Update on Trump 2.0:
Trade and Investment Deals with Japan and Korea Finalized, and Taiwan Pending

21 November 2025

Key Takeaways

- After agreeing to basic outlines in July 2025, trade and investment agreements between the United States and Japan and Korea have now been concluded following President Trump's extended trip to Asia the last week of October. These agreements reset the terms of trade and investment between the countries in some notable and dramatic ways. Negotiations with Taiwan are advanced but not concluded.

- Japan had finalized its agreement in September, but finalizing the agreement with Korea took longer due to discussions over the terms and conditions for Korea's pledged investment in the United States. President Trump and President Lee Jae-myung were able to reach agreement during a summit meeting on the sidelines of the APEC meetings in Gyeongju on 29 October.[1] While in Tokyo, President Trump received assurance from Japan's new Prime Minister, Sanae Takaichi, that her government would honor the deal finalized under her predecessor, Shigeru Ishiba.

- There are similarities in the structure of the deals with Japan and Korea, and some differences. Most importantly for Japan and Korea, the deals lower the Trump-imposed tariff on their major export, autos and parts, from 25% to 15%. The "reciprocal" rate on most other goods was also set at 15%, with no "stacking" of multiple tariffs. There are also U.S. guarantees of Most-Favored-Nation (MFN)-based mutual tariff caps of 15% - not zero tariff guarantees - for critical export items such as semiconductors, pharmaceuticals, and aerospace equipment. At the same time, the agreements clarify that if the United States imposes Section 232 national-security tariffs, Japan and Korea will not be treated less favorably than other countries. Both governments pledged to increase purchases of U.S. agricultural products, LNG, and defense equipment.

- The biggest departure from traditional trade agreements is the unprecedented U.S. demand that Japan and Korea commit to specific levels of investment in the U.S. in the amounts of $550 billion and $350 billion, respectively. It is still unclear about how much investment will be made, as well as the investment decision-making process and potential for "snapback" of tariffs if certain targets are not met to the satisfaction of President Trump. These investments are to be concentrated in specific sectors deemed "strategic" by the Trump administration.

[1] Two key documents, the Memorandum of Understanding (MOU) and a bilateral Fact Sheet outlining core details, have not been released publicly, but agreements in principle have now been concluded.

Notably, in both cases the termination date of the agreements is **19 January 2029**, the day before President Trump's last day in office.

Background

Following President Donald Trump's reelection, The GR Company released its initial analysis, "*Trump 2.0: Navigating Policy Changes and Business Impacts in Japan, Korea and Taiwan*," outlining expected policy directions under the Trump 2.0 administration. A key forecast was the administration's priority to address the U.S. trade deficit with major trading partners regardless of their long-standing alliance and existing agreements, including the comprehensive, high-standard U.S.- Korea Free Trade Agreement ("KORUS") and a more limited U.S. – Japan Trade Agreement. This projection was borne out when the Trump administration announced the imposition of high tariffs on Japan, Korea and Taiwan on the infamous "Liberation Day" in April 2025.[2]

Japan and Korea are the most important allies and security partners for the United States in securing peace and prosperity across the Indo-Pacific region, so the launch of the Liberation Day tariffs was met with concern and surprise to both countries. Nonetheless, both governments soon shifted into pragmatic negotiation mode seeking to minimize the impact. The Government of Japan was very proactive, with then-Minister of Economic and Fiscal Policy Ryosei Akazawa traveling to Washington for negotiations on an almost biweekly basis between March and July. Korea experienced a temporary slowdown following the impeachment of former President Yoon but ramped up shortly after Lee Jae-myung took office in June. Taiwan's diplomacy has been steady but much more low-key given very different political circumstances.

For the Trump administration, the more important metrics of the relationships were the trade deficits registered with each partner. In essence, the Trump administration's objectives were to use high tariffs to reduce Japanese and Korean (and Taiwanese) exports of specific goods that drive up the U.S. trade deficit with those countries, mainly autos and auto parts, while using them as leverage to secure commitments for massive and unprecedented levels of direct investment in the United States in sectors considered to be "strategic" to U.S. economic security.

