resources were being stretched across multiple theaters (Hokayem, 2026; Galbraith, 2025; IAEA, 2026). For Beijing, such moments may serve not only as regional events but also as signals about American resolve, restraint, and strategic capacity.

China's response to periods of American engagement elsewhere has generally reflected caution rather than direct opportunism. Existing literature suggests that Beijing is more likely to rely on calibrated pressure than immediate military escalation, especially when the expected costs of open conflict remain high (Yoder, 2025; Zhang, 2026). Around Taiwan, this pressure often takes the form of air and maritime incursions, military exercises, cyber activity, information operations, and other grey-zone tactics (MND, 2025; DoD, 2025; Wang, 2025; Zhang, 2026). These actions allow the People's Liberation Army (PLA) to test responses and normalize coercive pressure without crossing the threshold into war (Wang, 2025; DIA, 2025). External crises therefore do not determine Chinese policy automatically, but they can shape the strategic context in which Chinese leaders evaluate risk, opportunity, and the credibility of US commitments.

These perceptions have important implications for cross-strait deterrence. Fearon's bargaining model shows that war often results not simply from material capability, but from uncertainty, private information, commitment problems, and incentives to misrepresent intentions (Fearon, 1995). Applied to the Taiwan Strait, this means that deterrence stability depends on how Washington, Beijing, and Taipei interpret one another's signals. The United States must deter coercive action by China while avoiding signals that could be interpreted as support for unilateral Taiwanese independence. If Beijing views US engagement in the Middle East as evidence of strategic



overextension, its assessment of coercive options such as blockade, quarantine, or intensified grey-zone operations may change. Conversely, it may interpret such moves as encirclement or erosion of the status quo.

This paper therefore addresses the following research questions:

- 1) To what extent do US military actions in the Iran conflict function as demonstrations of resolve or restraint, and how do these signals affect deterrence stability in the Taiwan Strait?*
- 2) Does the US-Iran conflict generate an escalation spillover into the Taiwan Strait by increasing the likelihood, speed, or intensity of US-China crisis interactions?*
- 3) How does the US-Iran conflict affect the conditions for regional stability in the Taiwan Strait?*

Our thesis examines how crises in one region influence deterrence dynamics in another. Using the US-Iran conflict as a contextual stress test, it analyzes whether American military action, restraint, and resource allocation affect perceptions of US credibility in the Taiwan Strait. Rather than treating US-China conflict as inevitable, the paper argues that escalation risk emerges through signaling, perception, and crisis interaction. In doing so, it links deterrence theory and security dilemma logic to the study of regional stability under conditions of strategic rivalry.

Conceptual Framework

This paper conceptualizes Taiwan Strait stability as the outcome of interaction between strategic rivalry, crisis perception, and escalation management. The independent variable is US-China rivalry, treated not as a fixed structural condition but as a relationship whose meaning is shaped by external crisis contexts, especially the US-Iran conflict. The dependent variable is regional stability in the Taiwan Strait, observed through crisis escalation patterns: the duration of tensions, the intensity of military and diplomatic signaling, and movement toward escalation or de-escalation. The causal mechanisms are alliance signaling and arms-racing dynamics. When Washington acts in another theater, Beijing may reassess the credibility of US commitments, the distribution of military attention, and the risks of coercive action (Yoder, 2025). These assessments can either



reinforce deterrence or intensify the security dilemma by encouraging military preparations and reciprocal signaling.

Methodologically, the paper uses process tracing of statements, declarations, military activity, and selected crisis episodes. Deterrence theory explains how credibility and resolve shape restraint, while security dilemma theory explains how defensive measures may be interpreted as threatening. Empirically, the analysis traces three linked moments: US military escalation and crisis management in the Iran conflict; Chinese official and military responses during the same period; and subsequent Taiwan Strait activity, especially grey-zone coercion, alliance signaling, and de-escalatory restraint.

