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By: Russell Hsiao

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President Donald Trump has won the 2024 presidential election and will be inaugurated as the 47th president of the United States on January 20, 2025. The 45th president won the Electoral College and the popular vote by 2.7 million votes. Additionally, the Republican Party (GOP) achieved the political trifecta: the GOP will not only control the executive branch but also both chambers of the legislative branch of the US government when the 119th Congress is in session. The president-elect and his transition team have already indicated that they intend to review the entire US government's bureaucracies and policies thoroughly. Taiwan policy cannot be taken for granted as an exception.

The First Trump Administration and Inheritance on Taiwan Policy

While past performance is not indicative of future results, it is appropriate in this case to examine the record of the first Trump Administration (2016-2020) as it provides an empirical basis on which to assess how the incoming second Trump Administration may approach its Taiwan policy.

Moreover, it is also important to review the approaches to Taiwan policy that he will inherit from his predecessor, President Joe Biden, which will also be used as benchmarks for evaluating the success and failures of his policy for achieving US interests.

Despite overstated concerns about fundamental ruptures in the United States' Taiwan policy, the record of the two presidencies shows remarkable continuities in the two administrations' policy of supporting Taiwan, despite differences in approach and emphasis. While the Trump Administration significantly enhanced the security and political dimensions of the relationship, the Biden Administration substantively improved the economic and international conditions of the partnership. Moreover, the first Trump Administration did not alter the legal framework and core policies that form the basis of US policy towards Taiwan, nor did the Biden Administration lead to a significant rollback of some of those progressive measures.

What then helps to explain the continued upward trajectory in US-Taiwan relations and

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continuity in policies? While structural variables such as the nascent bi-partisan “China consensus” and the staying power of the rebalance and Indo-Pacific strategy have been significant, ideas have also been important: to include the triumph of the allies and partners’ school in US Asia policy and positive American public opinion on Taiwan ([and relatedly increasing negatives toward China](#)).

The following list does not present an exhaustive listing of all US-TW interactions under the former Trump Administration and the current Biden Administration, but it does present a starting point for an objective assessment:

Political	Trump	<p>As President-elect, took a congratulatory phone call from then Taiwanese President Tsai Ing-wen (蔡英文).</p> <p>Resumed cabinet-level visits and interactions by senior officials such as the US national security adviser and the secretary-general of Taiwan’s National Security Council, among others.</p> <p>Permitted the president of Taiwan to conduct high-profile visit-like transits through the United States. (This has been more restrictive under Biden.)</p> <p>Declassified internal policy documents that have guided US policy towards Taiwan, such as President Reagan’s memos on the Six Assurances and arms sales to Taiwan, the Indo-Pacific Strategy Framework.</p> <p>Delineated the US “One-China Policy” from the PRC’s “One-China Principle.”</p> <p>US-Taiwan Education Initiative (2020)</p>
	Biden	<p>President Biden made four explicit statements clarifying US commitment to Taiwan’s defense.</p> <p>Continued the delineation of the US “One-China Policy” from the PRC’s “One-China Principle.”</p>
Defense/Security	Trump	<p>Regularized the arms sales process to Taiwan, which had previously been bundled into packages, and authorized record arms sales.</p> <p>Publicized naval transits through the Taiwan Strait and made them routine.</p>
	Biden	<p>US-Taiwan Coast Guard Cooperation Memorandum of Understanding (March 2021)</p> <p>Authorized new instruments for security assistance, such as foreign military financing (FMF) and the presidential drawdown authority (PDA).</p> <p>Encouraged more partner countries to conduct naval transits through the Taiwan Strait: Canada (2024), Germany (2024), Japan (2024), Australia (2024), New Zealand (2024), UK (2021, 2023).</p> <p>Unveiled new training programs with Taiwan including special forces rotational training in offshore islands and The Northern Strike exercise organized by the National Guard. [1]</p> <p>Continued regular arms sales to Taiwan.</p>
Economics, Trade, and Technology	Trump	<p>Launched the New Economic Prosperity Partnership Dialogue (EPPD) in 2020.</p>
	Biden	<p>Resumed Trade and Investment Framework Agreement (TIFA) Council meeting talks in 2021.</p> <p>Initiated the US-Taiwan 21st Century Trade Agreement (2022) and completed the 1st phase agreement in 2023.</p> <p>Initiated discussions on an avoidance of double taxation agreement (2024).</p> <p>Initiated US-Taiwan Technology Trade and Investment Collaboration (TTIC) to expand US-Taiwan cooperation on critical supply chains by promoting two-way investment. Initial areas of focus include semiconductors, 5G, electric vehicles, sustainable energy, and cybersecurity (2021).</p> <p>Inaugural US-Taiwan Science and Technology Cooperation Dialogue (2023)</p>

Diplomatic	Trump	<p>Initiated consistent and high-level public support for expanding Taiwan’s participation on the global stage that included visible interactions by senior US diplomats with Taiwan counterparts at foreign missions.</p> <p>Elevated the Global Cooperation and Training Framework (GCTF) to include new official partners and hosted the forum in different regions of the world, such as the Southern Pacific, et al.</p> <p>Secretary of Health Azar visited Taiwan in August 2020 and Undersecretary of State Keith Krach visited in September 2020; US Ambassador to the United Nations Kelly Craft was scheduled to go in 2021 but had to cancel at the last minute.</p> <p>Rescinded the State Department’s contact guidelines.</p>
	Biden	<p>Internationalized Taiwan Strait Security especially through multilateral forums, such as G20, G7, Quad, US-ROK-JP, US-JP-AUS, US-JP-PHIL, et al.</p> <p>Reinstated a limited form of the State Department’s contact guidelines.</p> <p>Senior officials pushed back against the People Republic of China’s distortion of UN Resolution 2758.</p> <p>Initiated consistent and high-level public support for expanding Taiwan’s international space, including the launch of the US-Taiwan Working Group Meeting on International Organizations (2021).</p> <p>Signed memoranda of understanding (MOUs), such as the USAID-Taiwan MOU (2022), DFC-Taiwan MOU (2024)</p> <p>Supported the expansion of the GCTF to include Australia (2021) and Canada (2024).</p>
Congress	Trump	Signed landmark Taiwan-related bills, such as the <i>Taiwan Travel Act (2018)</i> , <i>Asia Reassurance Initiative Act (2018)</i> , <i>TAIPEI Act (2020)</i> , <i>Consolidated Appropriations Act (2021)</i> .
	Biden	<p>Signed the <i>Taiwan Enhanced Resilience Act (2022)</i></p> <p>Speaker Nancy Pelosi visited Taiwan in 2022.</p> <p>Speaker Kevin McCarthy met with President Tsai Ing-wen in 2023.</p>

American Public Opinion on Taiwan: Continuity vs. Change

Given the wave of public sentiment and [populist undercurrents](#) that carried President-elect Trump and the GOP back into the White House in 2024, it is appropriate to similarly review the trendlines in American public opinion on Taiwan. As Trump reenters the White House, he will also have to consider how public opinion on foreign policy issues might affect perceptions of his administration’s performance.

While public opinion is not decisive for executive action on foreign policy (and rarely if ever a vote-driving election issue), it still shows what policies do have public support, should decision-makers decide to act. Naturally, the larger the gap between elite and public opinion, the more politically difficult a decision would be for the former. As American scholar Walter Russell Mead [observed](#): “Elite opinion normally carries outsize weight in foreign-policy decision making, but when

wide gaps open between elite and popular views, elected officials cannot ignore the polls.”

