

SPECULATIVE POLICY BRIEF

THE FORMOSA CONCORDAT

*A Proposal for the Transfer of Taiwanese Sovereignty
to the Holy See as a Mechanism for
Permanent De-escalation in the Taiwan Strait*

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EXECUTIVE SUMMARY

The present strategic ambiguity governing the status of Taiwan is no longer a stabilizing mechanism. It is an accelerant. Every passing year narrows the window of decision and increases the probability that miscalculation, domestic political pressure, or technological shift will trigger a conflict between the United States and the People’s Republic of China over an island of twenty-three million people and the majority of the world’s advanced semiconductor manufacturing capacity.

This brief proposes an alternative: the negotiated transfer of Taiwanese sovereign status to the Holy See, creating a Papal Free State of Formosa under a concordat modeled loosely on the Andorran co-principality and the historical relationship between the Papal States and their protectorates. The proposal is designed to resolve the core strategic dilemma—how to remove Taiwan as a flashpoint without subjecting its population to authoritarian control—by substituting a sovereignty framework that no party can credibly characterize as a threat.

The Holy See is the only sovereign entity on earth whose authority rests entirely on diplomatic recognition and moral legitimacy rather than military force. It maintains no army, no alliance network, no nuclear arsenal. It is not a member of NATO, the Quad, AUKUS, or any military bloc. A Taiwan under Papal sovereignty ceases to be a forward operating base, an unsinkable aircraft carrier, or a rival Chinese government. It becomes something new: a neutral, demilitarized, economically vibrant territory under the protection of universal diplomatic consensus.

This proposal is speculative. It is not a recommendation. It is a thought experiment designed to stress-test the assumption that the only possible futures for Taiwan are the status quo, reunification with the PRC, or war.

STATEMENT OF THE PROBLEM

The Failure of Strategic Ambiguity

The policy of strategic ambiguity served its purpose for five decades. The United States simultaneously acknowledged the PRC’s position that Taiwan is part of China and maintained unofficial relations with a de facto independent Taiwan, arming it sufficiently to deter invasion without formally recognizing it as a sovereign state. The ambiguity was the point: it gave all parties enough room to maneuver without forcing a binary confrontation.

That room has collapsed. Several converging factors have rendered the old framework not merely inadequate but actively dangerous:

- **Military parity:** The People’s Liberation Army has achieved or is approaching conventional military parity with US forces in the Western Pacific. The deterrent calculation that once made invasion unthinkable has shifted.

- **Semiconductor criticality:** Taiwan’s dominance in advanced chip fabrication has transformed a regional sovereignty dispute into a question of global economic security. TSMC’s facilities represent a concentration of strategic value with no modern parallel.
- **Domestic political rigidity:** In both Beijing and Washington, the political cost of appearing weak on Taiwan has grown to the point where neither government retains significant room for quiet compromise.
- **Identity consolidation:** Taiwanese national identity has solidified to the point where a majority of the population identifies as exclusively Taiwanese rather than Chinese, making peaceful reunification functionally impossible without coercion.

The net result is a situation in which every actor’s interests demand rigidity and the structural dynamics demand flexibility. This is the classic profile of a crisis that no one wants but no one can prevent.

The Nuclear Shadow

The scenario that makes this proposal urgent rather than merely interesting is the escalation ladder between two nuclear-armed states. A conflict over Taiwan does not remain conventional. The destruction of TSMC’s fabrication facilities—whether through Chinese bombardment, American sabotage to deny them to China, or Taiwanese scorched-earth policy—would constitute the single largest deliberate destruction of economic value in human history. The cascading effects on global technology supply chains would constitute, in practical terms, a form of economic warfare against every nation on earth.

The question is not whether the current trajectory is sustainable. It is not. The question is whether there exists any resolution mechanism that does not require one or more parties to accept terms they have publicly and repeatedly declared unacceptable.

THE PROPOSAL: A PAPAL FREE STATE OF FORMOSA

Core Concept

Taiwan transfers its formal sovereignty to the Holy See through a negotiated concordat, creating a new entity: the Papal Free State of Formosa. The Holy See becomes the recognized sovereign, with the Pope serving as head of state in a ceremonial capacity. Taiwan retains full democratic self-governance, its existing legal and economic systems, and cultural autonomy. The arrangement is modeled on existing precedents for shared or transferred sovereignty in which daily governance is effectively independent of the nominal sovereign.