Literature Review

The Taiwan Strait has become one of the central arenas in contemporary security studies because it concentrates several dynamics associated with crisis escalation: great-power rivalry, contested sovereignty, military modernization, strategic ambiguity, alliance signaling, and grey-zone coercion. Existing literature has examined these dynamics largely through deterrence theory, the security dilemma, and US-China strategic competition. However, less attention has been given to how crises outside East Asia may affect deterrence stability in the Strait. The recent US-Iran conflict is therefore useful because it allows scholars to examine how American military action, restraint, and crisis management may be interpreted by Beijing in relation to Taiwan. This review focuses on three connected debates: deterrence and signaling, the avoidability of US-China confrontation, and China's strategic opportunism under conditions of perceived US distraction.

A useful theoretical starting point is Fearon's bargaining model of war. Fearon argues that rational states should generally avoid war because armed conflict imposes costs on all parties. War occurs not because states necessarily prefer it, but because uncertainty, private information, commitment problems, and incentives to misrepresent intentions create bargaining failures (Fearon, 1995, p. 381). Applied to the Taiwan Strait, this logic suggests that escalation is not simply the product of material capability, but of how actors interpret each other's intentions and thresholds. Washington must deter Beijing without encouraging Taipei to pursue formal independence; Beijing must signal resolve without triggering a US military response; and Taiwan must strengthen its security without appearing to alter the status quo irreversibly.



This is where signaling becomes central. Deterrence in the Taiwan Strait depends not only on military capability, but also on the credibility and interpretation of political signals. The literature on strategic ambiguity argues that US policy has historically functioned by leaving both Beijing and Taipei uncertain about the precise conditions under which Washington would intervene (CRS, 2025)¹. This ambiguity is designed to deter China from using force while also discouraging Taiwan from unilateral moves toward independence. Wang argues that excessive clarity in US commitments could undermine stability by making Beijing believe that Washington is abandoning the “One China Policy” framework (Wang, 2025, p. 7). In this sense, stronger deterrent signals are not always stabilizing. They may instead produce overdeterrence, where one actor’s attempt to reinforce credibility convinces the adversary that delay is becoming dangerous.

The US-Iran conflict highlights this problem of perception. Iran’s deterrence posture, especially around its nuclear program and regional capabilities, was designed to raise the costs of US or Israeli military action. Yet the conflict showed that deterrent threats may fail when interpreted not as defensive signals, but as evidence of an unacceptable future threat. This dynamic is relevant to Taiwan because China may interpret US moves such as arms sales, deployments, high-level visits, or explicit defense statements not as reassurance of stability, but as evidence that the political status quo is being eroded. The US-Iran case therefore demonstrates that deterrence can collapse when actors attach different meanings to the same behavior (Washington Institute, 2025, p. 4).

This does not mean that deterrence is ineffective. Rather, the literature suggests that stability depends on a balance between resolve and restraint. Harris and McKinney argue that overly forceful deterrent threats can intensify the tensions they are meant to contain, contributing to confusion and unpredictability in crisis settings (Harris & McKinney, 2024). Similarly, Yoder argues that the most dangerous scenario in the Taiwan Strait is not necessarily a lack of US capability, but a political environment in which Chinese or US leaders feel cornered into military action (Yoder, 2025, p. 15). The US-Iran conflict may therefore have demonstrated US operational capacity and willingness to use force, while also revealing limits, vulnerabilities, or distraction. The effect on Taiwan Strait stability depends on which interpretation Chinese decision-makers adopt.

A second major strand of literature concerns whether US-China rivalry is structurally destined to escalate into war. Some accounts frame the relationship through the logic of the Thucydides Trap, suggesting that conflict

¹ Congressional Research Service.



becomes increasingly likely when a rising power challenges an established hegemon. However, recent scholarship has challenged this deterministic reading. Desch's reinterpretation of Thucydides rejects the idea that great-power war is inevitable. Instead, he emphasizes prudence, moderation, and balance-of-power management as strategic choices (Desch, 2025, pp. 151-152, 155, 165, 171). This argument preserves agency within realist theory: US-China rivalry may be structurally dangerous, but its outcome depends on political judgment, institutional management, and crisis restraint.

