How the Trump 2.0 Administration Will Reshape U.S.-China Relations

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Abstract

This paper analyzes the Trump 2.0 administration's "America First" policy and transactional diplomatic approach and uses these concepts to examine the future trajectory of U.S.-China relations. While Trump's foreign policies may harm the interests of some U.S. allies, the United States has already identified China as its primary competitor. As a result, competition between the United States and China in international security, economics, and international influence is expected to intensify rather than diminish. Based on this assessment, the United States will likely increase its military presence in the Indo-Pacific region while maintaining strategic ambiguity regarding Taiwan to preserve its policy flexibility. Additionally, tariffs on China will continue to increase, supplemented by other measures to curb China's excess industrial capacity. The concluding section offers policy recommendations for the Taiwanese government to strengthen its economic and security ties with the Trump administration. These recommendations will serve as references for policymakers.

Keywords: Trump 2.0 Administration, U.S.-China Relations, America First, Transactional Diplomacy, Competition

I. Introduction

The first two months since Donald Trump took office on January 20, 2025, have felt like a roller coaster ride for the international community — full of surprises and constant changes. Overall, the Trump 2.0 administration has dramatically altered the landscape of international relations through tariffs and other measures.

U.S.-China relations have remained tense since the U.S.-China trade war began in 2018. Whether under Trump's first term, the Democratic administration of Joe Biden, or the returning Trump 2.0 administration, there has been no sign of improvement in U.S.-China Relations. Instead, bilateral relations appear to be growing increasingly competitive and adversarial. In fact, since President Obama introduced



Figure 1. U.S. President Donald Trump Meets Chinese Leader Xi Jinping at the G20 Leaders' Summit in Japan on June 29, 2019

- Source: Andrea Shalal & Kanishka Singh, "Trump expects visit from Chinese President Xi without giving timeline," February 20, 2025, *Reuters*, ">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-expects-visit-chinese-president-xi-without-giving-timeline-2025-02-20/>">https://www.reuters.com/world/trump-ex
- *1.* For more information about the trade war, see Yang Jiao, Zhikuo Liu, Zhiwei Tian, & Xiaxin Wang, "The Impacts of the U.S. Trade War on Chinese Exporters," *The Review of Economics and Statistics*, Vol. 106, No. 6, November, 2023, pp. 1576-1587.

the "Pivot to Asia" strategy in 2011,² the United States has viewed China's rise as an inevitable threat to its global dominance. The interactions between Donald Trump and Xi Jinping over the next four years will undoubtedly be a major focal point in international affairs.

To understand the changes the Trump 2.0 administration has already brought and will continue to bring to U.S.-China relations, we must first analyze Trump's foreign policy approach. In other words, this paper first examines Trump's "America First" policy and his transactional diplomatic style. Based on this foundation, the discussion will then explore the impact of Trump's policies on U.S.-China relations. Finally, given the future trajectory of U.S.-China competition, the paper will outline the opportunities and challenges Trump's policies pose for Taiwan. The conclusion offers policy recommendations for the Taiwanese government to ensure that amid escalating U.S.-China tensions Taiwan-U.S. relations can continue to be strengthened.

II. What Does It Mean by 'America First'?

To understand U.S. foreign policy under the Trump 2.0 administration, it is critical to recognize his background as a businessman. Since the end of the Cold War, the United States has helped shape a global market and production chain under the banner of free trade through institutions such as the United Nations, the World Trade Organization (WTO), and the International Monetary Fund (IMF), as well as various global and regional trade agreements. This system allows each country to leverage its comparative advantage to maximize its value in the global market.³ At the same time, in terms of international security, the United States has extended its global influence as the world's dominant power since the collapse of the Soviet Union. This influence is evident in institutions like the North Atlantic Treaty Organization (NATO), mutual defense agreements with Japan and South Korea, and military interventions such

^{2.} For details, see Kenneth G. Lieberthal, "The American Pivot to Asia," December 21, 2011, Brookings, https://www.brookings.edu/articles/the-american-pivot-to-asia/.