The Chicago Council on Global Affairs consistently conducts opinion polls in the public domain that cover the views of the American public on pressing international issues—including their views on Taiwan and US policy on Taiwan’s defense. According to their [most recent survey](#), conducted in 2024, six in 10 American respondents said that the US-Taiwan security relationship does more to strengthen US national security (62 percent) than to weaken it (32 percent). Here too views are positive across the partisan spectrum, though Democrats (67 percent) are slightly more positive than Republicans (62 percent) and Independents (58 percent).

Across a range of issues in 2024—except one—a [majority of Americans support reinforcing ties with Taiwan](#). This includes Taiwan’s inclusion in international organizations (62 percent), recognizing it as an inde-

pendent country (61 percent), and despite the general public's antagonism towards free trade, a majority of Americans favors signing a free trade agreement with Taiwan (59 percent).

However, the scorecard is not entirely positive—a minority of Americans support US committing to defend Taiwan (aka strategic clarity) at [42 percent](#), with 12 percent opposing and 42 percent responding that they are not sure. Moreover, there has been a noticeable and steady decrease in the number of Americans who support the use of troops if China invaded Taiwan, [decreasing 16 percent](#) from an all-time high of 52 percent in 2021 and dropping to 36 percent in 2024.

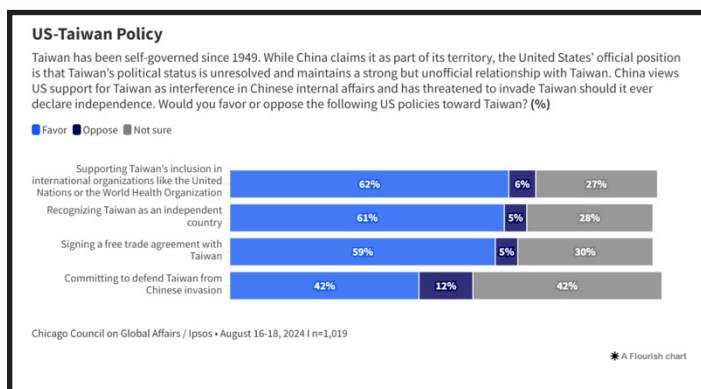


Image: 2024 polls on US-Taiwan Policy conducted by the Chicago Council on Global Affairs. (Image source: [Chicago Council on Global Affairs.](#))

The significant drop in American support for the use of troops to intervene in a military conflict over Taiwan is occurring amid ongoing and very polarized debates that continue to rage within the US Congress about whether supporting Ukraine against Russia's invasion is a vital US interest—with increasingly more politicians and strategists arguing that doing so creates an unnecessary drain on resources that should be prioritized elsewhere. This phenomenon is related to public antagonism towards so-called forever wars, these debates appear to be having a spillover effect on public support for intervening in a military conflict over Taiwan.

In short: there appears to be a degree of war fatigue in US public opinion over Ukraine settling in, which could potentially exert a dampening effect on public support for Taiwan. How this trend continues may depend on what course the war in Ukraine takes over the coming months ahead and also public perceptions of Taiwan's commitment to its own defense and how US leaders portray them.

Trump 2.0's Taiwan Policy

President-elect Trump has said little publicly about Taiwan during his first administration—and what is known of what he said in private is not at all reassuring for Taiwan. (This included likening Taiwan to [the tip of a sharpie pen](#); and reportedly stating in reference to a Chinese invasion "[If they invade, there isn't a f--- thing we can do about it.](#)") However, he was more vocal on Taiwan policy on the campaign trail for 2024.

For instance, the incoming president stated that he thought "[Taiwan should pay us for defense ... you know, we're \[the United States\] no different than an insurance company.](#)" He also accused Taiwan of stealing the US chips business (despite [facts](#) pointing to the contrary), "[You know, Taiwan, they stole our chip business ... and they want protection.](#)" When he was asked what he would do if China made a move on Taiwan, he said, "[China knows what I would do.](#)" In stark contrast to President Biden, Trump has hewed to a more conventional approach of remaining ambiguous as to whether the United States would intervene in the event of an invasion, stating in response to a question of whether the US military would intervene in defense of Taiwan—"If I answer that question, it will put me in a very bad negotiating position."

Trump's Strategic Logic

While Trump's statements on the campaign trail would leave Taiwan-supporters wanting, contrary to some critics' assertions that Trump does not have a strategy, the 47th president has demonstrated a fairly consistent logic in how he approaches foreign relations. President-elect Trump's statements are not necessarily unique to Taiwan and reflect three broader and fairly consistent strategies for President-elect Trump's approach to foreign policy. Overall, President-elect Trump:

1. Is strategically unpredictable (in rhetoric) and transactional;
2. Seeks to reduce the trade deficit and bring back manufacturing jobs; and
3. Prioritizes defense burden sharing with allies and partners.

While observers have tended to focus on the downsides of these variables, there are also potential upsides that deserve closer attention.

Defense Burden Sharing

Indeed, President-elect Trump is expected to emphasize burden sharing in US security ties with allies and partners. While this is generally seen as a downside by many allies and partners, it could also result in [the United States providing a wider variety of arms to Taiwan, which are suited to a range of potential contingencies](#).

Reduction of Trade Deficit

Like in his first administration, President Trump will be laser-focused on reducing the US trade deficits with other countries, which he views as a one-sided loss for the United States. That means leveraging higher tariffs in the United States' almost-certain renewed trade war with China and reshoring technology manufacturing capacity back into the United States. This will have direct and indirect effects on Taiwan's substantial—albeit decreasing—economic interests in China. On the upside, such actions by the United States would also accelerate Taiwan's ongoing efforts to realign its supply chain and diversify its economic partnership through the New Southbound Policy. As a result, this could open up Taiwan to new strategic partnerships with [the growing countries that are increasingly seeking to engage with the Indo-Pacific region](#).

Strategic Ambiguity

The president-elect has already indicated that he would be less clear than President Biden as to whether he thought the United States had an obligation to come to Taiwan's defense if China decided to invade the island. While this could potentially fan the [flames of "US skepticism"](#) already evident among the Taiwanese public, at a time when Chinese Communist Party (CCP, 中國共產黨) propaganda and disinformation are aimed at undermining US credibility, it could also galvanize public support for greater defense spending in order to assure Washington, DC of Taiwan's seriousness about its own defense. In any case, Washington and Taipei should be prepared for Beijing to exploit this in its intensifying cognitive warfare campaigns and develop their own counter-strategies.

Removing Self-Imposed Restrictions for Leverage

It is important to remember that the president-elect has demonstrated that he is unencumbered by past precedents and norms. While the intent behind his actions are intended to increase US leverage in negotiations, this has helped to strengthen a US-Taiwan bilat-

eral relationship that had previously been constrained by excessive self-imposed restrictions.

However, due to China exacting greater political and economic costs for international support of Taiwan, there will also be greater expectations from Washington for Taiwan to do more for its own defense and to address core US interests.

Personnel is Policy

The president is the final arbiter of policy, but officials in relevant positions who designed and implemented the policies of the first Trump Administration were instrumental to the success of furthering US-Taiwan relations. As such, personnel picks are going to matter greatly in his second administration. In this regard, the second Trump Administration is stacking his national security team—except for a few questionable picks—with experts who are strong China hawks and supportive of Taiwan's defense. Trump's national security team—including his picks for senior positions in his National Security Council, State, and Intelligence—are clear-eyed about the CCP's malign influence, [the importance of deterring China](#), and understand the importance of allies and partners such as Taiwan.