He and Feng extend this position by integrating realist, liberal, and constructivist approaches. Their work suggests that material power shifts explain why rivalry intensifies, but they do not fully determine how states behave. Institutions, economic interdependence, and norms can moderate competition and prevent it from becoming purely zero-sum (He & Feng, 2025, pp. 2-3, 15, 17). This literature moves beyond simple power-transition theory by showing that diplomatic signaling can limit escalation even under severe mistrust. However, it may overestimate the stabilizing capacity of institutions when both sides distrust each other's long-term intentions. In a crisis, institutions may not prevent rapid escalation if leaders believe credibility or territorial integrity is at stake.

Yoder contributes to this debate through a rationalist assessment of cross-strait deterrence. Drawing on Fearon and Schelling, he argues that China's costs of forcibly taking Taiwan remain extremely high and that deterrence does not require certainty of US victory. It only requires Beijing to believe that the expected costs of military action exceed the expected benefits (Yoder, 2025, pp. 1-3; Schelling, 1966). This shifts the analysis away from whether the United States can guarantee victory and toward whether it can maintain a credible cost-imposition strategy. Yoder's argument challenges alarmist accounts that equate China's growing military capability with imminent invasion. At the same time, his framework may underestimate how perceptions can shift during external crises. If Beijing interprets a US conflict with Iran as evidence of overextension, domestic distraction, or declining escalation control, then its cost-benefit calculation over Taiwan could change.

Empirical work on China's behavior during the US-Iran conflict is therefore particularly relevant. Zhang suggests that Beijing did not directly exploit US military distraction by launching a major cross-strait escalation.

Instead, China increased grey-zone pressure through air incursions, maritime activity, and information operations while avoiding direct military confrontation (Zhang, 2026, pp. 3-4). This finding supports the view that structural opportunity does not automatically produce war. China may probe, pressure, and rehearse



without crossing thresholds that would trigger a major US response. Escalation should therefore be studied not as a binary movement from peace to war, but as a spectrum involving coercion, pressure, and controlled risk.

The third body of literature focuses on China's strategic approach. Several studies characterize Beijing's behavior as calculated opportunism. Wang argues that China has moved from conditional revisionism toward a more assertive posture, exploiting perceived US hesitation while using grey-zone tactics to weaken Taiwan's resolve (Wang, 2025, pp. 228, 232-233). These tactics include military exercises, maritime harassment, cyber operations, information campaigns, and airspace incursions (DoD, 2025)². Their purpose is not necessarily immediate invasion, but the gradual normalization of pressure. This strategy allows Beijing to change the operational environment without crossing the threshold of open war.

This view is reinforced by assessments of Chinese military modernization. US defense assessments highlight the PLA's expanding conventional, cyber, space, and nuclear capabilities, as well as its preparation for multiple Taiwan contingency scenarios, including coercive blockade, quarantine, firepower strike, and amphibious operations (DIA, 2025, pp. 5, 7-10; DoD, 2025).³ Such evidence suggests that China is preparing for multiple contingency scenarios, including coercive blockade, quarantine, or limited military operations. Yet preparation does not necessarily mean imminent execution. The literature points instead to a dual strategy: increasing readiness while preserving strategic flexibility.

Maher adds another layer by linking China's opportunism to US hegemonic overcommitment. From this perspective, Beijing may view US involvement in the Middle East as evidence that Washington's global commitments can be stretched (Maher, 2025, p. 223). Taiwan's semiconductor centrality, particularly through TSMC⁴, also increases the strategic stakes (Maher, 2025, pp. 225-226). Raheel, Shaukat, and Gul similarly emphasize the connection between Taiwan's chip dominance, reunification ideology, and US-China technological competition (Raheel et al., 2024, p. 29). They also argue that Chinese military exercises exploit US strategic ambiguity, while US arms sales create contradictions that Beijing can use to justify pressure on Taiwan (Raheel et al., 2024, pp. 35-39). These works show that Taiwan is not only a territorial issue, but also a node in broader struggles over technology, supply chains, and geopolitical hierarchy.