³ For discussions regarding comparative advantage and globalization, see Donald J. Boudreaux, "Comparative Advantage," September 12, 2023, *Cato Institute*, https://www.cato.org/publications/comparative-advantage.

as the wars in Afghanistan and Iraq, which were launched in response to Islamic extremism and transnational terrorism.

However, since the Obama administration introduced the "Pivot to Asia" strategy in 2011, the U.S. has increasingly recognized that China's rise may be irreversible, particularly as its total GDP approaches that of the United States. Beyond economic growth, China has also taken steps in its military expansion and international affairs that often directly challenge the U.S.' major interests.⁴ Furthermore, because China classifies itself as a developing country, it has enjoyed tariff protections since joining



Figure 2. Is China Still a Developing Country?

Source: Depositphotos.

4. Aleksandra Gadzala Tirziu, "China's military expansion: A global power shift in the making," December 16, 2024, *Geopolitical Intelligence Services AG*, ">https://www.gisreportsonline.com/r/china-military-expansion/.

the WTO in 2001, preventing foreign goods from receiving the most-favored-nation status treatment and thereby bolstering its domestic production and consumption capacity. Additionally, China has continued to engage in intellectual property theft, accelerating its technological and industrial advancement illegally and unethically.

The primary goal of any global hegemon is to maintain its dominance. In this context, the United States currently faces two major challenges. First, China's rise directly threatens the U.S.' hegemonic order.⁵ Second, although the United States has remained the world's largest economy and military power, its resources are not unlimited. In other words, to sustain the international system it has built, the United States must not only allocate substantial military expenditures to subsidize the security of other countries but also make economic sacrifices — such as allowing foreign access to its markets and outsourcing manufacturing jobs — to secure the loyalty and support of its allies and partners. This is the burden of the hegemony, to some extent, as the United States has long relied on military assistance and economic concessions to other nations to maintain its global influence.

However, Trump views these sacrifices as a series of unfair disadvantages for the American people. Why should the United States tolerate massive trade deficits with other countries? Why must the United States spend enormous sums on military defense for other countries? Why should American workers bear the cost of job outsourcing in exchange for diplomatic goodwill? Why should the United States contribute substantial funding to international organizations that do not always act in its own national interest? What previous administrations saw as necessary trade-offs — part of the cost of maintaining global hegemony — Trump sees as policies that must be reversed.

Although economic imbalances make it impossible for the United States to achieve absolute parity in trade or international security contributions, Trump's

Rush Doshi, "The long game: China's grand strategy to displace American order," August 2, 2021, Brookings, https://www.brookings.edu/articles/the-long-game-chinas-grand-strategy-to-displace-american-order/.



Figure 3. Then-Former President Donald Trump Speaks at a Summit Hosted by the America First Policy Institute in Washington, D.C., July 2022

Source: Casey Tolan & Kristen Holmes, "Conservative think tank laying groundwork for a second Trump term raised millions from a single anonymous donor," December 6, 2023, *CNN*, https://www.cnn.com/2023/12/06/politics/trump-donor-america-first-policy-institute-invs/index.html>.

"America First" vision seeks to shift the burden onto other countries. This means compelling other countries to purchase more American goods, increasing their share of defense spending, and investing in the U.S. economy to create jobs — despite the reality that automation and AI may still limit employment opportunities for blue-collar workers. This, in Trump's view, is the essence of "America First" and his definition of United States national interest.