As the negotiations unfolded, a pragmatic approach emerged in Tokyo, Seoul, and Taipei, shaped in part by recognition t that the measures were not targeted at any one country, but reflected a broader strategy by the Trump administration to address longstanding concerns about the U.S. trade deficits. Government officials and negotiators quickly grasped that their countries were part of a wider policy

[2] The original rates announced for the three countries were Japan (24%), Korea (25%), and Taiwan (32%). Those were later reduced in July with Japan (15%), Korea (15%), and Taiwan (20%). https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf; https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/

framework. Moreover, once officials started to get a better feel for what the Trump team sought, they learned to be proactive and strategic in making proposals that would appeal to the Trump team.

For both countries, as well as Taiwan, these arrangements have primarily involved commitments on their part to increase purchases of U.S. goods and invest in the United States. To the relief of Japanese and Korean negotiators, the Trump team did not press hard for additional market opening in sensitive areas like rice and beef in either country. The Trump administration's primary focus was on eliminating some persistent non-tariff barriers.

There are key similarities in the structure and contents of the U.S. trade deals with Japan and Korea, and this will presumably apply to Taiwan as well. Given their dependence on the U.S. market as top destination for exports (both have more total trade with China), Japan and Korea faced potential challenges related to high tariffs, with Korea relatively more so due to a higher proportion of automotive exports to the United States. With similar export concentrations in autos and auto parts, semiconductors and electrical equipment, aerospace parts and components, and pharmaceuticals, both the Japanese and Korean governments wanted to ensure that they were accorded the same tariff levels as the other country, as well as Taiwan on semiconductors.

This objective was realized, as the Trump administration ultimately agreed to lower the 25% tariff on autos and auto parts imposed under Section 232 of the Trade Adjustment Act and the 25% "reciprocal" tariffs imposed under the International Emergency Economic Powers Act (IEEPA), with no so-called stacking of multiple tariffs, for both countries. Both countries sought, and were granted, the same tariff treatment, known as "Most Favored Nation," or MFN, for critical exports such as semiconductors, pharmaceuticals, as well as zero tariffs on aircraft components.

Key Provisions

Japan

The U.S. and Japanese governments finalized the terms and conditions of their agreement during the 10th meeting between then-Minister of Economic and Fiscal Policy Ryosei Akazawa and Secretary of Commerce Howard Lutnick on 4 September 2025.[3] While commonly referred to as a "framework agreement," it outlines a set of tariff measures, procurement commitments and an investment mechanism

[3] Notably, Prime Minister Takaichi named Akazawa as the new Minister for Economy, Trade, and Industry (METI) in her cabinet, an astute move given Akazawa's good working relations with Secretary Lutnick and other U.S. officials and his "institutional memory" of previous rounds of tariff talks.

designed to improve the U.S. trade balance with Japan and advance shared economic security objectives.[4]

Consequently, three additional documents have been released. First, a presidential executive order[5] implements the previously agreed-upon 15% tariff rates. Second, a Memorandum of Understanding (MOU) outlines the investment leg of the agreement. Third, a rather one-sided joint statement was (re-)released, listing and reconfirming the commitments made by the Japanese side.

Under the agreement, the United States will:

- Apply a "baseline" or "reciprocal" tariff of 15% on "nearly all" Japanese goods, including autos and auto parts.[6] This is a reduction from the 25% President Trump initially proposed but still a significant increase from 2024 U.S. tariff rates.
- Apply "sector specific" tariffs under different legal authority (Section 232) on steel and aluminum, copper, certain aerospace products, generic pharmaceuticals and pharmaceutical ingredients, and "unavailable" natural resources. Importantly, these tariffs will not "stack," meaning the higher Section 232 rates will not be added to the baseline tariff rate.

Japan will:

- Purchase $8 billion worth of additional U.S. agricultural goods annually, including soybeans, corn, fertilizer, bioethanol, and sustainable aviation fuel.
- "Expedite implementation" of the agreed upon reallocation of its existing quota on imported rice under the Minimum Access system in order to increase purchases from the United States by 75% (Japanese officials have been clear that Japan is not raising its overall quota of 750,000 MT annually, but that the U.S. will gain a greater share of that quota.)
- Purchase $7 billion worth of additional U.S. carbon-based energy per year, including LNG, while exploring a new agreement on the offtake of Alaskan LNG.
- Recognize U.S. automotive safety standards and provide Clean Energy Vehicle Introduction Promotion subsidies to U.S. vehicles, as well as accept U.S. manufactured and U.S.-safety-certified passenger vehicles without additional testing.