² US Department of Defense's 2025 China Military Power Report.

³ Defense Intelligence Agency.

⁴ Taiwan Semiconductor Manufacturing Company.



At the same time, the literature shows that China's opportunism is constrained. Brookings' analysis portrays Beijing as strategically conservative: it may exploit US overextension diplomatically, study US combat performance, and support Iran indirectly, while still avoiding a direct Taiwan crisis that could damage broader US-China relations (Hass et al., 2026). This is consistent with Zhang's finding that China increased pressure but avoided outright escalation during the US-Iran conflict (Zhang, 2026, pp. 3-4). The key point is that Chinese strategy appears calibrated rather than reckless. Beijing may seek advantage during US distraction, but it remains sensitive to escalation risks.

Taken together, the literature establishes that Taiwan Strait stability depends on the interaction between deterrence credibility, signaling restraint, Chinese opportunism, and crisis perception. Existing scholarship has shown that US-China war is not inevitable, that deterrence can remain effective even without guaranteed US victory, and that China often prefers grey-zone pressure over direct confrontation. However, several gaps remain. First, much of the literature treats deterrence in the Taiwan Strait as an isolated regional problem rather than as part of a wider system of US crisis behavior. Second, existing work does not sufficiently explain how external conflicts, such as the US-Iran confrontation, may reshape Chinese perceptions of US resolve, restraint, and overextension. Third, the escalation pathway from grey-zone coercion to open crisis remains underdeveloped.

This paper addresses these gaps by treating the US-Iran conflict as a stress test for US credibility and escalation management. The central analytical task is not to claim that conflict in the Middle East automatically produces escalation in East Asia, but to examine whether and how it alters Chinese calculations in the Taiwan Strait. By combining deterrence theory, security dilemma logic, and process tracing of official statements and crisis episodes, the study investigates how signals of US resolve or restraint travel across regions. In doing so, it contributes to the literature by linking external crisis behavior to regional stability and showing how escalation spillover may operate through perception, signaling, and grey-zone pressure rather than immediate military confrontation.



Thematic Discussion

- Deterrence Stability and Signaling Logic in the Taiwan Strait

The first finding is that the US-Iran conflict did not undermine deterrence stability in the Taiwan Strait in a direct or immediate sense, but it made the signaling environment more ambiguous. Beijing did not respond to American military engagement in the Middle East by initiating a major cross-strait crisis. This suggests that US deterrence did not collapse. However, the absence of open escalation should not be treated as evidence that deterrence credibility remained unchanged. The more important effect of the US-Iran conflict was perceptual: it created a situation in which American behavior could be interpreted in competing ways, either as a demonstration of resolve or as evidence of strategic overextension.

This distinction matters because deterrence depends less on capability alone than on the adversary's interpretation of capability, resolve, and restraint. In the Taiwan Strait, the United States seeks to raise the expected costs of Chinese military action through forward presence, arms transfers to Taiwan, and alliance coordination across the Indo-Pacific. Yoder's rationalist account supports the view that deterrence remains effective as long as Beijing believes that the expected costs of forceful reunification exceed the benefits (Yoder, 2025). Yet the US-Iran conflict complicates this calculation by introducing uncertainty over whether Washington can sustain credible commitments across multiple theaters. The issue is therefore not whether the United States retains military power, but whether Beijing perceives that power as politically usable and strategically available during simultaneous crises.