Still, this is not to say that everything will be the same as it was with the first go around. Just as there are obvious differences in the approaches taken between Trump and Biden, there will be differences between Trump 1.0 and Trump 2.0. Moreover, 2024 is not 2016 and the Trump of 2024 is not the Trump of 2016.

Conclusion

It is no exaggeration to say that the US-Taiwan relationship is stronger now in 2024 than it has ever been in 45 years and it continues to grow across political administrations.

As the State Department Deputy Secretary Kurt Campbell [recently stated](#) at a DC think tank event: "One of the proudest arenas of bipartisan engagement has been on issues associated with our policy across the Taiwan Strait Rarely have I seen our unofficial relationship flourishing in so many different manifestations."

While human agency and structural variables have played important roles in these improvements in the bilateral relationship, it is also a function of the widening and increasing recognition of Taiwan's geostrategic importance (e.g., high-tech) and shared democratic

values, growing trust between Washington and Taipei, and a significant shift in the United States' China policy. What else can explain the broad continuities between the two administrations, despite the apparent differences between the two leaders and their styles?

The centrality of the *Taiwan Relations Act (TRA)*—a domestic law that establishes the legal framework for the unofficial relations with Taiwan—cannot be overstated. Importantly, the *TRA* presents Congress—a co-equal branch of the US government—with its a special role in the appropriation and oversight responsibilities of Taiwan policy. Despite the polarized environment in Congress, it should send a reassuring signal to Taiwan-supporters that Taiwan policy retains bipartisan support and, in fact, differences between each party's approach are often wildly exaggerated often for political purposes. The establishment of the bi-partisan House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party in 2022, now under the leadership of Chairman John Moolenaar, can be expected to continue the drumbeat of focus on the threats posed by the CCP and the importance of supporting Taiwan in the new Congress.

That US-Taiwan relations have withstood precarious conditions since the United States' 1979 change in diplomatic recognition—despite expectations of the contrary—is a strong testament to the enduring qualities of US policy towards Taiwan, as well as the robust, flexible legal and policy framework provided by the *TRA* that has allowed US policy to evolve and remain responsive to the challenges threats. These bonds will only grow stronger with care and good management by both Washington and Taipei. This is likely even more so because the American public agrees that, on a whole, the security relationship between the United States and Taiwan benefits Americans as well.

As President Biden inherited and built on a strong foundation of Taiwan policy, the 47th president will inherit a robust regional architecture and increasing international awareness about the importance of peace and stability across the Taiwan Strait built on by his predecessor. It would behoove the incoming president and his team to deepen and expand on that inheritance—which the first Trump Administration had a hand in shaping.

The main point: Amid widespread speculation about the potential changes that a second Trump Administration could bring to US policies towards Taiwan, the record of the first Trump Administration suggests a likely

course of continuity with the policies established under the first Trump Administration and the Biden Administration. This is likely to result in continued closer relations between Washington and Taipei.

[1] A contingent of soldiers from Taiwan's army participated in the "Northern Strike" training exercise held at Camp Grayling (a Michigan National Guard training facility) in August 2024. See: "Taiwanese Soldiers Joined US Military Exercises in Michigan" (*Taiwan News*, Sep. 3, 2023), <https://www.taiwannews.com.tw/news/4988338>.

Beijing's Post-Election Assessment of Comprehensive National Power and Implications for Taiwan

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The Chinese Communist Party (CCP, 中國共產黨) has always been an organization obsessed with metrics. Over the last decade, this obsession has come to dominate the People's Republic of China (PRC) grand strategy. The party seeks encompassing quantitative measures to measure the progress of paramount leader Xi Jinping's (習近平) vision of the "great rejuvenation of the Chinese nation" (中華民族偉大復興) into a "great modern socialist country in all respects" (全面社會主義現代化強國).

For instance, the 2049 goal to achieve rejuvenation is [predicated on being the world leader](#) in a particular comparative metric, comprehensive national power/strength (CNP, 綜合國力). party theorists have [ascribed a formula for CNP](#):

$$\text{CNP} = [\text{E} + \text{M} + (\text{Aa} + \text{Ab})] - 1 - \alpha \times \text{S}\beta \times \text{Q}$$

Where "[E+M+(Aa+Ab)]" is *hard power*, defined as the additions of economic power, military power, basic science, and applied science; "-1- α " is negative risk factors from internal turmoil; "S β " is soft power as measured by prestige, perceived "democratization", and influence rankings; "Q" is strategic competence.

Each of these various factors are then broken down into further quantitative assessments of positional measurement: for instance, military power as an essential component of hard power needs to be ["world](#)

[class](#)” (世界一流軍隊) by mid-century. Thus, the CCP’s strategic planning—probably unique among the other great national polities—is determined by evaluations of international position as opposed to the pressures of domestic politics. In short, this is the expansion of military operational net assessment to a grand strategic level.

Accordingly, now that the 2024 US election cycle has come to a close, PRC policymakers are likely engaging in a renewed net assessment of the strength of the United States relative to China. The PRC faces significantly different domestic and international circumstances as compared to the beginning of the Biden Administration, let alone the first Trump Administration. Calculations of CNP will be foremost in the mind of the party leadership when determining the methodology of confronting the second Trump Administration, with the PRC’s Taiwan policy increasingly becoming tied to the prospects of the US-PRC great power competition. In this article, I will look at the hard power conditions that Chinese net assessment must take into account—particularly within the context of developments over the last administration—and the implications for Taiwan.

The Storm Before the Storm

The first factor of hard power is economic power. Within the context of the CNP, this should be more accurately considered as the *perception* of relative economic power. While the PRC economy has continued to grow, perceptions of relative strength have drastically changed over the last four years.

On July 1, 2021, Xi announced that the PRC had completed the building of a “moderately prosperous society” (小康社會). This was a phrase first used by Deng Xiaoping (鄧小平), and codified into Party terminology by Jiang Zemin (江澤民) in 2002. The [next step](#) was to “basically realize socialist modernization” by 2035, with the creation of a “great modern socialist country” by mid-century.

At the time of his announcement, the PRC economy was expected to experience a [strong post-COVID recovery of 8.5 percent](#), before settling into a pre-COVID growth rate of roughly 5.5 percent. This would be enough for the PRC economy to catch up to the US economy in the 2030s, and form the basis of “basically realizing socialist modernization.” However, this prediction was badly scrambled by an onslaught of economic challenges. The first of these was the resurgence of COVID-19 in 2022, accompanied by the institution of draconian

lock-down measures, nation-wide protests over the measures, the rescinding of the measures, and the dramatic surge in COVID-19 infections/deaths in the winter of 2022. The costly pandemic measures were largely borne by the provincial governments, which saw [shockingly high increases in debt](#) as a result—a particular blow to provinces that were already poorer to begin with, such as Inner Mongolia.

Second, China’s local provincial governments were (and continue to be) overly dependent on the real estate market bubble to finance their spending. With the 2021 default of the massive [Evergrande Group](#), the PRC’s second-largest real estate conglomerate, the bubble began to burst. However, Xi’s distaste for directly bailing out the massive real estate sector led to additional heavy pressure on the PRC financial sector. Faced with the prospect of a simultaneous banking and real estate collapse, Xi finally moved this year to conduct relatively minimal [debt swaps](#) and [monetary quantitative easing](#). However, these measures are still insufficient to the scale of the problem (for instance, the 10 trillion yuan debt swap of local provincial debt provides only minimal relief against the IMF estimates of [60 trillion yuan](#) of local provincial debt in 2023). Thus, instead of a post-COVID recovery, the PRC economy went into a period of slower growth.