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[4] Information based on the Executive Order "IMPLEMENTING THE UNITED STATES–JAPAN AGREEMENT" and White House Fact Sheet "Fact Sheet: President Donald J. Trump Implements A Historic U.S.-Japan Framework Agreement." https://www.whitehouse.gov/presidential-actions/2025/09/implementing-the-united-states-japan-agreement/; https://www.whitehouse.gov/fact-sheets/2025/09/fact-sheet-president-donald-j-trump-implements-a-historic-u-s-japan-framework-agreement/

[5] "Implementing the United States – Japan Agreement" https://www.whitehouse.gov/presidential-actions/2025/09/implementing-the-united-states-japan-agreement/

[6] The 15% baseline tariff has been applied under the International Economic Emergency Powers Act (IEEPA), which the Court of International Trade and Federal Court of Appeals have ruled is an illegal application of the law. The administration sought and was granted expedited review by the Supreme Court, with the case argued on 5 November 2025. The decision is expected to be rendered by the end of the year but could take longer. While expectations in the legal community are that the lower court decisions will be upheld, there is no certainty that this will be the case.

- Purchase 100 Boeing aircraft (this was often mentioned in the media reflecting comments from the President). Tariffs will not be applied to certain aerospace equipment in accordance with the WTO Agreement on Trade in Civil Aircraft, which is an important consideration given the substantial supply chain relationships involved in commercial aviation.

- Increase the annual procurement of U.S. defense equipment by "billions of dollars"; and

- Generally, expand purchase of "range of U.S. industrial and consumer goods".

Overall, the Government of Japan sought, and was granted, certainty that tariffs on Japanese pharmaceuticals and semiconductors will be no higher than those for any other countries, particularly Korea and Taiwan, under a limited application of the traditional MFN principle.

In September, details surrounding the investment mechanism remained unclear, as the headline figure of $550 billion dominated public attention while discussions on how to implement the initiative bilaterally were still ongoing. Washington and Tokyo shared a broad understanding of the initiative's objective such as directing investment into "critical industries of importance to our national and economic security," which includes semiconductors, critical minerals, pharmaceuticals, energy, shipbuilding, AI, and quantum computing. Both countries further recognized the strategic intent of reducing dependence on China and coordinating "complementary action to address non-market policies of third parties," including measures related to duty evasion, investment security, and export controls.

However, ambiguities persisted regarding project selection and governance, particularly in light of indications from the Trump administration that investment decisions would be made directly by President Trump. This led to calls for additional clarification and refinement of the framework. It therefore fell to President Trump and incoming Prime Minister Sanae Takaichi to clarify the investment mechanism without prompting additional debates, particularly as Takaichi had publicly committed not to renegotiate the core terms agreed by her predecessor.

With the first Trump-Takaichi summit in October 2025, the governments agreed in a non-binding Memorandum of Understanding (MOU) to a basic framework. The GR Company has learned that there are several interrelated stages in the process:

1. *Joint Consultative Committee:* This will include representatives from both governments who will discuss potential areas and specific projects for investment. Designated sectors include AI, semiconductors, pharmaceuticals, metals, criterial minerals, shipbuilding, energy (including pipelines), and quantum computing.

2. *Investment Committee*: Chaired by the Secretary of Commerce (Howard Lutnick at present), this U.S. committee will take recommendations from the Joint Consultative Committee and present projects to President Trump.

3. *Presidential Decision*: President Trump will determine which projects proceed based on the recommendations from the Consultative and Investment Committees.

4. *Special Purpose Vehicles*: Once investment decisions are made, each project will have a designated "Special Purpose Vehicle" (SPV) to handle the financial and technical requirements. At Commerce, the Investment Accelerator will play a key coordinating role with the private sector players and the primary Japanese entities providing loans, loan guarantees, and equity investment, most notably the Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI), as well as private companies.

The timetable for any projects to launch is not clear although presumably this will commence as soon as possible. Under the MOU, Japan is obligated to provide funding for selected projects within 45 business days. Japan can refuse projects, but that comes with risk of tariff retaliation at the President's discretion.