The evidence of Chinese restraint supports a limited conclusion. Zhang argues that Beijing did not directly exploit the US-Iran conflict through major military escalation around Taiwan, and that American alliances in the Indo-Pacific remained intact (Zhang, 2026). This indicates that the conflict did not produce immediate deterrence failure. However, restraint should not be confused with reassurance. China's decision not to escalate may reflect caution, but it may also reflect a preference for observation, probing, and gradual pressure rather than open confrontation. In this sense, the US-Iran conflict may have affected deterrence not by triggering a crisis, but by expanding the range of Chinese assessments about US vulnerability and political endurance.

This is where signaling logic becomes central. Glaser, Weiss, and Christensen argue that deterrence requires not only credible threats, but also reassurance that restraint will preserve acceptable outcomes. Applied to the



Taiwan Strait, this means Beijing must believe both that aggression would be punished and that non-aggression will not allow the United States and Taiwan to permanently alter the status quo. The US-Iran conflict makes this balance harder to maintain. Washington's use of force may demonstrate operational resolve, but it may also appear to Beijing as escalatory behavior. If China interprets US action as reckless rather than disciplined, deterrent signaling becomes less stabilizing because the adversary appears less predictable.

McCready's work on crisis deterrence reinforces this point by showing that Washington and Beijing often attach different meanings to the same behavior (McCready, 2003). US actions framed as defensive reassurance can be read in Beijing as containment; Chinese actions framed as sovereignty defense can be read in Washington as aggression. The US-Iran conflict adds another layer to this interpretive problem by forcing Beijing to assess whether American military action reflects strength, distraction, or loss of escalation discipline. The same event can therefore produce opposite deterrence effects depending on how it is interpreted.

The implication is that deterrence stability in the Taiwan Strait remains intact but more fragile. The US-Iran conflict did not generate immediate escalation spillover, but it increased the ambiguity surrounding American credibility. This supports the paper's broader argument: cross-regional crises affect Taiwan Strait stability less through direct military diversion than through signaling uncertainty. Deterrence remains operative, but its effectiveness depends on whether US actions are read as credible, conditional, and controlled rather than overstretched, unconditional, or reckless.

- Avoidable Confrontations and Competition

The second finding is that US-China confrontation in the Taiwan Strait remains avoidable, but only under conditions of disciplined crisis management. The previous section showed that the US-Iran conflict made deterrence signaling more ambiguous by allowing Beijing to interpret American behavior either as resolve or overextension. This section builds on that point by asking whether such ambiguity makes confrontation inevitable. The answer is no. The US-Iran conflict did not produce an automatic escalation spillover into East Asia, which suggests that structural rivalry alone does not determine crisis outcomes. However, avoidability should not be confused with stability or reassurance. The Taiwan Strait remains dangerous because competition can remain below the threshold of war while still becoming more coercive, militarized, and difficult to manage.



This argument challenges deterministic accounts that frame US-China rivalry as a direct path toward great-power dynamics. Desch (2025) argues that the Thucydides Trap should not be read as a mechanical prediction of conflict, but as a warning about the dangers of imprudent statecraft. His interpretation is important because it locates restraint within realist theory rather than outside it. From this perspective, power transition creates structural pressure, but it does not eliminate agency. Rivalry may narrow the space for compromise, yet political judgment, balance-of-power management, and crisis restraint still affect whether competition becomes war.

Yoder's rationalist analysis of cross-strait deterrence reinforces this point. If Beijing continues to believe that the costs of forceful reunification exceed the expected benefits, then conflict remains avoidable even without guaranteed US battlefield victory (Yoder, 2025). This does not mean deterrence is permanently secure. Rather, it means that war becomes more likely when Chinese leaders conclude that military action is the last choice. The relevant risk is therefore not structural rivalry in itself, but a policy environment in which Chinese leaders perceive a closing window, declining US credibility, or irreversible movement toward Taiwanese independence.