III. Trump's Transactional Diplomacy and Its Connotations

To achieve his "America First" vision, Trump has relied heavily on a transactional approach to diplomacy. Many analysts fail to define the characteristics of Trump's transactional diplomacy clearly — what can be negotiated, what cannot, or whether everything is up for trade. To fully understand this approach, we must



Figure 4. Trump's Meeting with Ukrainian President Volodymyr Zelenskyy, along with Vice President JD Vance

Source: Aamer Madhani, "Trump's transactional approach to diplomacy is a driving force on the world stage," March 9, 2025, *The Associated Press*, https://apnews.com/article/trump-transactional-diplomacy-tariffs-russia-ukraine-canada-e70f0e800b1c7891a0fa4f21a28c67af>.

adopt a comprehensive perspective rather than judge it superficially based on Trump's statements or actions alone.

At the core of any negotiation, there must be leverage. If one lacks something that others want, why would they engage in negotiations? For most countries, Trump's ability to conduct diplomatic transactions stems from his use of the United States market as bargaining power to achieve his foreign policy goals.⁶ This explains why he

^{6.} EJ Antoni, "Trump Speech Lays Out Roadmap to Prosperity," March 10, 2025, *The Heritage Foundation*, https://www.heritage.org/markets-and-finance/commentary/trump-speech-lays-out-roadmap-prosperity>.



Figure 5. Trump Threatens to Impose Sweeping New Tariffs on Mexico, Canada and China on Day 1

Source: Lalee Ibssa, Kelsey Walsh, & Soo Rin Kim, "Trump threatens to impose sweeping new tariffs on Mexico, Canada and China on Day 1," November 26, 2024, *ABC News*, .

has consistently emphasized that "tariffs are a beautiful thing." As the United States president, Trump wields near-absolute authority over foreign policy and international trade. In the past, the United States facilitated economic integration through agreements such as the North American Free Trade Agreement (NAFTA) and its participation in the WTO, granting other countries most-favored-nation status benefits to access the American market. However, from Trump's perspective, these economic interdependencies — especially other nations' unilateral reliance on the United States market — are key leverage points in negotiations. Simply put, Trump uses the U.S. market and consumer power as a bargaining chip to secure his desired diplomatic outcomes.

For example, regarding Mexico and Canada, Trump wanted stronger measures to combat drug trafficking, illegal immigration, and Chinese factories exploiting their consumer market by circumventing United States tariffs by mislabeling their goods and pretending that they were manufactured in Mexico or Canada.⁷ To pressure these countries, he wielded tariffs as a weapon, expecting other nations to implement policies that aligned with his demands.

Regarding China, Trump sought greater market access for American businesses to operate in China without restrictions. Additionally, he pushed for stronger action against fentanyl trafficking, a key contributor to the United States opioid crisis. However, China's reluctance to open its markets stems from concerns over domestic political stability, as economic liberalization could weaken the Chinese Communist Party's grip on power. Since Beijing refused to negotiate on these terms, Trump escalated tariffs, increasing them by 10% per month until China was forced back to the negotiating table, if that day will ever come.

Therefore, tariffs are merely a tool, while the actual subject of negotiation varies depending on each country's bilateral relationship and the strategic interests of the United States. Similarly, in mediating the Ukraine war, Trump has taken a highly transactional approach. Since he seeks access to Ukraine's rare earth minerals,⁸ he has deliberately flip-flopped in negotiations, sometimes siding with Russia and even criticizing Ukraine.⁹ He maximizes his bargaining power by demonstrating yet another application of his transactional diplomacy in international affairs.

Scott Horsley, "A Mysterious Pencil Factory Sharpens Focus On Tariff Scams," September 25, 2019, NPR, https://www.npr.org/2019/09/25/763537209/a-mysterious-pencil-factory-sharpens-focus-on-tariff-scams-.

[&]amp; Gracelin Baskaran & Meredith Schwartz, "Breaking Down the U.S.-Ukraine Minerals Deal," February 27, 2025, *Center for Strategic & International Studies*, https://www.csis.org/analysis/breaking-down-us-ukraine-minerals-deal>.

^{9.} Daniel Arkin, "Trump turns toward Russia, breaking with decades of U.S. policy," March 3, 2025, NBC News, https://www.nbcnews.com/news/us-news/trump-turns-russia-breaking-decades-us-policy-rcna194518>.