In this period of sluggish economic activity, Xi has tried to compensate for the decline in domestic spending by ramping up exports—a policy which has already produced [significant backlash within the EU](#), and will likely be heavily targeted by the incoming US administration.

Xi GPT vs ChatGPT

The slow-down in the PRC economy is made more painful for Xi by the current state of the US-PRC tech race. In September 2023, with the PRC economy deep in the real estate crisis, Xi called upon the nation to mobilize “[new quality productive forces](#)” (NQPF, 新質生產力) in concert with his previously announced “[comprehensive national security](#)” concept (CNS, 整體國家安全). NQPF investment would be directed by a centralized “new national system” (新型舉國體制), headed by a Party commission to ensure CNS—as opposed to Silicon Valley-like private investment. The difference between Xi’s vision of the NQPF and prior technological industrial strategy is that incremental development and gross domestic product (GDP) growth are not the primary goals. Instead, the aim is to dominate “disruptive” technologies that will allow the PRC to leapfrog the economic, military, and demographic constraints he feels are imposed by the current international sys-

tem, and in turn allow the PRC to monopolize the global marketplace in service of state hegemony.

The party has identified 17 broad fields as NQPF future industries. Specific technologies highlighted by officials and PRC media are [AI](#), [space](#), and “[green tech](#)” such as batteries, as exemplars of the NQPF. In two of the three techs, the PRC has been stunned by the US tech industry over the last few years.

First, AI: Silicon Valley’s 2022 roll-out of a large language model generative AI, ChatGPT, [shocked PRC tech entrepreneurs](#), many of whom had assumed a closing tech gap between the United States and People’s Republic of China. Initial attempts at catch-up ended in failure: PRC search giant Baidu’s answer to ChatGPT, ERNIE, was [widely panned](#) in its 2023 roll-out. Despite continued PRC tech entrepreneur assessments that the PRC was [1-3 years](#) behind the United States in generative AI development—and continuing to fall behind—the PRC continued focusing its efforts on [AI-empowered surveillance](#) and AI models [trained on Xi Jinping Thought](#).

US space tech has also proved to be an unpleasant, and even more insurmountable, shock to the PRC. Since SpaceX first demonstrated the viability of reusable rocket engines in 2017, the PRC has tried to copy SpaceX’s [rocket recovery technology](#), and encouraged both domestic [SpaceX clones](#) and clones of [SpaceX launch platforms, such as the Long March 9](#) (a clone of SpaceX’s Starship). However, Long March 9 is only expected to begin testing in 2033, while Starship already has had six test launches with an [official launch in September 2025](#).

Even in the one area where the PRC has an unquestioned lead—[lithium-ion battery technology](#)—the party [remains uneasy](#). The PRC’s [monopolization of the lithium-ion battery supply chain](#), along with its integration into the PRC’s [rapidly expanding electric vehicle market](#), means that PRC companies are heavily disincentivized from adopting next-generation solid-state/semi-solid-state batteries. The PRC is [at risk of being “leap-frogged” in turn, and the party knows it](#).

Russian Failures Lead to PLA Worries

Finally, the ultimate guarantor of the party’s security and foreign coercive strength is military power. The PLA’s budget continues to [grow apace](#), but party leadership doubts in the readiness of the PLA to “fight and win” (能打仗、打勝仗) have only increased with time.

The Russia-Ukraine War has [provided the PLA with](#)



Image: Xi conducts an inspection visit of PLA Rocket Force Brigade 611 (六十一基地611旅), (October 17, 2024). PRC media coverage of the visit highlighted adulatory military members under propaganda banners, reminiscent of the North Korean-style cult of personality. The publicized nature of the visit, along with his exhortations that the PLA Rocket Force had to “enhance strategic deterrence and real combat effectiveness” (“戰略提升威懾和實戰能力”), indicated that the purge of the Rocket Force was likely complete for the time being. However, there are still doubts as to the operational effectiveness and loyalty of the PLARF. (Image source: [People’s Liberation Army Daily](#))

[a number of lessons](#), but also introduced significant doubts to the party leadership about the ability of the PLA to rapidly and decisively win a war. The Russian military not only heavily outnumbered the Ukrainian military, but also had superior technology—long-range strike, air assets, and space assets that the Ukrainians could only dream of. However, Russia could not effectively use these assets to produce a rapid victory; attempts to combine precision weapons and rapid maneuver in an imitation of the American way of war only produced embarrassing revelations of the poor [Russian logistics enterprise](#), a [risk-averse air force](#), [catastrophic rocket failures](#), and an army [incapable of basic maneuvers](#). Even after transitioning to the older, plodding doctrine of massed firepower and attrition, the Russians continue to lose [men and material at far higher rates](#) than their hastily-trained opponents on the defense.

With the [operational problems of an invasion of Taiwan](#) several orders of magnitudes more difficult, the [doubts of the party leadership regarding the PLA](#)—already replete with terms such as “Five Incapables” (五個不會), “Two Incompatibles” (兩個不相適應), “Two Big Gaps” (兩個差距很大), and “Two Inabilities” (兩個能力不夠)—have been significantly magnified over the course of the war. There has been a recent cycle of

[re-structuring](#) coupled with [several rounds](#) of purges across the entire force, particularly focused on logistics, production, and the PLA Rocket Force. The mirroring of the restructured/purged portions of the PLA to identified Russian weaknesses is unlikely to be accidental.

Implications for Taiwan

The last few years have exposed serious weaknesses for the PRC in its competition with the United States. Domestic economic and scientific weaknesses, coupled with the poor performance of the PRC's "no-limits partner" in war, have likely resulted in less favorable calculations of comprehensive national power compared to previous years.

My earlier assessment of [Taiwan's security environment](#) still holds, as the PRC economy continues to underperform against even the lowered growth targets established in March 2024. Given the increasingly obvious weaknesses of the PRC economic position, the incoming US administration will likely sharpen the competition, further occupying Beijing's resources and attention.

None of this, however, makes Xi Jinping's PRC less dangerous. In lieu of direct confrontation with the United States or an all-out invasion of Taiwan, Xi will likely respond by increasing gray zone coercion of Taiwan and other PRC neighbors. This gray zone coercion will likely seek to practice elements of deception, and to increase the ability of quasi-military entities such as the China Coast Guard to conduct military operations in its own right, or jointly with the PLA. Previous rounds of PRC coercion [practiced the operational elements](#) needed to enact a blockade; future coercion will likely try to normalize the employment of large forces to reduce the ability of defending forces to determine whether or not a crisis is at hand. Taiwan must prepare accordingly.

The main point: CCP assessments of the PRC's comprehensive national power (CNP) likely indicate a continued, if not widening, gap compared to the United States, with competition likely to accelerate in the near future. In lieu of direct confrontation against the United States, Xi will likely escalate gray zone coercion against Taiwan.