He and Feng (2025) extend the avoidability argument by emphasizing institutions, norms, and non-zero-sum competition. Their framework suggests that US-China rivalry can be moderated when institutional balancing is not accompanied by full ideological antagonism. This is useful because it identifies mechanisms through which competition can be managed without requiring either side to abandon its strategic interests. However, the limitation of this argument is that institutions may be least effective when they are most needed. In moments of crisis, diplomatic channels, economic interdependence, and multilateral rules may not prevent escalation if leaders believe sovereignty, credibility, or alliance reliability is at stake.

The US-Iran conflict provides an empirical test of these claims. Zhang (2026) argues that Beijing did not exploit American distraction by initiating a major military escalation in the Taiwan Strait. Instead, China continued to rely on grey-zone pressure, including air and maritime activity, information operations, and calibrated coercion. This supports the claim that structural opportunity does not automatically produce armed conflict. At the same time, it shows that avoidability does not mean passivity. Beijing may avoid war while still using external crises to observe US behavior, test alliance cohesion, pursue its own interests and normalize pressure around Taiwan.



The implication is that confrontation is avoidable, but not self-avoiding. The US-Iran conflict demonstrates that escalation spillover is not automatic; it depends on how leaders interpret opportunity, credibility, and risk. Avoidance requires more than military deterrence. It also requires restraint, reassurance, institutional communication, and careful management of grey-zone behavior. The danger in the Taiwan Strait is therefore not inevitability, but cumulative mismanagement: simultaneous crises, ambiguous signals, and coercive probing may interact in ways that make a still-avoidable confrontation increasingly difficult to control.

- China's Strategic Approach and Opportunism

The third finding is that China's strategic opportunism in the Taiwan Strait is calibrated rather than reckless. The previous section argued that US-China confrontation remains avoidable because structural rivalry does not automatically produce war. This section builds on that point by showing how avoidability coexists with persistent coercion. Beijing may avoid open escalation while still using external crises to study US behavior, test alliance cohesion, and expand pressure below the threshold of direct conflict. The US-Iran conflict did not create China's opportunistic approach, but it may have sharpened the conditions under which such opportunism becomes more attractive.

China's approach to Taiwan is shaped by patience, sequencing, and threshold management. Rather than moving immediately toward invasion, Beijing has increasingly relied on grey-zone pressure, including air and maritime incursions, military exercises, cyber activity, and economic coercion. These tools allow China to weaken Taiwan's sense of security, normalize PLA activity around the island, and test regional responses without giving Washington a clear trigger for military intervention. Wang (2025) argues that China's more assertive posture reflects a shift from conditional revisionism toward a strategy that exploits perceived US hesitation while avoiding direct war. This suggests that China's opportunism is not simply a reaction to temporary US distraction, but part of a longer-term effort to change the operational environment around Taiwan.

The US-Iran conflict is important because it provides Beijing with a study case to assess US crisis behavior. Brookings' analysis suggests that China is likely to study US military performance, alliance coordination, escalation discipline, and political endurance during the Iran conflict while avoiding actions that could provoke a direct Taiwan crisis (Hass et al., 2026). This supports the paper's broader argument that escalation spillover



operates less through immediate military confrontation than through perception and learning. Beijing can observe how quickly Washington mobilizes, how allies respond, how domestic political pressure develops, and how the United States balances commitments across regions. These observations may shape future Chinese assumptions about whether US support for Taiwan would be timely, credible, and sustainable under pressure.

This does not mean that China is free to act without constraint. Beijing did not directly exploit the US-Iran conflict by launching a major escalation in the Taiwan Strait. Instead, China continued to rely on calibrated grey-zone coercion. This pattern is consistent with Yoder's argument that the expected costs of forcible reunification remain high and that Beijing is unlikely to choose war unless it believes the benefits outweigh the risks (Yoder, 2025). The key point is therefore not that the US-Iran conflict made Chinese aggression inevitable, but that it may have widened the space for coercive activity below the threshold of war. Opportunism, in this sense, is gradual and cumulative rather than sudden.