Profits from each project will be distributed on a 50-50% basis until the initial investment is recouped, at which point the U.S. will assume a 90-10% share. Furthermore, the investment agreement includes a stated end-date of 19 January 2029, which aligns with the conclusion of President Trump's last day in office. This clearly indicates the unique nature of this arrangement: it is being driven by the President's interests in returning manufacturing to the United States through the threat of tariffs, and the Government of Japan is playing this out only until he leaves office. It remains to be seen if all $550 billion in investment will be made by 19 January 2029.

Judging from the details, the agreement was not reached between equal parties. Under Trump's Executive Order and the MOU, the United States retains the right to increase tariffs if Japan fails to fulfill its commitments, giving Washington continued leverage in future discussions. On the other hand, Japan obtained the most it could under the current circumstances and eliminated, or at least reduced, uncertainties that had caused tensions in the bilateral relations since "Liberation Day".

Korea

The broad contours of the trade and investment deal between the United States and Korea ("Korea Strategic Trade and Investment" deal) had been in place since July, but

key details, primarily the mechanics and process for directing the pledged $350 billion in Korean investment in the United States, remained to be finalized.[7] With Korea hosting the annual APEC Summit in late October, a summit between President Lee Jae-myung and President Trump was planned, but expectations that the deal could be closed were not high. However, President Trump and President Lee Jae-myung were able to conclude the agreement in a 29 October meeting held on the sidelines of the APEC meetings in Gyeongju.

The Government of Korea sought and ultimately achieved its primary objective, securing the same basic tariff terms as Japan – a reduction in the existing 25% tariff on autos and auto parts to 15% under Section 232, and a similar reduction in the "reciprocal" or "baseline" tariff rate imposed under the IEEPA from 25% to 15%. Korea also secured specific tariff terms for other key sectors, including Section 232 tariff caps for pharmaceuticals and wood products, a guarantee of 'no less favorable' Section 232 terms for its semiconductors, and zero tariffs on aircraft components and generic pharmaceuticals.

The terms and conditions are outlined in two key documents: a Joint Fact Sheet specifying the various commitments and the Memorandum of Understanding (MOU) with Respect to Strategic Investments. The MOU was signed on November 14, 2025, by South Korea's Industry Minister Kim Jung-kwan and U.S. Commerce Secretary Howard Lutnick. This 27-point, non-binding document outlines a $350 billion framework, including $150 billion for shipbuilding and $200 billion for other sectors. It also features provisions for currency stability, such as limiting USD funding to no more than $20 billion per year. The Joint Fact Sheet has also been released publicly. Notably, the documents include cross-references to the U.S.-Korea Free Trade Agreement (KORUS), signifying that it remains operable in some ways, despite the dramatic increase in U.S. tariffs.

The Fact Sheet breaks down the commitments into several broad categories, with itemized measures of varying specificity under each heading. Some are aspirational while some are clear, concrete commitments. Key points under each category are highlighted below (see Fact Sheet linked below for full details).

1. Rebuilding and Expanding Critical Industries
   This section outlines core provisions covering tariffs applied to Korean exports as well as Korea's investment targets. The section leads with reference to Korea's commitment to invest in "various sectors to advance strategic and national security interests," "including but not limited to" semiconductors, shipbuilding, energy, pharmaceuticals, AI/quantum computing, and critical minerals.

[7] Japan's pledge of $550 billion in U.S. investment was a cause of great concern in Korea, as this is equivalent to 30% of Korean GDP. Finance officials argued with US counterparts that such a high level was impossible and would be hugely disruptive to the economy and exchange rate market. Ultimately, the terms of Korea's agreement reflect these concerns.

Specific terms include:

- Korea commits to invest $150 billion in the U.S. shipbuilding industry subject to “approved investments.”

- Korea commits to invest an additional $200 billion in key U.S. industries per the MOU on Strategic Investments;

- Section 232 tariffs on autos, auto parts, timber, lumber, and wood derivatives are lowered from 25% to 15%;

- A Section 232 tariff rate of no greater than 15% for the “reciprocal” tariffs on goods originating in Korea. This refers to the higher rate under the KORUS agreement or the U.S. MFN rate, but the practical effect is that the rate is set at 15%;

- A Most-Favored Nation (MFN) rate of 15% will be applied to pharmaceutical exports from Korea to the United States;

- For semiconductor exports, terms for Section 232 tariffs that are no less favorable than those offered under any future agreement with countries whose semiconductor trade volume is “at least as large” as Korea’s – a provision that clearly refers to Taiwan;

- Removal of supplemental tariffs on generic pharmaceuticals and ingredients.

