

Trump's National Security Strategy and Its Implications for Taiwan

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Abstract

The United States has been a cornerstone in maintaining peace and stability in the Indo-Pacific region since the end of WWII. In recent years, Washington has undertaken what may be its most consequential national security pivot in more than three decades, driven by China's assertive expansion and its growing challenge to U.S. global leadership. While the Western Hemisphere remains of primary strategic importance to U.S. interests, Washington is increasingly shifting its center of gravity toward the Indo-Pacific — the most critical battleground for great power competition. All of the Indo-Pacific countries, especially Taiwan, are affected by the U.S.-China strategic competition and the changing U.S. national security strategy. The U.S. government released its *National Security Strategy Report (2025 NSS)* on December 4, 2025. This paper analyzes Trump's new national security strategy and is divided into four parts. The first addresses Trump's strategic thinking, ideas, principles, and goals. The second focuses on the challenges Taiwan faces from Trump's new national security strategy. The third analyzes the opportunities created by Trump's 2025 NSS. In conclusion, this paper argues that Trump's national security strategy created more challenges than opportunities for Taiwan. It points out that the urgent task for Taiwan is to increase defense spending to meet Trump's expectations.

Keywords: Donald Trump, National Security Strategy, Taiwan, U.S.-China Strategic Competition, Indo-Pacific

I. Introduction

President Donald Trump's national security strategy in his first term (2017–2021) was focused on China. He issued a “wake-up call” to the American people, reminding them of the great threat posed by China to U.S. national security and the rules-based global order. Trump listed China as one of the two revisionist powers that “want to shape a world antithetical to U.S. values and interests.” China “seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor.”¹

Therefore, Trump officially announced the abandonment of the policy of engagement toward Beijing in his *National Security Strategy Report* released on December 18, 2017, and launched a trade war against China to slow down China's economic growth and weaken its national power. In addition, Trump adopted a “peace through strength” policy by greatly increasing the U.S. defense budget.

Before Trump was sworn in to serve his second term on January 20, 2025, the world, including U.S. allies and enemies, was concerned with the national security strategy of Trump 2.0. Before the end of 2025, both U.S. allies and partners had been stunned by Trump's actions. He had signed a series of executive actions that almost revoked all of President Joe Biden's policies. He continued to delay enforcement of a TikTok ban, was seemingly willing to sacrifice Ukraine in favor of Russia in order to end the Ukraine War, withdrew from several international organizations, closed the United States Agency for International Development (USAID), and was ostensibly determined to seize Greenland from Denmark — a U.S. ally and NATO member. To U.S. allies, those actions encouraged the view that the U.S. was giving up its role of world leadership and paved the way for China's growing global influence.

Trump calls himself “a Tariff Man” and it seems that tariffs are his only foreign policy tool. He launched a tariff war against every country, with no differentiation

1. The White House, *National Security Strategy Report of the United States of America*, December 18, 2017, p. 26.

between allies and enemies. Nobody knew exactly what Trump was going to do until he released his National Security Strategy (hereafter, the 2025 NSS) report in December 2025, which outlines the main themes, goals, principles and actions of the U.S.' strategy for national security. This paper analyzes the national security strategy of Trump 2.0 and focuses particularly on its impact on Taiwan.

II. Trump's National Security Strategy

Donald Trump is an unconventional U.S. president whose strategic vision and political impulses have propelled a transformative departure from the longstanding principles of U.S. foreign policy. To clearly understand Trump's national security strategy, especially his unconventional policy toward U.S. allies, one must have a deep understanding of his logic, philosophical thinking, and worldview.



Figure 1. America First

Source: The White House, "President Donald Trump salutes sailors as he walks toward the stage to deliver remarks in honor of the U.S. Navy 250th anniversary celebration at the USS Harry S. Truman aircraft carrier at Naval Station Norfolk in Norfolk, Virginia," October 15, 2025, *flickr*, <<https://www.flickr.com/photos/whitehouse/54855320124/in/photostream/>>.