Trump Returns to the White House: Implications for Taiwan

By: J. Michael Cole

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Much of the international community regarded the November 5 elections in the United States with some trepidation. Given the impact that any US presidential election can have on American foreign policy for the next four years, it is normal for countries to feel a little jittery about the outcome. That sense of apprehension is particularly felt in countries—like Taiwan, South Korea and Israel—that regard themselves as facing an existential threat from an outside opponent and consequently rely heavily on American support for their security. For them, every US election raises fears of abandonment should an incoming administration turn isolationist, show itself less inclined to interventionism, or otherwise indicate a different set of priorities. Over the years, Taipei has gone through this process with the prospect of both Democratic and Republican administrations coming to power.

The 2024 elections were no different. While a victory by the Democrats suggested continuity in a US policy toward Taiwan and China that has been largely beneficial to Taiwan, others maintained that a return of the Republicans to the White House would prove even more advantageous to Taipei. Still, questions remained. Would Kamala Harris, the Democratic candidate and current vice president, completely embrace President Joseph Biden's policies toward Taiwan and China, or would she adopt a more cautious, and perhaps less confrontational stance, on China? Conversely, while Republican candidate Donald J. Trump was regarded by many as tough on China and likely to surround himself with China "hawks," doubts remained with regards to his transactional style and whether he would consider trading Taiwan for the sake of a good deal with China on the longstanding trade dispute between China and the United States. Such fears, moreover, were exacerbated by some comments Donald Trump made while on the campaign trail, such as the (false) claim that Taiwan somehow ["stole" the US chip industry](#), or that [Taiwan should pay for US defense assistance](#).

The results of the vote on November 5 were known surprisingly quickly, with [President-elect Trump scor-](#)

[ing a resounding victory against his opponent](#). The big question of who Taipei would have to work with for the next four years was thereby resolved. And yet, many more questions had yet to find an answer, including the two main ones: which version of Trump would occupy the White House, and who would be the key officials in his national security apparatus? Those two questions are bound to have a major impact on how the Lai Ching-te (賴清德) Administration handles its relationship with the United States.

Navigating a Different Washington, DC

Although President-elect Donald Trump has yet to complete the list of key appointees to his cabinet, it is now becoming increasingly clear that the future president clearly intends to act on his promise to [overturn the business of governing the United States](#). Many of the appointments announced thus far suggest that it will be anything but business as usual in Washington, DC. With disrupting forces in charge, countries will initially find navigating their interactions with the Trump Administration rather challenging—perhaps even more so than during the first months of the first Trump Administration, which, unlike this time around, tended to be marred by disorganization. It won't be so disorganized this time around, but it certainly will be atypical and unlike anything that has been seen in the US capital before.

This will be a particular challenge for Taiwan, which under former President Tsai Ing-wen (蔡英文) successfully improved its international image on a liberal-democratic platform that largely coincided with the Biden Administration's worldview and policies. Already, some staunch Trump supporters, including the Chinese dissident Yu Jie (余杰), have lashed at Tsai and her Democratic Progressive Party (DPP, 民進黨) with accusations that their "leftist" liberal outlook had threatened, among other things, traditional families and Taiwan's very security. It is undeniable that Trump's re-election on November 5 tapped into a conservative pushback against the liberalism of the Biden and Obama Administrations. Consequently, and as seems to be suggested by Trump's picks for key government positions, some of the policy areas that in recent years provided convenient platforms for a deepening of relations between Taipei and Washington, DC—such as LGBTQI rights and green energy, to name just two—will likely fritter away. It will therefore be tempting for the government of Taiwan (and others worldwide) to de-emphasize such policies in its interactions with the Trump Administration. Taipei will need to find the right balance between the desire not to offend the [conservative Trump Ad-](#)

[ministration](#) and not abandoning the values and policies that underpin Taiwan's great success as a modern, democratic nation-state.

The Tsai Administration successfully managed the transition from Obama to Trump, and then from Trump to Biden, ensuring that Taiwan's relations with the United States not only remained solid but in fact flourished. Much of this success can be attributed to the career diplomats, political advisers and government heads at the Ministry of Foreign Affairs (MOFA, 外交部), the National Security Council (NSC, 國際安全會議) and other key offices. Over eight years under President Tsai, those officials established solid connections with their American counterparts, fostering trust and predictability through healthy communication channels. There were differences of opinion, and sometimes the two sides vehemently disagreed, but they were able to do so in ways that did not derail bilateral ties—and which made it possible for the two governments to turn highly sensitive policies, such as the August 2022 [visit to Taiwan by then US House Speaker Nancy Pelosi](#), successful. Whether the Lai Administration can successfully handle the highly challenging environment that will be Washington, DC under the second Trump Administration will largely depend on his willingness to retain some of the key officials at MOFA and the NSC who were responsible for that success under President Tsai—this, despite potential pressure to replace them.

The Defense Thing

One of the top challenges in the US-Taiwan relationship is related to national defense. There, too, Taiwan will face levels of pressure that likely would not have materialized had Harris been elected president. The principal reason for this is Trump's more zero-sum approach to US military support for US allies and partners. It is clear that Trump expects potential recipients of US security largesse to demonstrate that they are prepared to do more for their own security. Advisers close to him, who will presumably occupy important positions at the Department of Defense or the NSC, have repeatedly signaled that Taiwan needs to prove that it is willing to [invest more in its national defense](#), a request whose yardstick has often been the share of Taiwan's GDP spent on national defense. (Trump has said Taiwan should spend 10 percent of its GDP on defense.) Others, meanwhile, have called on Taiwan to [invest even more](#) than it already is in asymmetrical capabilities, and to properly reform and train its reserve forces.

Although the case could be made that US security assistance should not be treated as a transactional mat-

ter (e.g., Taiwan paying the United States) and that it is in fact a reflection of the US national interest, there will nevertheless be immense pressure on Taipei to demonstrate that it is indeed undertaking the necessary reforms and making the needed investments to bolster its defense against China—all this in the context of an opposition-controlled Legislative Yuan that will likely seek to prevent such investments. Besides dollars invested and improved training, Taipei will also need to develop a clear public relations strategy to convince Trump Administration officials, and the American public, that it is doing what is necessary.

Hedging against Uncertainty

And yet, because of the unpredictable nature of the Trump Administration, it would be advisable for Taipei to strengthen its ability to go it alone and thereby lessen its reliance on the United States for its security. In addition to greater focus on its indigenous defense industry, Taipei should redouble its efforts to convince other countries in the region, chief among them Japan and the Philippines, to join forces in building a deterrent against Chinese military and paramilitary aggression. (Like Taiwan, those countries must also factor in the potential lack of enthusiasm by the Trump Administration to come to their defense unless they spend more, and do enough to convince Trump officials that they are “worthy” of US assistance.)

The need to deepen defense preparedness and to form regional coalitions that can act without direct US involvement is all the more needed given the current geopolitical context. While Trump has vowed to [quickly end the war in Ukraine](#) (as early as by Inauguration Day, as he has claimed), which could conceivably free up US military capabilities for deployment in the Indo Pacific, other, more intractable conflicts—such as that in the Middle East—will likely continue to require deployments at the expense of other theaters. The Trump Administration, like others before it, will continue to stand by its ally Israel in its conflict with neighboring states and local groups. Israel’s response to the deadly [October 7, 2023, terrorist attack by the Palestinian group Hamas](#)—targeting Gaza, Lebanon and Iran—has all but ensured that, in its [devastating disproportionality](#), future generations of people in the region will grow up with the kind of resentment towards Israel that can only but result in future terror attacks and armed conflict.