IV. Forecasting U.S.-China Relations under the Trump 2.0 Administration

With a better understanding of Trump's "America First" doctrine and his transactional approach to diplomacy, we can now analyze the logical and theoretical implications of how U.S.-China relations might evolve under his second administration. Broadly speaking, we can assess this relationship through three dimensions: strategic competition in security, economic rivalry, and competition in the international arena.

Naturally, he will not willingly cede the United States' global dominance to China under Trump's America First framework. While he often speaks positively

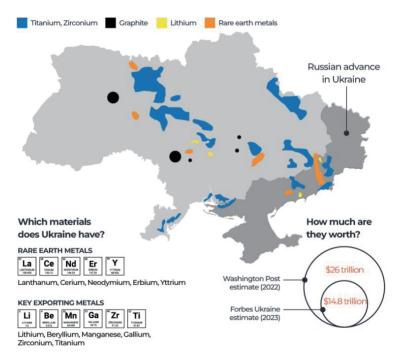


Figure 6. Ukraine's Mineral Reserves

- Source: Hanna Duggal & Marium Ali, "Mapping Ukraine's rare earth and critical minerals," February 28, 2025, *Al Jazeera*, https://www.aljazeera.com/news/2025/2/28/mapping-ukraines-rare-earth-and-critical-minerals.
- Note: Ukraine has deposits of 22 of the 34 minerals identified by the European Union as critical, including rare earth metals, Those are worth trillions of dollars.

about his relationship with Xi Jinping in public — sometimes even praising Xi's leadership — his actions since taking office have consistently framed China as America's primary geopolitical rival. Trump has pursued containment and confrontation against China both militarily and economically.

1. Strategic Competition: The Security Dimension

How a Trump 2.0 administration will handle the U.S.-China competition remains an open question. From the international security perspective, Trump's immediate priority is the Russia-Ukraine war. Although he has repeatedly stated his desire to mediate the conflict and form peace across these two warring nations, if the United States' primary interest in Ukraine lies in securing its rare earth minerals — thus ensuring that America's tech sector is not dependent on Chinese rare earth minerals supply chains — then prolonging the war could be to Trump's strategic advantage. A prolonged conflict would keep Ukraine reliant on the United States' security assistance while guaranteeing the U.S. has continuous access to its rare earth resources. However, the extent to which this strategy unfolds will likely depend on whether Ukraine and the U.S. sign an agreement in March of 2025.

That said, actively mediating the Russia-Ukraine war does not mean that Trump will align with Russia against China. Realistically, China and Russia share deeper economic, security, and ideological ties.¹⁰ While it is not impossible for the United States to court Russia, doing so risks alienating NATO and EU allies, who are on the front lines of Russia's military threats. Although Trump has expressed dissatisfaction with NATO, abandoning European allies would create a vacuum for China to exploit, making such a move counterproductive. Thus, Trump will unlikely prioritize an alliance with Russia in the U.S.-China competition. However, if the Russia-Ukraine war de-escalates — even without a formal ceasefire agreement but through sheer war fatigue — the United States would be able to redirect more resources to the Indo-Pacific region to consolidate its military posture against China and its People's

^{10.} Clara Fong & Lindsay Maizland, "China and Russia: Exploring Ties Between Two Authoritarian Powers," March 20, 2024, *Council on Foreign Relations*, https://www.cfr.org/backgrounder/china-russia-relationship-xi-putin-taiwan-ukraine>.



Figure 7. Russian President Vladimir Putin Greets Chinese Leader Xi Jinping at the BRICS Summit in Russia, October 23, 2024

Source: Patricia M. Kim, Aslı Aydıntaşbaş, Angela Stent, Tara Varma, & Ali Wyne, "China and Russia's strategic relationship amid a shifting geopolitical landscape," March 6, 2025, *Brookings*, https://www.brookings.edu/articles/china-and-russias-strategic-relationship-amid-a-shifting-geopolitical-landscape/.