Trump was a successful businessman before his first job in the public sector as U.S. president in 2017. His national security strategy is completely based on the calculation of cost and benefit. Values such as human rights, democracy, ideology (anti-communism), and humanitarian aid play no part in his foreign policy decision-making. The main theme in Trump's national security strategy is "America First." Trump firmly believes that Washington has to prioritize U.S. national interests first and above all. He emphasizes that his foreign policy "is motivated above all by what works for America."² But such an approach should not be misread as isolationism. Instead, Trump calls it "flexible realism."

Trump is skeptical about the world order and "soft power." He believes that the post-World War II rules-based world order has not only been maintained at American expense, but that it is run on a *laissez-faire* basis that has sapped U.S. power. From Trump's perspective, the existing world order might have been built by the U.S. after World War II, but it is doubtful whether the *status quo* of the world order remains the U.S.-led system.

Trump believes that the world order has never been run by the concept of rule of law, given its anarchic nature, and that this is a utopian delusion. Instead, balance of power is realistic. Under the principle of balance of power, the U.S. cannot allow and must prevent any country becoming so dominant that it could threaten American interests. The U.S. will work with allies and partners to maintain global and regional balances of power to prevent the emergence of dominant adversaries. To ensure that the balance of power is set in the U.S.' favor, the Trump administration does not believe that soft power is the answer. Instead, it views soft power as leading to meddling and overstretch. While the "carrot and stick" paradigm historically informed U.S. foreign policy, Trump's skepticism toward soft power reflects a strategic shift toward reliance on coercive leverage rather than conciliatory incentives.

Trump has no intention of giving up U.S. global leadership. On the contrary, his purpose, as he constantly repeats, is to "Make America Great Again" (MAGA),

2. The White House, *National Security Strategy of the United States of America*, December 4, 2017, p. 8.

which means reversing American decline, maintaining the United States as the most powerful country in the world, and, as mentioned above, preventing the emergence of dominant adversaries. As stated in his 2025 NSS, Trump wants to rebalance the U.S.' trade relations, secure access to critical supply chains and materials, reindustrialize the U.S. economy, restore American energy dominance, and preserve and grow the U.S.' financial sector dominance. In addition, Trump maintains the principle of "Peace Through Strength." He has reversed President Barack Obama's policy of cutting the defense budget. In his first term, Trump increased U.S. defense spending from US\$646.75 billion in 2017 to US\$806.23 billion in 2021.³ He proposed a US\$1.01 trillion national defense budget for fiscal year 2026.⁴

Like his predecessors, President Trump wants to protect vital U.S. national interests. As it illustrates in the 2025 NSS, the Trump administration wants "to protect this country, its territory, its economy, and its way of life from military attack and hostile influence, whether espionage, predatory trade practices, drug and human trafficking, destructive propaganda and influence operations, cultural subversion, or any other threat to our nation."

III. Challenges for Taiwan

First, Taiwan will face strong pressure from Washington to increase its defense budget. One of the priorities in Trump's national security strategy is "burden-sharing and burden-shifting." Trump perceives highly credible American security guarantees as encouraging most of the U.S.' allies to reduce their defense efforts and rely on American protection. In Trump's own words, U.S. allies, including Taiwan, are free riders who enjoy security provided by Washington's global network without making efforts for their own defense. Those allies have taken advantage of the U.S. by under-spending on defense. Trump has announced that this has now come to an

3. Stockholm International Peace Research Institute (SIPRI), "SIPRI Military Expenditure Database," March 2, 2026 accessed, *SIPRI*, <<https://milex.sipri.org/sipri>>.