With that conflict nowhere near being resolved, with Russian revanchism unlikely to be appeased by modest

gains obtained through “peace” negotiations facilitated by Trump, and with other revisionist regimes like that in Pyongyang becoming increasingly destabilizing, even if future President Trump wants to avoid involvement in other people’s wars, the US military and American diplomats will continue to be called upon to preserve a world order that benefits the United States. In such an uncertain world, and with Trump in the White House, Taipei cannot bank on the United States having the willingness, or sufficient capabilities, to intervene everywhere, anytime. It must therefore do more to prepare to go it alone, and much more to ensure that other powers in its region understand the necessity of ensuring Taiwan’s sovereignty.

The main point: Like other states that are heavily reliant on the United States for their security, Taiwan faces tough challenges navigating the unpredictability of the future Trump Administration in times of geopolitical instability.

Trump 2.0 and Taiwan: Congress Remains Key

By: Ann E. Kowalewski

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President-elect Donald Trump himself has made many comments about Taiwan. Last month, President-elect Trump [said](#) that “Taiwan... stole our chip business,” and a few months prior [stated](#) that “Taiwan should pay us for defense.” The Chinese government has offered their own interpretation of Trump’s comments, with Zhu Fenglian (朱鳳蓮), the spokesperson for China’s Taiwan Affairs Office, [saying](#) that “very clearly... what the United States pursues is always ‘America First’... [and that] Taiwan at any time may turn from a pawn to a discarded child.”

Yet as the old adage goes, we must watch what President-elect Trump does, not what he says. Donald Trump has a history of making brash, public statements in an attempt to gain as much leverage as he can for future negotiations. Donald Trump himself has [stated](#) that Chinese Communist Party (CCP, 中國共產黨) Chairman Xi Jinping (習近平) “respects” him because Xi knows that he is “crazy,” thus leaning into his perception of strategic unpredictability.

While Donald Trump himself can be wildly unpredictable in some ways, in other ways he has been remarkably consistent. At the end of Donald Trump's first term, Taiwanese officials and citizens were generally content with his Taiwan policy. The first Trump Administration quickly approved large arms sales packages to Taiwan, increased US Navy patrols in the Taiwan Strait, and sent a slew of high-level government officials to meet with the Taiwanese government.

Additionally, what we have seen consistently from President-elect Trump and his movement is a focus on burden-sharing, trade deficits, and revitalizing US manufacturing. If the Taiwanese government were looking at ways to curry favor, it would do well to focus on these three priorities.

On burden-sharing, Taiwan should consider demonstrating it is serious about its own defense by raising its defense budget, fostering military and political leadership in realistic contingency planning, and communicating the very real threats Taiwan faces from the Chinese military to Taiwan's populace.

On addressing the trade deficit and revitalizing US manufacturing, the Taiwanese government could think through new opportunities to invest in the United States, reform agricultural restrictions to allow for additional US exports, or consider a large arms sales package of capabilities appropriate for Taiwan's asymmetric defense.

However, President-elect Trump is not the only voice that sets US policy towards Taiwan, and we should not forget that the United States Congress has always been at the forefront of Taiwan policy, starting with the seminal *Taiwan Relations Act* of 1979. Over the past four years, we've also seen Congress take additional steps to be more prescriptive about what our relationship with Taiwan should look like in today's geopolitical environment—a geopolitical environment that is drastically different from 1979.

We now know that key Taiwan voices in Congress have been picked up by the Trump Administration, most notably Representative Mike Waltz's nomination for National Security Advisor and the announcement of Senator Marco Rubio as Secretary of State. Yet this does not necessarily indicate a shift in leadership on Taiwan policy from Congress to the executive branch. There may be *some* changes at the executive branch level on Taiwan policy. Senator Rubio, for example, has been a long-time [supporter](#) of increased engagement with Tai-

wan, so there may be revisions to the US Department of State's contact guidelines with Taiwan to facilitate more high-level interaction with the Taiwanese government. Representative Waltz, meanwhile, has made it clear that he [sees](#) a need to harden US posture in the Indo-Pacific to deter the CCP. Given these strong views, there may be a top-down push from the White House to get the national security agencies to align their resources with such a posture.

But Congress has never been keen to weaken its Article II powers or defer too much power to the executive branch. It would be hard to imagine, even with a Trump presidency, that a new Republican (GOP) majority leader in the Senate would be willing to dilute the prerogatives of the Senate. We have already seen instances where GOP senators have [indicated](#) a willingness to defy the Trump Administration's nominations picks, demonstrating that the separation of powers still hold.

What this means is that Congressional trendlines on Taiwan are likely to stay throughout President-elect Trump's second term. These trendlines include enhancing Taiwan's defense capabilities, threatening financial action against the CCP if it were to disrupt peace in the Taiwan Strait, facilitating government-to-government contact with the Taiwanese, and potential movement on tax and trade.

Between the *Taiwan Enhanced Resilience Act* and the slew of Taiwan legislation that has passed a GOP majority-led House, it is clear that Congress is [invested](#) in finding ways to enhance Taiwan's defense, from accelerating arms sales to Taiwan to authorizing stockpiles on-island. During the 119th Congress, we may see additional actions to ensure presidential drawdown authorities are used in an effective manner for Taiwan, and an expansion of current US military training programs on-island.

Congress has also been very forward leaning in introducing a slew of legislation that imposes financial costs on CCP officials for actions and decisions on Taiwan, from the [revocation](#) of permanent normal trade relations to [sanctions](#) and [freezing assets](#). Trump himself has also [threatened](#) up to 200 percent tariffs against China if Xi were to "go into Taiwan." Meanwhile, as Congress considers a new tax bill to replace the soon-to-expire *Tax Cuts and Jobs Act*, we may see attempts to address the issue of Taiwanese companies' double taxation when invested in the United States, to facilitate additional Taiwanese investment in the United

States and re-balance the trade deficit.

On people-to-people ties, the steady beat of Congressional delegation [visits](#) to Taiwan and the vocal [support](#) for Taiwan's participation in international organizations, such as the World Health Assembly, will likely remain.

However, as with all new administrations and Congress, there are outstanding questions whose answers cannot be gleaned from prior precedent. First, will concerns about semiconductor shortages and trade deficits derail additional Taiwanese business in the United States? Second, will Taiwan's already increasing defense budget be enough to convince the new Congress that Taiwan's will to fight is strong? Third, crucially, will Trump Administration political nominees have the wherewithal and bureaucratic know-how to ensure that national security agencies are aligned with White House policy priorities? And lastly, will other domestic issues, such as inflation, or world events, such as Russia's war in Ukraine and the war in Palestine, distract the Trump Administration's self-proclaimed number one foreign policy priority: China?

The main point: Despite President-elect Trump's unpredictability, he has been consistent in his focus on burden-sharing, trade deficits, and revitalizing US manufacturing. Additionally, it is likely that current Congressional trendlines of enhancing Taiwan's defense capabilities, threatening financial action against the CCP if it were to disrupt peace in the Taiwan Strait, facilitating government-to-government contact with Taiwan, and potential movement on tax and trade will continue.