Liberation Army (PLA). This would likely be a central pillar of Trump's China security strategy.

The United States will likely maintain its strategic ambiguity while increasing military deterrence against China regarding Taiwan and the Taiwan Strait. Trump has repeatedly stated that he will not clarify how he would respond to a Chinese invasion of Taiwan.¹¹ However, one core principle remains: winning the great-power competition against China is central to the United States national interests. Thus,

Josh Wingrove, "Trump Declines to Say If US Would Protect Taiwan From Invasion," February 26, 2025, *Bloomberg*, https://www.bloomberg.com/news/articles/2025-02-26/trump-declines-to-say-if-us-would-protect-taiwan-from-invasion?embedded-checkout=true>.

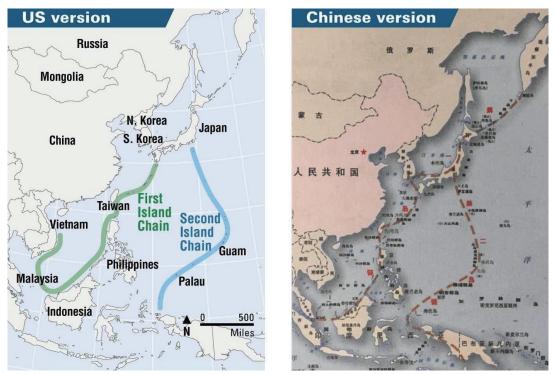


Figure 8. The First and Second Island Chains

abandoning Taiwan and allowing China and the PLA to break through the First Island Chain is fundamentally illogical. However, in line with his transactional approach, Trump believes the United States' protection is not free — beneficiary nations must contribute financially and mutually.¹² As such, the Trump administration is expected to pressure Taiwan, Japan, South Korea, and other U.S. allies and security partners to increase their defense spending while demanding that NATO members contribute more rather than relying on the United States' military support as the major contribution to NATO.

Source: Christopher P. Cavas, "Powers Jockey for Pacific Island Chain Influence," February 1, 2016, *DefenseNews*, https://www.defensenews.com/global/asia-pacific/2016/02/01/powers-jockey-for-pacific-island-chain-influence/.

^{12. &}quot;Trump casts doubt on willingness to defend Nato allies 'if they don't pay'," March 6, 2025, *The Guardian*, https://www.theguardian.com/us-news/2025/mar/07/donald-trump-nato-alliance-us-security-support.

From a budgetary perspective, early indications from the Trump 2.0 administration suggest that defense spending will increase rather than decrease.¹³ Historically, Republican administrations prioritize military buildup and weapons development, so Trump will likely engage China in a Cold War-style arms race to drain China's economic resources.

2. Economic Competition: Trade and Tariffs

While Trump has long advocated for reshoring American manufacturing, the reality of global supply chains indicates that a full return of labor-intensive industries to the United States homeland is unlikely in the short term, perhaps even in the long term.¹⁴ Instead, while some industries may relocate back to the United States, certain levels of globalization will persist. However, Trump will prioritize trade with countries that align with U.S. strategic goals or are willing to negotiate deals with him while restricting access to those that do not. The U.S. market will be used as a tool to punish adversaries through tariffs and economic sanctions.

The tariff war with China is only the first step in Trump's economic strategy toward China. His ultimate goal is to secure access for U.S. businesses to operate freely in China. However, Beijing is unlikely to make such concessions, as market liberalization and private enterprise growth threaten the Chinese Communist Party's control over the people. A freer market would enable free information flow, potentially fostering democratic ideals — a risk China's leadership cannot afford.¹⁵ As long as China remains an authoritarian state, economic disputes between the United States and China will persist.

