



TAIWAN POLITICAL PULSE

January 2026



Taiwan and the United States finally reached trade deal, lowered Reciprocal Tariff Rate to 15% for Taiwan

After months of negotiation, a Taiwanese delegation led by Vice Premier Cheng Li-chun and Chief Negotiator Yang Jen-ni cohosted a summary meeting on 15 January (U.S. Eastern Time) with U.S. counterparts headed by Secretary of Commerce Howard Lutnick and U.S. Trade Representative Jamieson Greer. The discussions confirmed alignment on several key negotiation objectives, including setting Taiwan's **reciprocal tariff rate at 15% on a non-stacked basis**, securing **most-favored treatment under Section 232 for semiconductors** and semiconductor-derived products, advancing supply chain-related investment cooperation, and **strengthening the Taiwan-U.S. strategic partnership in artificial intelligence**. The meeting also marked the formal signing of an investment memorandum of understanding between the Taipei Economic and Cultural Representative Office in the United States and the American Institute in Taiwan at the U.S. Department of Commerce.

•According to press release by the Executive Yuan, the trade deal with U.S. achieved all four core objectives of Taiwan:

- 1. Tariff alignment:** Taiwan secured a reduction of its reciprocal tariff rate to 15% on a non-stacked basis, achieving most-favored allied treatment among major U.S. deficit partners and aligning its competitive position with Japan, the Republic of Korea, and the European Union, with positive implications for traditional manufacturing sectors.
- 2. Preferential Section 232 treatment:** Taiwan became the first economy to obtain most-favored tariff treatment for semiconductors and semiconductor-derived products under Section 232, including duty-free quotas for U.S.-bound investment, alongside preferential treatment for automotive parts, lumber, and selected aerospace components, significantly reducing regulatory uncertainty for Taiwanese firms.



- 3. Supply chain and investment framework:** The United States formally recognized the “Taiwan model,” enabling Taiwanese firms’ integration into U.S. semiconductor and ICT supply chains, supported by up to USD 250 billion in corporate investment and up to USD 250 billion in government-backed credit guarantees.
- 4. Strategic technology partnership:** The negotiations strengthened the Taiwan–U.S. partnership in high technology and AI, combining Taiwan’s manufacturing strengths with U.S. innovation, talent, and market access to reinforce global AI supply chain leadership.

The trade deal was generally well received by Taiwan’s private sector, benefiting not only high-tech industries but also legacy manufacturing. In particular, the supply chain framework was seen as a major gain for traditional manufacturers—such as automotive components, consumer goods, machine tools, and timers—as the competitive disadvantage stemming from the lack of a free trade agreement was alleviated through MFN treatment on par with Korea and Japan, alongside the U.S. commitment to support Taiwanese investors in developing industrial parks, a model widely welcomed by SMEs.

The positive sentiment was reflected in the stock market, with the TWSE Index briefly touching an intraday low of 31,475 points and closing at 31,408 points, up 598 points or 1.94%, on turnover of NT\$823.3 billion, setting new records for both intraday and closing levels. The Executive Yuan stated that a separate Taiwan–U.S. Trade Agreement—covering tariffs, non-tariff barriers, trade facilitation, economic security, labour protections, environmental safeguards, and expanded procurement—is still undergoing legal review and will be signed with the Office of the United States Trade Representative at a later date before being submitted to the legislature in accordance with statutory procedures.

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