4. U.S. Department of War, "Senior Officials Outline President's Proposed FY2026 Defense Budget," June 26, 2025, *U.S. Department of War*, <<https://www.war.gov/News/News-Stories/Article/Article/4227847/senior-officials-outline-presidents-proposed-fy26-defense-budget>>.

end. To Trump, many U.S. allies, including Taiwan, are wealthy countries in terms of per capita income, and indeed, as some countries such as Iceland, Luxembourg, and Norway are richer than the United States in terms of per capita income, they can afford to spend more money on their own defense.⁵ Trump cannot accept the fact that the United States accounts for the lion's share — approximately 62% of NATO's total US\$1.59 trillion in defense spending, whereas, all other NATO members are projected to meet the 2%-of-GDP defense spending benchmark, which together accounts for the remaining 38%.⁶ Indeed, defense spending by NATO allies has increased, and all reached 2% of their GDP by 2025. (see Figure 2) But this will not satisfy Trump. In

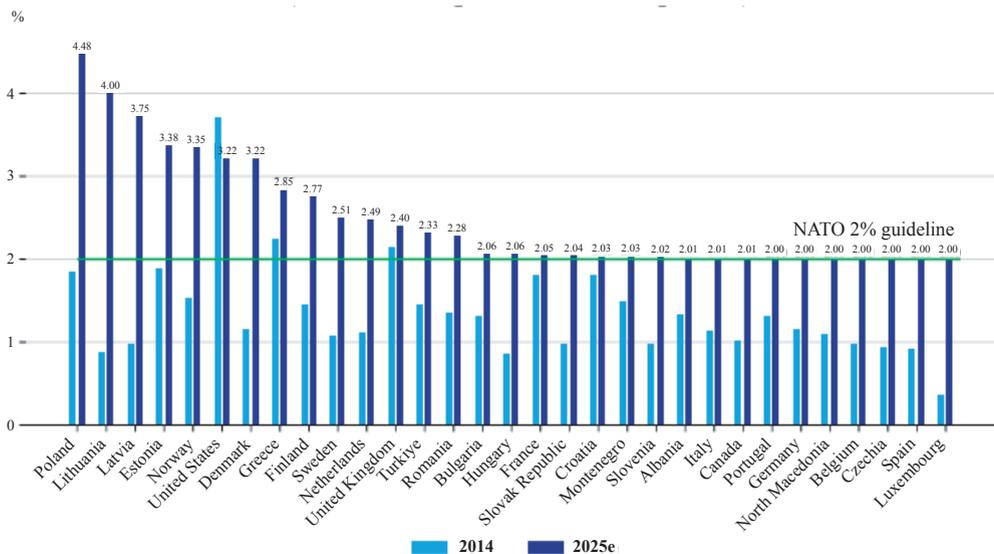


Figure 2. Defense Spending of NATO Members as a Share of GDP

Note: Data as at June 3, 2025, based on 2021 prices and exchange rate. Figures for 2025 are estimates.
 Source: NATO Public Diplomacy Division, “Defence Expenditure of NATO Countries (2014-2025),” p. 2.

5. World Bank Group, “GDP Per Capita (Current US\$),” March 2, 2026 accessed, *World Bank*, <https://data.worldbank.org/indicator/ny.gdp.pcap.cd?most_recent_value_desc=true>.
6. NATO Public Diplomacy Division, “Defence Expenditure of NATO Countries (2014-2025),” pp. 7-8, 2025, *NATO Press Release*, <<https://www.nato.int/content/dam/nato/webready/documents/finance/def-exp-2025-en.pdf>>.

the 2025 NSS, Trump “has set a new global standard with the Hague Commitment, which pledges NATO countries to spend 5 percent of GDP on defense and which our NATO allies have endorsed and must now meet.”

Although Taiwan's defense budget has gradually increased over the past decade, it is still far below Trump's expectations. Taiwan's total defense budget in 2024 was US\$16.475 billion, which accounted for only 2.1% of the country's GDP (see Table 1 and Table 2). From Trump's perspective, Taiwan faces a constant and imminent military threat from China. During his 2024 presidential campaign, Trump said that Taiwan should spend 10% of its GDP on defense.⁷ Therefore, Taiwan will face strong pressure from Washington to increase its defense budget. President Lai Ching-te has promised that Taiwan's defense spending will hit 5% of GDP by 2030 and his proposed defense budget for 2026 is 3.32% of GDP.⁸ But this does not meet Trump's goal. Should the opposition parties kill President Lai's special defense budget, it would confirm Trump's perception that Taiwan is a free rider that does not want to