^{14.} Arriana McLymore & Helen Reid, "Why a major shift to US clothing production is unlikely," March 13, 2025, *Reuters*, ">https://www.reuters.com/business/retail-consumer/why-major-shift-us-clothing-production-is-unlikely-2025-03-13/>">https://www.reuters.com/business/retail-consumer/why-major-shift-us-clothing-production-is-unlikely-2025-03-13/.

^{15.} James A. Dorn, "China needs a free, not socialist, market," January 28, 2023, *The Hill*, https://thehill.com/opinion/congress-blog/3834754-china-needs-a-free-not-socialist-market/.

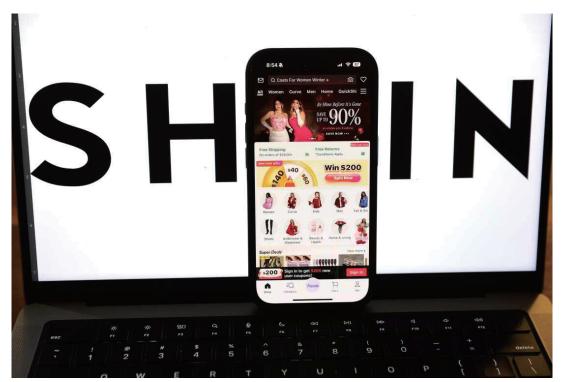


Figure 9. SHEIN, the Chinese Online Shopping Platform Popular in the United States Market

Source: James A. Dorn, "China needs a free, not socialist, market."

In the near future, we can expect Trump to raise tariffs on China to 60%, as he promised during his election campaign. If China refuses to comply, these tariffs could rise even higher. Additionally, Trump has ended tariff exemptions for smallvalue shipments (aka, de minimis duty-free exception), directly targeting Chinese e-commerce platforms like TEMU and SHEIN, which have benefited from taxfree imports.¹⁶ Furthermore, Trump's tariff threats against Mexico and Canada are partly aimed at curbing China's practice of circumventing tariffs by rebranding and mislabeling Chinese goods as Mexican or Canadian under the USMCA trade agreement.

^{16.} Bill Chappell, "China no longer has a de minimis trade exemption. What is it?" February 5, 2025, *NPR*, <<u>https://www.npr.org/2025/02/05/g-s1-46670/de-minimis-trade-china-temu-shein-trump</u>>.

These measures will exacerbate China's existing economic woes, including overproduction and declining domestic demand. The Biden administration's approach was to balance economic pressure with risk management, fearing that excessive pressure on China could provoke a military response, such as an invasion of Taiwan. However, Trump's team rejects this cautionary stance, arguing that fear of Chinese retaliation should not deter maximum economic pressure. They advocate a near-total economic containment unless China returns to the negotiating table. So far, Beijing has struggled to formulate a clear response to the Trump 2.0 administration, resulting in a wavering stance — sometimes adopting aggressive "wolf warrior diplomacy," only to soften its tone later and repeating this process on many occasions. As this author told a news reporter, "instead of real willingness to fight a war with the United States, Beijing is continuing its 'wolf warrior' style of diplomacy to appear tough, and it's likely because the Foreign Ministry doesn't know how to find a solution where Beijing would gain benefits."¹⁷

3. Global Competition: U.S. Leadership vs. China's Aspirations

Trump's foreign policy is inevitably unpopular among many countries, often provoking resentment — cuts to USAID funding being just one of many sources of grievance.¹⁸ While his policies prioritize American interests, they risk damaging the United States' credibility in global markets. His erratic negotiation style and willingness to withdraw from international organizations he deems unfair weaken U.S. global influence — potentially creating opportunities for China to expand its reach.¹⁹

Lily Zhou, "China says it's ready to fight 'trade war or any other type of war' with US," March 7, 2025, *The Signal*, https://signalscv.com/2025/03/china-says-its-ready-to-fight-trade-war-or-any-other-type-of-war-with-us/.