A Threat Made Manifest: Trump, Taiwan, and the Davidson Window

By: Michael Mazza

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Meeting with Vladimir Putin in Moscow in March 2023, Xi Jinping (習近平) [told him](#) that "Right now there are changes—the likes of which we haven't seen for 100 years—and we are the ones driving these changes together." President-elect Donald Trump will be in office as some of those changes come to fruition. In 2021,

Admiral Phil Davidson [told](#) the Senate Armed Services Committee that the Chinese threat to Taiwan "is manifest during this decade, in fact in the next six years." Two years later, Central Intelligence Agency Director Bill Burns publicly [confirmed](#) the so-called "Davidson window" by stating: "President Xi has instructed the PLA [People's Liberation Army], the Chinese military leadership to be ready by 2027 to invade Taiwan." Should the PLA meet that deadline, which will come halfway through President-elect Donald Trump's next term in office, cross-Strait dynamics could rapidly devolve.

Although the 2027 deadline is not indicative of a scheduled invasion of Taiwan, Taiwan will face a new reality in a world in which the PLA assesses invasion to be a feasible option. In only two years' time, Xi Jinping may have new options available to him for dealing with Taipei, and doors that have long been closed may be open. This does not mean that use of force is inevitable in the coming years. However, it does mean that Beijing will have more viable options on the escalation ladder, that it will be less likely to back down in an escalating crisis, and that Xi will be more tempted to settle the cross-Strait dispute once and for all.

Taiwan should spend the next two years preparing for this shift. A second Trump presidency should provide opportunities for President Lai Ching-te (賴清德) to do so.

First, a more normal—though not diplomatically normalized—relationship may be possible during a second Trump presidency. During his prior term, President Trump and his administration did not feel bound by the strictures that had long limited bilateral engagement. The "One-China Policy" was not seen as a restraining factor as it was during the Obama Administration. During the administration's closing days in early 2021, then-Secretary of State Mike Pompeo even [rescinded](#) the Taiwan contact guidelines, which set the terms under which government officials and service members could engage with their Taiwanese counterparts.

Antony Blinken [reinstated](#) guidelines, but it would not be surprising to see Marco Rubio, should he be confirmed as secretary of state, loosen or once again lift them. Fewer restrictions on bilateral engagement would benefit the relationship, allowing for more regular, direct meetings of diplomats at all levels. Those engagements are beneficial.

During the first administration, senior government of-

officials traveled to Taiwan on a number of occasions. It is reasonable to expect those visits to resume. Such travel sends an important political signal to Beijing: Washington is committed to its relationship with Taiwan, despite PRC objections.

In-person meetings, especially between senior-ranking officials, also have practical import. Such engagements are useful in mobilizing bureaucracies in both countries, to prepare for the meetings and to act on their outcomes.

It is also important that senior leaders get to know each other on a personal level. American men and women may one day be sent into harm's way to defend Taiwan's independence. Under such circumstances, sacrifices can be minimized and success made more likely if US and Taiwanese leaders have already established habits of cooperation, understand how each other think, and communicate well. Demonstrating these ties, moreover, contributes to the deterrence of Chinese aggression. If Beijing sees the United States and Taiwan as a cohesive unit, rather than as awkward partners to be picked apart, Xi is more likely to shy from a fight.

While such cohesiveness starts at the top, it is important for both countries to invest in it at the operational level as well. The military-to-military relationship began to blossom during the first Trump presidency. In October 2021, the *Wall Street Journal* [reported](#) that "a US special-operations unit and a contingent of Marines have been secretly operating in Taiwan to train military forces there...for at least a year." But there is far more that can and should be done. Flag officers and their staffs should be engaged in combined contingency planning and conversations about roles and responsibilities. And US and Taiwanese forces should be training together regularly—at sea, in the air, and on the ground.

In short, the new Trump Administration may present opportunities for Taiwan to pursue much closer political and military ties with the United States. Those ties, in turn, can contribute to transforming the US-Taiwan security partnership into a far more formidable bloc, just as the PLA thinks it is putting the finishing touches on its invasion capability. While the Trump team is still coming together, early signs suggest that it will be amenable to new and deeper forms of cooperation.

The new Asia team will likely not only be open to new engagement, but to new arms sales as well. Taiwan knows well that arms sales may be an important way

to President Trump's heart. The *Financial Times* [reported](#) earlier this month that Taiwan is putting together a big arms sales request, possibly including F-35 fighter jets, E-2D Advanced Hawkeye airborne early warning aircraft, and Aegis destroyers. These deals may not all come to fruition, but Taipei is clearly prepared to spend big. It may not get everything it wants, but it will get a lot. Done wisely, such investments will have four effects. They will provide a potent symbol of US political commitment; impose a political cost on China for its escalating pressure on Taiwan; ingratiate Taiwan with Trump (who loves a good deal) and reassure those Americans in the national security community that believe Taiwan is not serious about its own defense; and, most importantly, enhance Taiwan's self-defense capability at a time of rising PLA self-confidence.

Unfortunately, Trump's second presidency presents substantial risks for Taiwan as well. He may build an Asia policy team that wants to be more aggressive in supporting Taiwan, but the president-elect has also expressed skepticism about Taiwan's importance to the United States and about the prospect of defending Taiwan. According to John Bolton, the national security advisor for parts of 2018 and 2019, during his presidency, Trump would often [compare](#) Taiwan to the tip of a Sharpie and China to the Resolute Desk. "So much for American commitments and obligations to another democratic ally," Bolton wrote.

More recently, when Bloomberg asked him directly if he would defend Taiwan, President-elect Trump first [complained](#) that Taiwan "did take about 100% of our chip business," then argued that "Taiwan should pay us for defense," and concluded by claiming it would be easy for China to take Taiwan with military force. "They're immensely wealthy. And I don't think we're any different from an insurance policy. Why? Why are we doing this?" Nothing here should inspire confidence in Taiwan that it has a powerful backer in Donald Trump.

Indeed, it is not at all clear that President-elect Trump thinks about China and Taiwan in fundamentally different terms. "I give them credit," he [said](#) of Taiwan's supposed theft of America's chip industry. "That's because stupid people were running the country. We should have never let that happen." He often discusses China in the same way.

For the once and future president, it may be the case that he looks at both China and Taiwan primarily as economic competitors, each out to take advantage

of the United States. Certainly, there is little evidence that President-elect Trump looks at Taiwan through a strategic lens, or that he sees its geographic location and democratic system as having much bearing on US interests.

The biggest question pertaining to the next Trump presidency is what, if anything, he wants from China. He spent much of his first term seeking an economic deal that would shrink the bilateral trade imbalance. If he is similarly consumed the second time around, he may be susceptible to PRC requests to curtail American support for Taiwan. If, on the other hand, President-elect Trump has truly embraced the view, which his first administration popularized, that the United States is engaged in a long-term strategic competition with China—and if he is serious about winning it—he will work to make sure that Taiwan is secure through 2027 and beyond. Only time will tell.

The main point: Trump's prior comments on Taiwan do not indicate that he is a staunch Taiwan ally—instead, his approach towards Taiwan will likely be influenced by his views on US-China and US-Taiwan economic competition, and Taipei will need to prepare to spend big on defense.

US-Taiwan Economic Relations in Trump 2.0: Opportunities and Challenges

By: Riley Walters

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US trading markets ticked higher on the news that former US President Donald Trump was elected for a second term. Investors generally see Trump's reelection as a net positive for business and the economy, despite the expectation that tariffs will be used more liberally in his second term. During his campaign, Trump [floated](#) the idea of an additional 10 to 20 percent tariff on all imports into the United States.

Imports from Taiwan could be targeted in this global tariff scheme. The United States already welcomes imports from Taiwan at a low rate, around [2 percent](#). An additional 20 percent tariff would increase the average tariff by 1000 percent. Whether US and Taiwan officials can negotiate to avoid these tariffs will depend on a number of factors, but something that has not been

helping negotiations is the increasing trade deficit between the United States and Taiwan.