Table 1. Defense Budgets of the United States and Its East Asian Allies, 2020-2024

Unit: US\$ million

	2020	2021	2022	2023	2024
USA	778,397.20	806,230.20	860,682.20	916,014.70	916,014.70
Australia	27,300.89	32,718.07	32,445.33	32,387.99	33,819.57
Japan	51,396.54	53,602.00	43,198.17	48,189.11	55,273.90
Philippines	4,693.07	5,546.09	5,321.93	5,142.60	6,117.54
South Korea	46,117.10	50,873.79	46,365.42	47,801.86	47,571.32
Taiwan	12,029.57	13,932.66	15,261.45	16,344.56	16,475.01
Thailand	7,295.67	7,123.02	6,030.95	5,745.69	5,522.41

Source: Stockholm International Peace Research Institute (SIPRI), “SIPRI Military Expenditure Database.”

7. “Pentagon Nominee Backs Trump Call on 10% Taiwan defense Spending,” October 8, 2025, *Reuters*, <<https://www.reuters.com/world/china/pentagon-nominee-backs-trump-call-10-taiwan-defense-spending-2025-10-07>>.

8. “Pentagon Nominee Backs Trump Call on 10% Taiwan defense Spending.”

Table 2. Share of GDP in U.S. and East Asian Allies' Defense Budgets, 2020-2024

	2020	2021	2022	2023	2024
USA	3.6%	3.4%	3.3%	3.3%	3.4%
Australia	2.0%	2.0%	1.9%	1.9%	1.9%
Japan	1.0%	1.1%	1.0%	1.1%	1.4%
Philippines	1.3%	1.4%	1.3%	1.2%	1.2%
South Korea	2.6%	2.6%	2.6%	2.6%	2.6%
Taiwan	1.9%	1.9%	2.0%	2.1%	2.1%
Thailand	1.5%	1.4%	1.2%	1.1%	1.1%

Source: Stockholm International Peace Research Institute (SIPRI), "SIPRI Military Expenditure Database."

defend itself, which would in turn risk reducing Trump's willingness to defend Taiwan.

Second, Taiwan will also face strong pressure from Washington to balance its bilateral trade with the United States. Trump emphasizes the principle of fairness. He believes that U.S. wealth has been stolen by countries that conduct unequal trade with the United States, and he promises to close trade imbalances with those countries.⁹ His national security strategy states that "from military alliances to trade relations and beyond, the United States will insist on being treated fairly by other countries." Trump believes that most U.S. trade partners, including Taiwan, enjoy a trade surplus with the United States because of unfair trade practices, including dumping, currency manipulation and high tariffs on U.S. goods, while enjoying a U.S. low-tariff policy, and stealing U.S. intellectual property (especially China). Therefore, the Trump administration imposed so-called reciprocal tariffs to force countries to reduce their tariffs on U.S. goods and come to the negotiating table to talk to the United States.

Among the top 20 countries that charge high tariffs on U.S. goods (including currency manipulation and trade barriers) (see Table 3), China is the third, Taiwan is the fourth and Vietnam is the seventh-largest trading partners of the United States.

9. Wyatt Grantham-Philips, "Trump Launched Global Tariff Wars in 2025. Here's a Recap of His Trade Actions This Year," December 26, 2025, *AP News*, <<https://apnews.com/article/trump-tariffs-timeline-economy-2b10860dfdb2a5d9c3c4527136314992>>.

Table 3. Top 20 Countries Charging Tariffs to the United States

Rank	Country	Tariff on US goods	Rank	Country	Tariff on US goods
1	Lesotho	99%	11	Guyana	76%
2	Cambodia	97%	12	Bangladesh	74%
3	Laos	95%	13	Botswana	74%
4	Madagascar	93%	14	Serbia	74%
5	Vietnam	90%	15	Liechtenstein	73%
6	Myanmar	88%	16	Thailand	72%
7	Sri Lanka	88%	17	Bosnia and Herzegovina	70%
8	Syria	81%	18	China	67%
9	Mauritius	80%	19	North Macedonia	65%
10	Iraq	78%	20	Taiwan	64%

Note: Territories such as St. Pierre and Miquelon, the Falkland Islands and Reunion are not included in the ranking.