From what we know through reporting, conversations, and public statements, Korean officials have been careful and clear about stating that Korean companies will determine which investments will be made, with the government then supporting those investment plans and operations. This presumably means that the government is aiming to support more investment by mid-sized companies that need financial backing rather than the chaebol companies which have the financial capacity to invest.

More broadly, there is some concern about the impact on Korea’s economy and implications for the so-called “Mother Strategy” whereby Korean companies invest in high-value production at home, with lower value production migrating overseas. That’s generally applicable to Korean investment in emerging markets, so it remains to be seen whether it will have any spillover effect on investment in the United States The main point is that these high levels of investment in the United States could have an adverse impact on domestic investment and growth if not managed carefully (see below).

2. Foreign Exchange Market Stability
A major cause of the delay in finalizing the deal was serious concern in Seoul that the high levels of investment demanded would have adverse effects on the Korean economy by disrupting the foreign exchange market. To avoid "market instability," the parties agreed that "the ROK will not be required to fund an aggregate amount in U.S. dollars greater than $20 billion in any calendar year," and that the ROK will, to "the greatest extent possible," source the U.S. dollars through "means other than through market purchases" to minimize the market impact. There is also agreement that the ROK can request adjustment, per U.S. agreement, if there is any market disruption.

3. Enhancing Commercial Ties
This section largely acknowledges or "welcomes" things that have already been announced, including a pledge for $150 billion in U.S. investment by Korean companies announced in August, Korea Airline's announcement that it will purchase 103 Boeing aircraft (both passenger and freight) equipped with GE Aerospace engines (valued at $36 billion), and the "Buy America in Seoul" initiative whereby the ROK government will work with U.S. state governments to host an annual exhibit for U.S. companies (particularly SMEs) to promote U.S. exports.

4. Promoting Reciprocal Trade
The measures agreed to under this heading represent good opportunities for U.S. companies as they include commitments to address some current and longstanding non-tariff barriers of concern. Among them are:

- assurance that U.S. digital services providers will not be discriminated against (reference to the various digital platform bills under consideration);
- elimination of the 50,000-unit cap on U.S.-made passenger vehicles allowed into Korea under U.S. safety standards (Federal Motor Vehicle Safety Standards, or FMVSS), as well as the removal of the additional documentation requirement for emissions tests; and
- free movement or transfer of data across borders, including location data, reinsurance, and personal data;
- Korea avoided new market-opening commitments for U.S. rice and beef, two politically sensitive areas, agreeing instead to address various non-tariff measures affecting agricultural trade and agricultural biotechnology;
- General commitments to work together to address competition, intellectual property protection, labor rights, and environmental protection issues to ensure they don't impede trade and investment.

5. Protecting Economic Prosperity
In the section that clearly references, but not does not name, China, the U.S. and Korea commit to cooperate to combat duty evasion, take complementary actions to address unfair and non-market policies and practices, enhance inbound and outbound investment regulations, and ensure that international procurement obligations benefit countries that make similar commitments.

This is a very general language, but the intention is clear. How this is implemented will be critical and bears close monitoring.

6. Modernizing the U.S.-ROK Alliance
The commitments in this category commemorate ongoing discussions around strategic posture and deployment, and signal continued close cooperation with enhancements in some areas. These include:

- cooperation on extended deterrence, including nuclear;
- Korea's pledge to increase defense spending to 3.5% of GPD over time and in accordance with Korean law;
- Korea's pledge to procure $25 billion in U.S. military equipment and provide $33 billion in "comprehensive support" of U.S. forces in Korea in accordance with Korean law by 2030;
- continued cooperation toward the transition of wartime operational control and advancement of Korean capability, including through defense industry cooperation;
- enhanced cooperation on regional threat deterrence, including North Korea; and
- expanded cooperation on cyberspace and space.