^{18.} Stewart Patrick, "Trump's Move to Gut USAID Reveals the Crux of His Foreign Policy," February 4, 2025, Carnegie Endowment for International Peace, https://carnegieendowment.org/ emissary/2025/02/usaid-trump-foreign-aid-policy-why?lang=en>.

^{19.} See Deepa Shivaram, "Trump withdraws the U.S. from the United Nations Human Rights Council," February 4, 2025, NPR, https://www.npr.org/2025/02/03/nx-s1-5285696/trump-unhuman-rights-council-withdrawal.

However, China's own economic struggles — including supply chain disruptions, overregulation, and excessive state intervention — have weakened its financial ability to challenge U.S. influence.²⁰ While Trump's withdrawal from global institutions may create a power vacuum, China lacks the economic strength to backfill the space occupied by the U.S. As a result, many international organizations may become dysfunctional rather than shifting toward Chinese dominance.

This could be part of Trump's grand strategy: to foster a looser, more interestdriven international order where the United States maintains superiority through economic and military might. Trump believes that in such a world, the United States remains the most attractive power, leading countries to align with Washington (bandwagoning) rather than balancing against it — a traditional Republican foreign policy stance. As long as America stays ahead of China, Trump's team is confident the United States will retain its global leadership in the ongoing great-power competition with China.

V. Concluding Remarks

This paper analyzed Trump's "America First" policy and transactional diplomatic approach and used these concepts to discuss how U.S.-China relations might evolve under the Trump 2.0 administration. The future global landscape may differ significantly from the past few decades, depending on how far the United States, as the world's dominant power, is willing to push its competition with China and what objectives it aims to achieve through tariffs and other means. Trump's reciprocal trade and tariffs policy is set to take effect on April 2, 2025, but the actual content of this policy and its impact on the global economic system will only become apparent after its implementation. This policy introduces another variable in the U.S.-China competition. If reciprocal tariffs place excessive pressure on other countries, some may seek to explore whether China is willing to provide resources to assist them. Although China frequently issues empty promises, developing countries may

^{20.} Nicholas Borst, "How deeply rooted are China's economic woes?" August 30, 2024, *OMFIF*, https://www.omfif.org/2024/08/how-deeply-rooted-are-chinas-economic-woes/.



Figure 10. TSMC Invests an Additional US\$100 Billion in the United States

Source: Sherry Qin, "TSMC Says \$100 Billion U.S. Expansion Driven by Demand, Not Political Pressure," March 6, 2025, *The Wall Street Journal*, https://www.wsj.com/tech/tsmc-says-100-billion-u-s-expansion-driven-by-demand-not-political-pressure-af6f8518>.

sometimes have no alternative but to rely on Beijing's pseudo-goodwill when options are limited.

For Taiwan, TSMC's recent announcement of an additional US\$100 billion investment in the United States has reinforced Trump's belief that Taiwan's semiconductor industry is willing to further integrate into the American supply chain, aligning with his "America First" vision. However, TSMC's investment should not be seen as the final step in U.S.-Taiwan cooperation. Trump hopes that Taiwanese companies across various industries will increase their investments in the United States, thereby creating local jobs. The Taiwanese government should actively engage with domestic industries to facilitate more profound integration with the U.S. market. Strengthening U.S.-Taiwan ties in this way will enhance Taiwan's strategic importance within America's well-established supply chain while the U.S.-China competition further intensifies.

Additionally, Trump expects Taiwan to increase its defense budget to demonstrate its commitment to self-defense. However, due to budget cuts and freezes imposed by the opposition in the Legislative Yuan, increasing overall defense spending remains challenging in the short term. Given this political reality, the Taiwanese government should engage in more in-depth discussions with the United States to explain the constraints of Taiwan's domestic party politics and explore alternative means, such as special budgets or other financial mechanisms, to boost defense expenditures. Showing Taiwan is willing to stand on the same side as the United States in countering China is critically important under the Trump 2.0 administration, as Trump believes that all nations need to share the United States' security burden for their respective protections. Taiwan Strategists No. 25