Structural Framework

Sovereignty and Governance

The Pope assumes the role of head of state, exercising no direct legislative, executive, or judicial authority over the territory. A Papal Legate—analogue to a Governor-General in Commonwealth nations—serves as the Vatican’s representative in Taipei, performing ceremonial functions and

serving as a diplomatic channel. All legislative authority remains with the existing elected legislature. The executive is led by a democratically elected Chief Minister (renamed from President to reflect the new sovereignty arrangement). The judiciary remains independent and secular. The existing constitution is amended to reflect the concordat but retains all civil rights protections, including freedom of religion, speech, assembly, and press.

Military and Security

This is the critical element that makes the proposal viable from Beijing's perspective. Under the concordat:

- The Republic of China Armed Forces are dissolved.
- All foreign military bases and installations are closed. US forces withdraw from the region under a negotiated timeline.
- A Formosan Gendarmerie is established for internal security, border control, coast guard functions, and disaster response. It is explicitly prohibited from possessing offensive military capabilities.
- The territory is declared a permanent demilitarized zone under international law, guaranteed by the UN Security Council.

The demilitarization removes the military threat that constitutes China's primary stated grievance. Taiwan ceases to be a platform for force projection. In exchange, the international guarantee of demilitarized status makes any future Chinese military action against the territory an unambiguous violation of international law—not a domestic affair, not a civil war, but an invasion of a recognized neutral sovereign entity.

Economic Continuity

The concordat guarantees the preservation of Taiwan's economic systems, including private property rights, contract law, international trade agreements, and the operational independence of all commercial enterprises, explicitly including TSMC and its associated supply chains. The Papal Free State enters into bilateral trade agreements under its own authority. Existing trade agreements are grandfathered through a transitional protocol. The semiconductor industry is designated a protected strategic asset under the concordat, with provisions preventing forced transfer of intellectual property or manufacturing capacity to any foreign government.

Religious and Cultural Provisions

This element requires particular delicacy given Taiwan's religious demographics. Approximately 4.5% of Taiwan's population is Christian, with Catholics representing a fraction of that figure. The overwhelming majority practices Buddhism, Taoism, folk religion, or no organized religion.

The concordat must therefore make explicit that Papal sovereignty entails no religious establishment, no state religion, no privileged status for Catholicism, and no restriction on any form of religious practice or non-practice. The Vatican's role is sovereign, not pastoral. This is a political arrangement, not a missionary one. The precedent here is useful: the Pope's temporal sovereignty over Vatican City has never been contingent on the religious beliefs of visitors, workers, or residents.

WHY EACH PARTY ACCEPTS

The People’s Republic of China

China’s stated objective is the end of Taiwanese separatism and the elimination of a rival Chinese government. Under this proposal, both objectives are achieved completely and permanently. The Republic of China ceases to exist. No government on earth claims to represent China other than the PRC. The “century of humiliation” narrative reaches its definitive conclusion.

Critically, the transfer is to the Vatican—not to the United States, not to Japan, not to any geopolitical rival. The CCP’s domestic messaging writes itself: “The separatists were so determined to avoid reunification that they surrendered their sovereignty to a foreign religious leader. This proves they were never truly Chinese. We have won.”

The military dimension seals it. No more American destroyers in the Strait. No more arms sales. No more reason to build amphibious invasion capacity. The entire Pacific military posture can be redirected toward other strategic priorities.

The United States

The US achieves its core strategic objective—preventing Chinese control of Taiwan and its semiconductor industry—without firing a shot. The political cost of a Pacific war, which would be measured in carrier groups and potentially nuclear escalation, is avoided entirely.

The domestic political narrative is manageable: “We didn’t abandon Taiwan. We secured its future under the protection of the most universally recognized moral authority on earth.” The Catholic vote, significant in American politics, becomes an unexpected asset rather than an obstacle.

The semiconductor supply chain remains intact and outside Chinese control. TSMC continues to operate, export, and fabricate under the same commercial terms. The strategic value is preserved while the strategic liability is eliminated.

Taiwan (The Papal Free State of Formosa)

This is the most difficult constituency. Twenty-three million people are being asked to relinquish their national identity to avoid a war they did not choose. The emotional and political cost is real and should not be minimized.

However, the calculus is stark. The alternatives available to Taiwan are: indefinite escalation under the current framework, eventual forced reunification, or a catastrophic war in which the island itself becomes the battlefield. In every scenario except the present proposal, Taiwan’s democratic institutions, economic prosperity, and cultural identity are at existential risk.

Under the concordat, Taiwanese citizens retain everything that constitutes their actual daily experience of nationhood: elections, courts, free press, economic opportunity, cultural expression, religious freedom, freedom of movement. What they surrender is a flag, a national anthem, and the legal fiction that they are the legitimate government of all of China—a fiction that the vast majority of Taiwanese citizens have long since ceased to believe.