Source: Claire Mom, "Trump Slams 14% Tariff on Imports from Nigeria in a Global Blitz," April 3, 2025, *The Cable*, <<https://www.thecable.ng/at-a-glance-14-on-nigeria-34-on-china-countries-affected-by-trumps-global-tariffs>>.

Based on calculations by the Trump administration, Taiwan imposes unfairly high tariffs (64%) on the United States (see Table 3). In addition, Taiwan enjoys a large trade surplus with the United States. In 2025, total trade between the United States and Taiwan amounted to US\$256.1 billion. Taiwan's exports to the United States amounted to US\$201.4 billion and imports from the United States US\$54.7 billion. The United States thus suffered a trade deficit of US\$146.8 billion (see Table 4). It is predictable that Washington will continue to press Taiwan to balance bilateral trade. It remains to be seen if future developments will satisfy Trump after Taipei and Washington completed their tariff negotiations and signed an agreement on January 15, 2026.

Third, Trump once used the term "enemy" to describe China.¹⁰ Both Trump 1.0 and Trump 2.0 realize that China poses the number one threat to U.S. security and global leadership. In its Indo-Pacific Strategy Report issued by the Department of

10. Donald J. Trump, *Time to Get Tough: Making America #1 Again* (Washington, DC: Regnery Publishing, Inc., 2011), p. 2.

Table 4. Top Ten Trading Partners of the U.S. (2025)

Unit: US\$ billion

Rank	Country	Exports	Imports	Total Trade	% of U.S. Total Trade	balance
1	Mexico	338.0	534.9	872.8	15.6%	-196.9
2	Canada	336.5	383.0	719.5	12.8%	-46.4
3	China	106.3	308.4	414.7	7.4%	-202.1
4	Taiwan	54.7	201.4	256.1	4.6%	-146.8
5	Germany	83.1	156.1	239.2	4.3%	-73.0
6	Japan	82.1	146.0	228.0	4.1%	-58.2
7	Vietnam	15.7	193.8	209.5	3.7%	-178.2
8	South Korea	68.8	125.2	194.0	3.5%	-56.4
9	Switzerland	71.7	106.0	177.7	3.2%	-34.3
10	United Kingdom	97.0	64.8	161.8	2.9%	+32.2

Source: The United States Census Bureau, “Top Trading Partners-December 2025,” March 2, 2026 accessed, *The United States Census Bureau*, <<https://www.census.gov/foreign-trade/statistics/highlights/topyr.html>>.

Defense in 2019, Trump pointed out that “China’s economic, political, and military rise is one of the defining elements of the 21st century. Today, the Indo-Pacific increasingly is confronted with a more confident and assertive China that is willing to accept friction in the pursuit of a more expansive set of political, economic, and security interests.”¹¹ According to the *2026 National Defense Strategy Report* issued by the now-renamed Department of War on January 26, 2026, the Trump administration believes that “by any measure, China is already the second most powerful state relative to us since the 19th century...and its power is growing.”¹² The goal of U.S. national defense strategy is to prevent China from dominating the Indo-Pacific region. Nevertheless, Trump’s economic policy has alienated U.S. allies and

11. The Department of Defense, “Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region,” June 1, 2019, p. 7, *Defense Technical Information Center*, <<https://apps.dtic.mil/sti/tr/pdf/AD1082324.pdf>>.

12. U.S. Department of War, “2026 NDS: Restoring Peace Through Strength for a New Golden Age of America,” January 23, 2026, p. 9, *U.S. Department of War*, <<https://media.defense.gov/2026/Jan/23/2003864773/-1/-1/0/2026-NATIONAL-DEFENSE-STRATEGY.PDF>>.

pushed some of them to move closer to Beijing. They might become reluctant to join Washington in disciplining China.