Macro trends in trade, like the trade deficit, will weigh heavily on future US-Taiwan trade negotiations. But as with circumstances during the first Trump Administration, there may be other opportunities in the relationship outside of simply trade deficits and tariffs. For example, the US-Taiwan Economic Prosperity Partnership Dialogue was launched during the final year of Trump's first term and continues to explore opportunities in cyberspace and energy security.

Trump's second term may not be bad for US-Taiwan relations. Despite the threat of tariffs on imports from Taiwan and other economies, US-Taiwan relations could achieve a net positive when also considering non-trade matters.

The US-Taiwan Economic Relationship in Recent Years

Annual trade between the United States and Taiwan continues on an upward trend. Total trade (imports plus exports) of goods and services between the two economies reached a peak of [USD \\$161 billion](#) in 2022. 2023 was slightly lower at USD \$152 billion—but the recent boom in artificial intelligence, and exports of servers and graphic processing units (GPUs), may [bring that number back up](#).

The majority of goods and services traded between the United States and Taiwan continue to be in computers and computer parts, semiconductors, telecommunications equipment, industrial machines, transport, travel, and charges for the use of intellectual property.

The challenge when looking at just trade in goods and services, relative to the entire economic relationship between the United States and Taiwan, is that the US trade deficit with Taiwan has also been significantly growing in recent years. In 2022, the trade deficit reached a peak [USD \\$51 billion](#), nearly double what it was just two years prior. This makes Taiwan the 9th largest trade [deficit in goods](#) trading partner of the United States.

The trade deficit the United States has with Taiwan is likely to grow even further in 2024. While the boom in AI (and exports of AI generating hardware like GPUs and servers) has been a [lifeline for Taiwan's economy](#), it has also increased Taiwan exports relative to its imports with the United States. Already, [exports between January and October of this year from Taiwan to the United States are up nearly 55 percent, while imports](#)

[from the United States are only up 16 percent](#). Traditionally, the trade in services surplus the United States has with Taiwan has helped offset the trade in goods deficit, but unfortunately this trend reversed starting in 2021.

While President-elect Trump often talks about his dislike of trade deficits, he has also talked about his desire to bring new investment to the United States, and growing America's manufacturing capabilities. Since his last administration, Taiwan Semiconductor Manufacturing Company (TSMC, 台灣積體電路製造股份有限公司) has established its plant in Arizona and will likely reach production capacity during his new administration.

On the direct investment side of the economic relationship, this too has been trending upward. As of 2023, there was a combined [USD \\$41 billion](#) worth of foreign direct investment stock between the United States and Taiwan. Much of this is in manufacturing.

The future Trump Administration will likely continue to highlight the benefit of TSMC and other Taiwanese companies investments in the United States, and likely encourage even more. The concept of the *CHIPS and Science Act* began under the first Trump Administration. And there could be a second iteration of support for domestic chips manufacturing over the next few years.

Finally, it is also worth noting that Taiwanese investors have purchased USD \$717 billion worth of [US securities](#)—USD \$241 billion of which is in US Treasury securities, making Taiwan the 10th largest holder of US and Treasury securities. Likewise, US investors hold USD \$245 billion worth of [Taiwan securities](#), making Taiwan the 10th largest destination for US holdings of foreign securities.

Global Trade War a Challenge for Taiwan

Trump has proposed two new types of tariffs: a possible 20 percent tariff on all imports into the United States and increasing the tariffs the United States currently has on imports from China to up to 60 percent.

Either of these new tariffs would be a challenge for Taiwanese and American firms operating globally. Even if Taiwan can avoid a trade war directly with the United States, US tariffs on China and other countries like Mexico, Japan, Vietnam could mean increased costs ahead for companies and consumers.

The likelihood of new tariffs on US imports from China is particularly high. Despite the costs of these tariffs, a silver lining has been the impetus to shift manufacturing and other direct investment away from China. China's worsening political and economic situation, including rising cross-strait tensions, has also discouraged new investments in China. However, this diversification of supply chains away from China has not all been to the benefit of Taiwan.

Heightened concerns for a possible contingency between Taiwan and China have some international companies concerned about making new investments in Taiwan. Southeast Asia is also a more attractive destination when considering other macroeconomic factors, like the cost of capital and labor.

There is considerable uncertainty regarding the scope of the new tariffs, the process of their implementation, and whether there will be exemptions. Regardless, Taiwan has significant investments in China, the United States, Japan, Vietnam, and Thailand, to name just a few countries. Even if Taiwan manages to get an exemption, other tariffs applied will mean increased costs for companies and consumers.

Non-Trade Matters

Besides the growing trade surplus Taiwan has with the United States, the Trump Administration will likely come to Taipei and ask it to increase its defense spending even further. Even though Taiwan's defense spending continues to increase annually in terms of both numbers and as a percent of Taiwan's gross domestic product (GDP), it still may not be seen as enough in the eyes of the Trump Administration.

It's been reported that Taiwan may offer to purchase a significant number of US arms sales in an attempt to build good relations with the Trump Administration and to address their concerns about Taiwan's defense spending. But it is not certain that this strategy will work. And for the ruling Democratic Progressive Party, which lacks a majority in the Legislative Yuan, this puts President Lai in a difficult position.

It also does not help that the government of Taiwan has relatively low debt compared to other central governments. Taiwan's government has run a budget surplus over the last seven years. Fiscal constraints may be an issue in Taipei politics but it might not carry much weight with the Trump Administration.

The issue of defense spending aside, discussions of

defense and other security matters still might present opportunities for US-Taiwan dialogue—such as engagement on military training, or non-military security issues such as food and energy security. The Economic Prosperity Partnership Dialogue could continue to be a vehicle for discussion between the two governments. The only question is whether this, and other US-Taiwan dialogues, can survive the mooted future US Department of Government Efficiency.

Is a US-Taiwan Free Trade Agreement Possible?

In the first Trump Administration, trade and investment talks between the United States and Taiwan were shelved as trade talks with China were prioritized. It is unlikely that a second Trump term will be looking to make a deal with China anytime soon.

Right now, the United States and Taiwan continue to negotiate trade-related matters through the [US-Taiwan Initiative on 21st Century Trade Initiative](#). While the Trade Initiative is technically not a bilateral trade agreement, for all intents and purposes it is being negotiated very similarly to a bilateral trade agreement. For example, Congress now requires oversight and approval over the matters negotiated. The more agreements there are as a part of the Trade Initiative, the closer the United States and Taiwan come closer to what some may consider a comprehensive trade agreement. The only major issue not being negotiated are tariffs, which should not be too controversial given there are currently few tariffs between the United States and Taiwan.

If the Trump Administration wanted an easy, but big, win in its first year, all Trump would have to do is tell the Congress his intent to negotiate a deal with Taiwan. And with a majority Republican Congress, this should theoretically be easy enough to pass. Congress is also traditionally supportive of the US-Taiwan relationship at all levels—including trade, security, and defense. The real question then would be, would Trump be willing to look past his distaste for trade deficits to build a stronger economic partnership between the United States and Taiwan.

The main point: US-Taiwan economic relations over the next few years will have their ups and downs. Trade will be a major issue between the United States and its largest trading partners, many of which have large trade deficits with the United States, including Taiwan. Non-trade areas, like investment and security, may offer opportunities to continue good relations.