What they gain is something Taiwan has never had: unambiguous international legal status. The Papal Free State of Formosa would have full UN membership, universal diplomatic recognition, and a sovereign status that no major power disputes. For a population that has spent seven decades in diplomatic limbo, this is not a small thing.

The Holy See

The Vatican gains what it has been losing for centuries: temporal relevance. The papacy has watched its geopolitical influence decline since the Italian unification stripped it of its territorial possessions in 1870. The creation of Vatican City in 1929 preserved sovereign status but not strategic weight.

Assuming sovereignty over Formosa transforms the Holy See from a diplomatic curiosity into a genuine geopolitical actor. It becomes the guarantor of peace in the most dangerous flashpoint on earth. The moral authority of the papacy, often invoked and rarely tested, acquires material consequence. For a Pope looking to define a legacy, the role of peacemaker in the Pacific is without modern precedent.

There are also practical interests. The Vatican's diplomatic network—the oldest in the world—gains a node with real economic and strategic significance. The Catholic Church's declining influence in the Global North is partially offset by its role as sovereign guarantor of a thriving Pacific democracy.

LEGAL AND HISTORICAL PRECEDENTS

The Andorran Model

The Principality of Andorra has been governed as a co-principality since 1278, with the Bishop of Urgell and the French head of state serving as co-princes. Neither exercises direct governance; Andorra has its own parliament, prime minister, and legal system. The sovereign relationship is primarily ceremonial and diplomatic. This arrangement has survived the French Revolution, two World Wars, and the creation of the European Union. It demonstrates that nominal sovereignty can be separated from actual governance indefinitely and stably.

The Lateran Treaty (1929)

The creation of Vatican City State through the Lateran Treaty between the Holy See and Italy established the modern precedent for Papal temporal sovereignty. The treaty created a sovereign territory with full international legal personality, diplomatic privileges, and independent governance—all without military capacity. The Vatican's sovereignty has been universally recognized for nearly a century despite its territory measuring 0.17 square miles.

The Free City of Danzig (1920–1939)

The Free City of Danzig, created by the Treaty of Versailles under League of Nations protection, represents both a precedent and a cautionary tale. It demonstrated that a territory could be extracted from one sovereignty claim and placed under international protection. It failed because

the protecting institution lacked enforcement capacity and the guaranteeing powers lacked political will. The Formosa proposal must learn from this failure by securing binding Security Council guarantees and tying the arrangement to economic interests that make violation self-defeating.

The Sovereign Military Order of Malta

The Order of Malta maintains sovereign status and diplomatic relations with over 100 states despite possessing no territory whatsoever. It issues passports, maintains embassies, and holds permanent observer status at the United Nations. Its existence demonstrates that sovereignty under international law is a function of recognition, not of territory or military power—a principle that underlines the viability of Vatican sovereignty over a distant territory.

IMPLEMENTATION FRAMEWORK

Phase I: Preliminary Negotiations (2026–2027)

Backchannel discussions between the Vatican Secretary of State, the US State Department, and PRC Ministry of Foreign Affairs establish the basic parameters. These talks are conducted under absolute secrecy. No public statements, no leaks, no trial balloons. The first two years are spent determining whether the core deal—demilitarization in exchange for sovereignty transfer and Chinese renunciation of claims—is achievable in principle before any party commits publicly.

Simultaneously, the Vatican establishes a Pontifical Commission for Pacific Affairs, ostensibly focused on climate change and maritime cooperation in the Pacific, but in reality serving as the institutional framework for the concordat negotiations.

Phase II: Framework Agreement (2027–2028)

A framework agreement is drafted and circulated among the principals. Key terms are negotiated, including the precise scope of demilitarization, the status of existing defense agreements, transition timelines, economic continuity provisions, and the mechanism for Taiwanese popular ratification. The framework is brought to the UN Security Council for preliminary discussion, testing Chinese and Russian responses.

Phase III: Public Disclosure and Taiwanese Referendum (2028–2029)

The proposal is made public. The Taiwanese government holds a national referendum on the concordat. This is the most politically volatile phase. The referendum must be conducted under international observation and must present the full terms of the concordat alongside a frank assessment of the alternatives. Passage requires a supermajority—this cannot be a 51-49 decision that divides the country permanently.