Moreover, Trump's appeasement policy to the Russian dictator Vladimir Putin at the expense of Ukraine and his controversial remarks about Xi Jinping might mislead the Chinese dictator into believing that he can use force against Taiwan and be free from U.S. retaliation. For example, Trump praised Xi as "a brilliant man, he controls 1.4 billion people with an iron fist" and he repeatedly said that Xi is his friend and that "I like him a lot."¹³ The 2025 NSS also states that his administration would "seek good relations...with the nations of the world without imposing on them democratic or social change." This suggests that Trump does not care about China's notorious human rights record and that Taiwan's democratic achievements are not a consideration in his cross-Strait policy. The United States under Trump's leadership is willing to coexist with a communist China under dictator Xi Jinping. The idea of "great power competition" no longer figures in the 2025 NSS.

More importantly, Trump departs from Biden's strategic clarity and has returned to strategic ambiguity in dealing with a cross-Strait war scenario. Biden repeated several times that the U.S. would defend Taiwan if China attacked it.¹⁴ Conversely, Trump has never confirmed that the U.S. would come to Taiwan's rescue. Trump seems willing to please Xi at the expense of Taiwan. For instance, he discussed a potential arms sale to Taiwan with Xi in his phone call on February 4, 2026, in violation of the U.S. "Six Assurances" to Taiwan.¹⁵ Trump's ambiguous position and his controversial remarks and actions have created anxiety and promoted U.S. skepticism in Taiwan.

13. Project Thucydides's Trap, "Representative Quotations from President Trump on President Xi and China," March 2, 2026 accessed, *Harvard Kennedy School Belfer Center for Science and International Affairs*, <<https://www.belfercenter.org/programs/thucydides-trap/representative-quotations-president-trump-president-xi-and-china>>.

14. Frances Mao, "Biden Again Says US Would Defend Taiwan if China Attacks," September 19, 2022, *BBC News*, <<https://www.bbc.com/news/world-asia-62951347>>.

15. Micah McCartney, "Trump Says He's Talking About Taiwan Arms Sales with Xi," February 17, 2026, *Newsweek*, <<https://www.newsweek.com/trump-says-hes-talking-about-taiwan-arms-sales-xi-11532865>>.

Fourth, the 2025 NSS reorients U.S. regional focus from the Indo-Pacific to the Western Hemisphere. Trump adds the so-called “Trump Corollary to the Monroe Doctrine” and identifies three threats in this region: illegal migration, drug trafficking, and in particular the rising influence of U.S. adversaries — China, without actually naming it. However, the Indo-Pacific, which as the 2025 NSS points out “will continue to be among the next century’s key economic and geopolitical battlegrounds,” remains important in Trump’s national security strategy. But East Asian countries have little or no confidence in Trump’s ability to do the right thing regarding world affairs. For instance, 61% of Japanese people, 62% of Indonesian people, 67% of South Korean people, and 77% of Australian people do not confidence in Trump.¹⁶ Beijing might miscalculate Trump’s willingness to confront China in the Indo-Pacific region. East Asian countries would become more reluctant to take U.S. side in the U.S.-China competition and on the issue of cross-Strait relations.

IV. Taiwan’s Window of Opportunity

Trump’s realist worldview and his administration’s decisive pivot still create a window of opportunity to Taiwan for at least three major reasons. First, the Trump administration realizes Taiwan’s value and geostrategic importance to the United States. The 2025 NSS describes Taiwan in the following words:

“There is, rightly, much focus on Taiwan, partly because of Taiwan’s dominance of semiconductor production, but mostly because Taiwan provides direct access to the Second Island Chain and splits Northeast and Southeast Asia into two distinct theaters.”

More important to Washington, Taiwan is the central link in the First Island Chain (see Figure 3). Should Taiwan be taken over by China, the People’s Liberation

16. Richard Wike, Jacob Poushter, Laura Silver, & Janell Fetterolf, “U.S. Image Declines in Many Nations Amid Low Confidence in Trump,” June 11, 2025, *Pew Research Center*, <https://www.pewresearch.org/wp-content/uploads/sites/20/2025/06/gap_2025_06_11_us-image-2025_report.pdf>.