7. Coordinating Korean Peninsula and Regional Issues
The language in this section shores up a mutual understanding of and commitment to stability on the Korean peninsula, including a commitment to the "complete denuclearization" of North Korea, close coordination on policy vis-à-vis North Korea and a call to return to dialogue with North Korea, and a pledge to "strengthen" trilateral cooperation with Japan.

8. Furthering Our Maritime and Nuclear Partnership
In this section the U.S. welcomes Korea's pledge to support the development and enhancement of the U.S. shipbuilding industry and workforce through an enhanced partnership (which the Korean government cleverly framed "Make American Shipbuilding Great Again, or "MASGA), significant investment, workforce training, and production, including the possibility of the production of U.S. ships in Korea.

Beyond this, there are important commitments to cooperate on matters that enable and support the advancement of Korea's nuclear capabilities, including

civil uranium enrichment and processing of spent fuel for “peaceful purposes.” The United States also offered its approval of Korea’s efforts to develop nuclear powered attack submarines.

Taiwan

Taiwan has adopted a deliberately low-profile approach in its trade negotiations with the United States for several strategic reasons. Most notably, Taiwan’s dominant export, semiconductors, is subject to potential Section 232 tariffs that have been announced but not yet implemented. This delay provides Taiwan with some space to observe how Japan and Korea navigate their negotiations with the Trump administration before finalizing its own position. Although tariffs on auto parts, electronics, ICT products, and pharmaceuticals impose significant pressure on Taiwan’s exports once fully applied, Taipei appears willing, at least for now, to tolerate a slower negotiation process.

Geopolitics further complicate the timing of announcing the trade agreement. Given Taiwan’s centrality to global semiconductor supply chains, any favorable U.S.–Taiwan trade agreement announced before completion of U.S.–China negotiations could harden Beijing’s stance which would jeopardize the ongoing U.S.–China talks or enable China to demand renegotiation of its own terms based on concessions granted to Taiwan. For the United States, prematurely elevating Taiwan’s deal could also trigger a renewed trade confrontation with China. As a result, Taiwan’s low-visibility posture is both strategically prudent and inherently costly, prolonging uncertainty for Taiwanese firms and international companies with exposure to Taiwan’s economy.

Public statements to date suggest that negotiations are nonetheless advancing. Media reports indicate that both President Trump and President Lai have expressed confidence that the two sides are nearing an agreement, with Taiwan expected to commit investments on a scale similar to Japan and Korea and to seek MFN-level treatment for semiconductor exports. Despite this low-profile approach from both sides, most recent announcements have suggested that Taiwan and the U.S. might come to a major deal conclusion soon. This is signaled by the first U.S. Arms Sales to Taiwan under Trump 2.0 Administration, which were announced on 13 November 13; and the U.S. Department of Treasury Joint Statement with Taiwan’s Central Bank one day later.

On 13 November, the U.S. State Department authorized a US$330 million sale of non-standard spare and repair parts to Taiwan, covering components for major air platforms such as the F-16 fighter fleet, C-130 transport aircraft, and other fixed- and rotary-wing systems requiring sustainment. While not a new weapons package, the sale is strategically significant as it reinforces Taiwan’s ability to maintain aircraft availability, address maintenance backlogs, and ensure operational readiness amid heightened regional tensions. The approval also signals continued U.S. support under

the Taiwan Relations Act by prioritizing logistics and sustainment capabilities, which are essential for credible deterrence and day-to-day air-defense operations. The nature and timing of the sale further suggest Washington's intent to strengthen Taiwan's defensive resilience without triggering escalation associated with more high-profile systems, thereby balancing support with broader regional stability considerations.

Regarding trade, the 14 November joint statement between the U.S. Department of the Treasury and Taiwan's central bank reaffirms both sides' commitment to close coordination on macroeconomic and foreign-exchange matters, including a clear pledge not to use currency practices for competitive advantage. The statement underscores that any Foreign Exchange (FX) intervention should remain exceptional and limited to addressing excessive volatility, while clarifying that the U.S. did not request NT dollar appreciation. It also outlines Taiwan's plan to enhance transparency by shifting to quarterly disclosure of FX interventions beginning in 2026 and notes that the statement is unrelated to ongoing tariff discussions.