Phase IV: Concordat Signing and Transition (2029–2030)

Upon referendum approval, the formal concordat is signed in a ceremony at the Vatican. The Republic of China formally dissolves and transfers sovereignty. The Papal Free State of Formosa

is proclaimed. A transition period of twelve to eighteen months allows for institutional restructuring, military drawdown, diplomatic re-accreditation, and economic adjustment. The UN Security Council passes a resolution recognizing the new entity, guaranteeing its territorial integrity, and establishing the demilitarized zone.

Phase V: Full Implementation (2030–)

The Formosan Gendarmerie assumes all internal security functions. The last foreign military personnel depart. The Papal Free State takes its seat at the United Nations. TSMC and other major enterprises continue operations under the new legal framework. The Papal Legate takes up residence in Taipei. The first fully democratic election under the new constitution takes place.

RISKS AND OBJECTIONS

Taiwanese Democratic Resistance

The most likely point of failure. A significant portion of the Taiwanese electorate will view this proposal as capitulation, regardless of its terms. The DPP's base, in particular, has spent decades building a distinct national identity that this proposal asks them to surrender. The counter-argument—that the proposal preserves everything except the symbols of statehood while eliminating the existential threat—may not overcome the emotional and political attachment to sovereignty. This is why the referendum must require a supermajority and must be preceded by an extended public deliberation period.

Chinese Bad Faith

Beijing may accept the arrangement in principle and then seek to subvert it in practice: economic coercion, infiltration, gradual erosion of autonomy on the Hong Kong model. The concordat must be structured to make this maximally difficult: binding international legal commitments, automatic snapback provisions, economic interdependencies that make coercion self-defeating, and the reputational cost of violating an agreement guaranteed by the Pope. None of these are foolproof. The Hong Kong precedent is the obvious counterexample and must be addressed head-on.

Vatican Institutional Capacity

The Holy See governs 121 acres with a population of approximately 800. The question of whether it can credibly extend sovereignty over 36,000 square kilometers and 23 million people is legitimate. The answer is that it doesn't need to govern them—it needs to be their sovereign. The distinction is the entire point. The Vatican's role is diplomatic and symbolic, not administrative. But even symbolic sovereignty requires institutional capacity: a competent Legate, a small diplomatic staff, legal expertise in international law, and the ability to represent Formosan interests in international forums. The Vatican would need to build this capacity rapidly and from a low base.

Precedent Contagion

If the Formosa Concordat succeeds, every disputed territory on earth will look at the Vatican as a potential sovereignty solution. Kashmir, the Western Sahara, Crimea, the Kuril Islands—the line of applicants would stretch around St. Peter’s Square. The Vatican must make clear from the outset that this arrangement is *sui generis*: a unique response to a unique crisis with unique characteristics. Whether that firewall holds is an open question.

Theological and Interfaith Objections

The proposal places a non-Christian majority under a Christian sovereign. The optics evoke colonialism regardless of the legal reality. Careful interfaith dialogue, explicit constitutional protections, and the visible inclusion of Buddhist, Taoist, and secular leaders in the concordat process are essential. The Vatican’s recent ecumenical emphasis under recent pontificates provides a framework, but the challenge should not be underestimated.

THE STRATEGIC CALCULUS

Every party to this arrangement is acting out of self-interest. China wants the military threat removed and the rival government eliminated. The United States wants to avoid a war it may not win. Taiwan wants to survive. The Vatican wants relevance. The spiritual and moral language in which the concordat will inevitably be framed is packaging. The contents are power, security, and survival.

This is not a criticism of the proposal. It is its greatest strength. Arrangements that depend on goodwill, trust, or shared values between adversaries are fragile. Arrangements that align each party’s self-interest with the desired outcome are robust. The Formosa Concordat does not require anyone to be virtuous. It requires everyone to be rational.

The deepest irony is structural: the institution most associated with faith and transcendence would be serving as a mechanism for the most transactional and cynical of geopolitical bargains. The Pope becomes, in effect, a sovereignty laundromat—a trusted third party whose moral authority allows adversaries to make concessions they could never make to each other. And this is precisely what makes it work. The Vatican’s value in this arrangement is not spiritual. It is that no one is threatened by it. The least powerful sovereignty on earth becomes the only one that can solve the most dangerous problem on earth, precisely because it is the least powerful.

The question is not whether this proposal is elegant or morally satisfying. The question is whether it is preferable to the alternative. And the alternative, increasingly, is a war between nuclear powers over a microchip factory on an island in the Pacific. Measured against that, a Papal flag over Taipei is a very small price.

— END OF BRIEF —

This document is a speculative exercise and does not represent the policy position of any government, institution, or organization.