



## ***GRAY-ZONE GAMBITS: CHINA'S HYBRID THREATS AGAINST TAIWAN'S PACIFIC ALLIES***

*BY MENG KIT TANG*

*Tang Meng Kit (mktang87@gmail.com) is a Singaporean and is a freelance analyst and commentator. He graduated from the S. Rajaratnam School of International Studies (RSIS), NTU, Singapore in 2025. By profession, Meng Kit works as an aerospace engineer and has keen interest in geopolitics and cross-straits affairs.*

In the Indo-Pacific's intensifying great power competition, Taiwan's Pacific allies—Palau, the Marshall Islands, and Tuvalu—are increasingly caught in the crosshairs of China's hybrid warfare. These microstates, long diplomatically aligned with Taipei, are now contending with cyberattacks, disinformation, economic coercion, and elite capture that exploit their resource limitations and geopolitical exposure.

Events such as the June 2025 Taiwan-Marshall Islands security pact and revelations of Chinese organized crime in Palau underscore a broader pattern: Beijing is deploying gray-zone tactics to undermine sovereignty, fracture alliances, and weaken the US-led regional order.

### **China's hybrid playbook in the Pacific**

[Hybrid threats](#) encompass a range of operations that combine cyber intrusions, manipulation of influence, economic pressure, and the spread of disinformation. Unlike traditional forms of coercion, these threats function beneath the level of overt conflict, using ambiguity to reduce the likelihood of international backlash.

In the Pacific Islands, these threats find [fertile ground](#). Countries like Palau, the Marshall Islands, and Tuvalu have small populations and limited state capacity. Their diplomatic recognition of Taiwan and Compact of Free Association agreements with the United States place them at the heart of regional rivalry. Beijing's toolkit now includes dual-use platforms such as fishing fleets and unmanned systems, supported by the world's third-largest Coast Guard. These assets [enable](#) surveillance, economic disruption, and maritime intimidation. Though presented as diplomacy or development aid, many of China's recent actions reveal a deeper strategic calculus.

### **Hybrid warfare in action**

#### ***Palau: A Targeted Pressure Campaign***

Palau offers a striking example of China's hybrid operations. In March 2024, a cyberattack [attributed](#) to Chinese actors breached government systems, stole 20,000 documents, and caused \$1.2 million in damages. At the same time, [tourism restrictions](#) that have been in place since 2017 reduced the share of Chinese tourists from 60% to 30%, significantly impacting Palau's GDP. Disruption strategies, including mass cancellations of hotel bookings, have further unsettled local markets.

On the [political side](#), entities associated with China have leased approximately 380,000 square meters of land near US military facilities in Palau and made illicit contributions to Palauan officials, including a \$20,000 donation to former President Thomas Remengesau Jr., deemed illegal by Palau's anti-corruption prosecutor. Beijing [portrays](#) these as private business transactions, but their scale and proximity to strategic sites raise significant national security concerns.

Palau's response has been firm. The government deported Chinese nationals involved in influence operations in 2024 and [requested](#) US missile systems in May 2025. Yet, significant gaps remain in digital resilience and investment transparency.

### ***Marshall Islands: Strategic tug-of-war***

The Marshall Islands, tightly linked to the US through its Compact of Free Association, is another prime arena for Beijing's influence efforts. Since 2020, China has poured \$50 million into infrastructure projects aimed at [cultivating](#) elite support and promoting a diplomatic realignment, as seen in Nauru's switch in 2024.

In [response](#) to mounting pressure, the Marshall Islands signed a security pact with Taiwan in June 2025. The agreement focuses on maritime domain awareness, cybersecurity, and counter-disinformation efforts following cyberattacks in 2024 that targeted government systems. A newly established National Security Office now [monitors](#) maritime threats. Nonetheless, the Marshall Islands' participation in China's Pacific Summit in May 2025 illustrates the continued diplomatic contest.

### ***Tuvalu: Disinformation and digital vulnerability***

Tuvalu's embrace of digital governance has opened new pathways for hybrid influence. In January 2025, Chinese state media [circulated](#) videos of Tuvaluans expressing support for the One China policy. While portrayed as cultural content, the campaign coincided with high-level diplomatic talks, casting doubt on its intent.

Cyber threats are escalating in the Pacific. Tuvalu's digital nation [initiative](#), involving significant investment in digital passports and blockchain technology, is vulnerable to cyberattacks, as highlighted by regional cybersecurity gaps. A 2024 [cyberattack](#) on the Pacific Islands Forum, attributed to Chinese state-sponsored actors, compromised sensitive data and required costly mitigation efforts, underscoring the risks to Tuvalu's digital ambitions.

China has also [outpaced](#) Taiwan in infrastructure aid, offering \$30 million since 2022 compared to Taiwan's \$15 million. Despite these pressures, Tuvalu [reaffirmed](#) ties with Taipei by accrediting a new ambassador in April 2025. However, its cyber defenses remain underdeveloped.

### ***Comparative observations***

Despite differences in geography and political dynamics, these three countries share [overlapping](#) vulnerabilities. Each has experienced cyber incidents, disinformation efforts, and targeted economic pressure. From 2023 to 2025, regional hybrid threat incidents [rose](#) by an estimated 30%. What differs is the mode of engagement: Palau faces overt economic and political coercion, the Marshall Islands is caught in a high-stakes diplomatic contest, and Tuvalu is increasingly exposed to digital subversion. These patterns reflect China's tailored strategy for influence projection, calibrated to exploit specific state weaknesses.

### ***Strategic and regional implications***

Hybrid threats are not isolated disruptions. If successful, they could [flip](#) diplomatic recognition, as they did in Nauru, weakening Taiwan's international standing and emboldening further coercion. Weak cyber defenses, estimated to have cost regional governments \$1.7 million in 2024 alone, leave these countries particularly [exposed](#) during crises such as natural disasters.

At the strategic level, instability in the Second Island Chain could [undermine](#) US force posture and put up to \$10 billion in regional military assets at risk. Australia, Japan, and New Zealand have begun to step in. They are offering, respectively, \$100 million in cybersecurity support, \$50 million in maritime patrols, and \$20 million in media capacity-building; but more integrated and locally responsive solutions are needed.

### ***Policy recommendations***

The first step is enhancing cyber resilience. A \$5 million initiative, [modeled](#) on the Taiwan–Marshall Islands pact, could train local personnel, protect critical infrastructure, and modernize digital security systems. Next, the Pacific Islands Forum should establish a regional hybrid threat center with a \$10 million investment to coordinate intelligence, monitor influence operations, and share best practices.

Additionally, transparency laws need updates. A \$1 million investment review program, modeled after

Palau's deportations, could require disclosures for foreign political donations and strategic land acquisitions. Civil society also needs more support. A \$2 million media literacy and grant initiative could empower journalists and local NGOs to fight disinformation and expose elite capture.

Finally, disaster response frameworks should include hybrid threat scenarios. A \$3 million investment in training and emergency preparedness would help prevent exploitation during crises. These initiatives could be funded through the Quadrilateral Security Dialogue's \$50 million Indo-Pacific [aid platform](#), ensuring sustainability and strategic alignment.

## Conclusion

China's gray-zone tactics challenge Taiwan's allies in the Pacific and threaten the Indo-Pacific's rules-based order. These hybrid strategies mix persuasion and coercion, as well as development and disruption. If ignored, they could turn small nations into battlegrounds for geopolitical rivalry.

To safeguard Taiwan's alliances and regional stability, the US, Taiwan, and allies must act decisively. The solution lies not in militarization but in building resilience, promoting transparency, and empowering local communities before the line between peace and pressure blurs completely.

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