In short, a major deal between Taiwan and the U.S. is expected to be disclosed in coming month, if not weeks. The level of uncertainty under Trump 2.0 Administration will continue to impact the Taiwanese market and decision-makers; however, Taipei is expected to continue to pursue a closer relationship with the U.S. as it is the single largest security guarantor for Taiwan. This might be done by winning Trump's favor with measures that reduce U.S.-Taiwan Trade deficit or support the U.S. in its reindustrialization efforts.

Implication for Future Relations

It is fair to say that the U.S. approach in these tariff negotiations introduced changes that affected its relationships with partners and allies, particularly in the early stages. Japanese officials initially thought that the close alliance with the United States would prevent the Trump administration from assessing high tariffs. Similarly, the Korean government thought that close security ties and the U.S.-Korea FTA would mitigate any harsh tariffs levied against Korean exports. For both allies, the U.S. focus on the competitive dynamics with China also suggested that a more cooperative approach could be taken as the Trump administration ramped up efforts to control exports to China.

These expectations were affected by the Liberation Day tariff announcement and subsequent negotiations. It quickly became apparent that the administration was not seeking traditional trade agreements, but "deals" focused on several key strategic priorities: reducing the U.S. deficits by securing procurement agreements in specific sectors, compelling foreign companies to shift production to the United States and invest in emerging or established industries deemed critical to U.S. economic security.

The respective governments quickly learned to shift from the cooperative, alliance-based approach fostered by the Biden administration to the transactional, U.S.-centric ("America First") negotiation style of the Trump administration. Thus, trade officials from Japan, Korea, and Taiwan packaged proposals carefully calibrated to appeal to the Trump team, emphasizing increased purchases of energy/LNG, defense equipment, and agricultural commodities as ways to boost U.S. exports to their countries and ostensibly reduce their trade surpluses.

With the Japanese and Korean deals now finalized, these agreements are limited in scope and intended as interim measure. Officials in Tokyo, Seoul and Taipei consider them temporary arrangements to manage developments over the coming years. consider them temporary arrangements to manage developments over the coming years.

It is important to note that these deals are non-binding legally in the United States, as they are "Executive Agreements" not subject to Congressional review or approval. Indeed, Congress had no role in their formulation, negotiation, or implementation. Implementation depends on the good-faith actions and good will of both parties. In this regard, there is a risk that Japan and Korea (and eventually Taiwan) could potentially be subject to a snapback on tariffs should they fail to fulfill commitments under the agreements, as determined primarily by President Trump.

The main source of uncertainty comes from the viability of the proposed investment frameworks. Private-sector firms in Japan, Korea, and Taiwan are likely to participate only in projects that are commercially viable, making government support and its implementation important factors, particularly for projects such as the Alaska LNG pipeline. Without clear mechanisms to ensure profitability or manage risk, the investment pillar of the agreements may face challenges in attracting significant participation.

Furthermore, the possibilities of Japanese, Korean, or Taiwanese companies facing penalties if they choose to bypass the framework and invest independently rather than through designated Special Purpose Vehicles may limit their flexibility in pursuing U.S. investment opportunities. Conversely, operating through the framework may offer advantages, such as streamlined regulatory processes, improved access to government land, or eligibility for federal subsidies, which could make the United States a more attractive destination for firms from all three economies.

The high degree of discretion accorded directly to President Trump in determining satisfactory progress creates the possibility of a snapback of tariffs. Additional uncertainty stems from the pending Supreme Court ruling on the constitutionality of the IEEPA as a legal basis for reciprocal tariffs. Should the Court find the administration's interpretation unconstitutional, as it should on the basis of the law and lower court interpretations of it, it would upend existing tariff structures and

force companies to reassess supply chains and long-term investment planning. The GR Company expectation is that the administration will quickly shift the tariff justification to other U.S. trade laws, particularly Section 232 and Section 301, but others could also be applied. This also raises unresolved questions regarding whether tariffs already collected under IEEPA could be reimbursed, and what process, if any, would govern such repayments.

The bottom line is that we are now in a new era of U.S. engagement with key Asian allies and partners. There is a framework of cooperation on one level, developed alongside the use of higher tariffs on goods exported previously from those countries with minimal duties. There is also a shift from the traditional system of rules-based trade toward more managed trade and investment, with explicit targets. This is all a marked departure from past practice and norms, but it appears to be the prevailing approach for now.