China's military modernization reinforces this logic. US defense assessments identify the PLA's expanding capabilities and its preparation for multiple Taiwan contingency scenarios, including blockade, quarantine, cyber disruption, and limited military operations (DIA, 2025). These capabilities do not prove that Beijing has decided to use force, but they increase the range of coercive options available to Chinese leaders. Grey-zone operations can also function as rehearsal, allowing the PLA to build familiarity with Taiwan's defenses, test joint operations, and assess the response patterns of the United States and its partners. Under conditions of external US commitment, these activities may attract less political attention than an overt crisis while still altering the balance of pressure around Taiwan.

The economic dimension further complicates restraint. Taiwan's semiconductor centrality, particularly through TSMC, remains an important constraint on Chinese military action, because conflict would threaten supply chains that matter to China, the United States, and the global economy (Maher, 2025; Raheel et al., 2024). However, this constraint may weaken over time if Beijing continues investing in domestic technological capacity and reducing dependence on Taiwanese production. This does not remove the semiconductor deterrent, but it reduces its long-term stabilizing effect.

China's strategic approach is therefore best understood as constrained opportunism. Beijing has not used the US-Iran conflict to trigger a Taiwan crisis, but it may use the conflict to learn, prepare, and test the margins of



US credibility. The danger is not immediate invasion, but the gradual normalization of coercive activity below the threshold of war. This makes regional stability more fragile even when open conflict remains avoidable.

Conclusions

This paper has examined how the recent US-Iran conflict affects regional stability and crisis escalation dynamics in the Taiwan Strait. Its central thesis is that the conflict does not directly cause escalation in East Asia, but functions as a stress test for US credibility, restraint, and escalation management under conditions of US-China strategic rivalry. The effect is therefore indirect and perceptual: the US-Iran conflict matters because it may shape how Beijing interprets American resolve, overextension, alliance cohesion, and willingness to bear escalation costs.

The three discussion themes show how this mechanism operates. First, deterrence stability depends not only on military capability, but on signaling logic. US actions in the Iran conflict may be interpreted by Beijing either as evidence of credible resolve or as signs of distraction and escalation-prone behavior. This ambiguity makes deterrence more difficult to manage because the same signal can produce different interpretations.

Second, the paper has argued that US-China confrontation remains avoidable. The US-Iran conflict did not automatically generate an escalation spillover into the Taiwan Strait, and China did not respond with direct military confrontation. This challenges deterministic accounts of great-power rivalry and supports the view that crisis outcomes depend on policy choices, restraint, and management rather than structure alone. However, avoidability does not mean stability is guaranteed. Competition can remain below the threshold of war while still becoming more coercive and militarized.

Third, China's strategic opportunism helps explain this intermediate space between peace and war. Beijing may avoid open escalation while still using external crises to observe US behavior, test alliance responses, normalize grey-zone pressure, and refine military options around Taiwan. In this sense, Chinese opportunism is constrained but persistent: it does not necessarily produce immediate conflict, but it gradually increases pressure on the regional status quo.



Taken together, these themes support the paper's main argument. The US-Iran conflict has not triggered a Taiwan crisis, but it has made the strategic environment more ambiguous and harder to manage. Regional stability in the Taiwan Strait therefore depends on more than the local balance of power. It requires credible deterrence, reassurance, disciplined crisis signaling, and careful management of grey-zone coercion. The main contribution of this paper is shifting the analysis of Taiwan Strait stability from a local deterrence problem to a cross-regional signaling problem. The central risk is not inevitable war, but cumulative miscalculation: a process in which external crises, ambiguous signals, and calibrated coercion interact until deterrence becomes less stable and escalation more difficult to control.



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List of abbreviations

US: United States

PRC: People's Republic of China

PLA: People's Liberation Army

DIA: Defense Intelligence Agency

DoD: Department of Defense

MND: Ministry of National Defense

CRS: Congressional Research Service

IAEA: International Atomic Energy Agency

TSMC: Taiwan Semiconductor Manufacturing Company