Army (PLA) would have easier access to the Pacific Ocean and the opportunity to be more active and assertive in the Indo-Pacific.¹⁷ The U.S. military would also find it more difficult to detect PLA submarines using Taiwan as their base. In addition, China would become more capable of disrupting shipping in the South China Sea. Therefore,

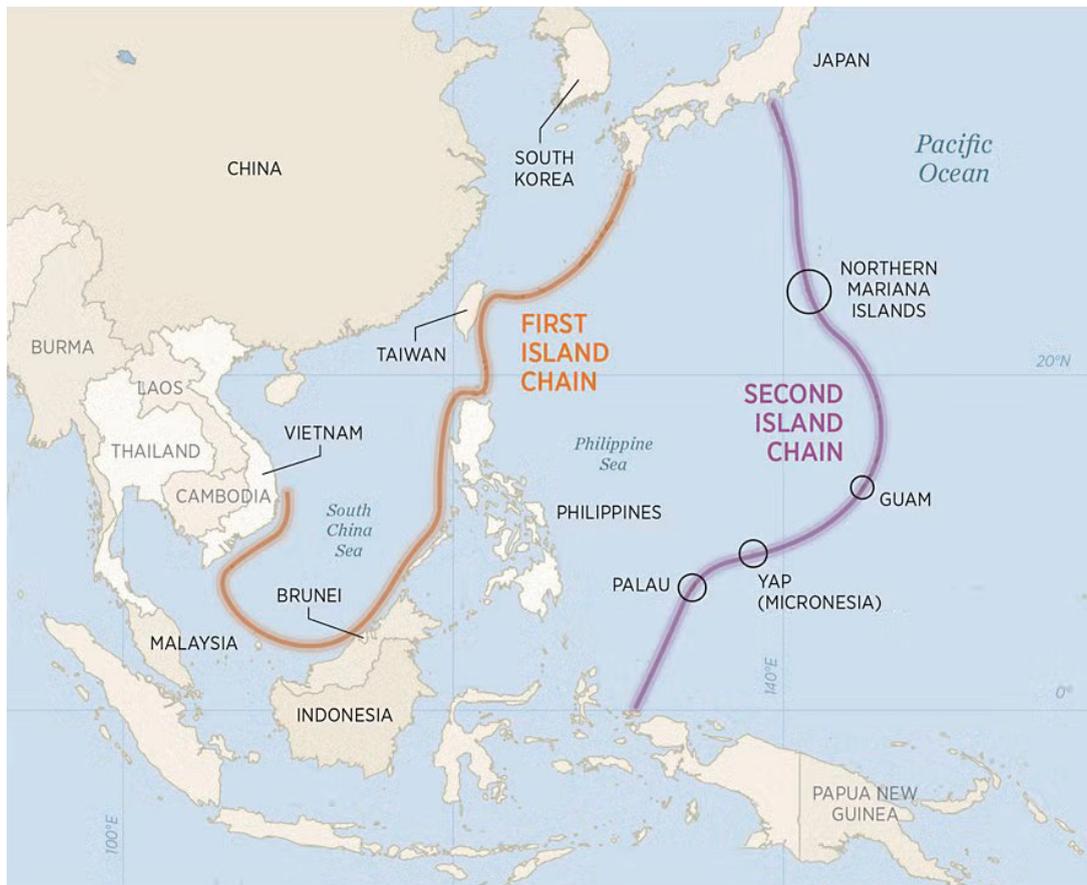


Figure 3. Map of the First and Second Island Chains

Source: Alexander Velez-Green & Robert Peters, “The Prioritization Imperative: A Strategy to Defend America’s Interests in a More Dangerous World,” *Special Report*, No. 288, August 1, 2024, *The Heritage Foundation*, <<https://www.heritage.org/defense/report/the-prioritization-imperative-strategy-defend-americas-interests-more-dangerous>>.

17. Bonny Lin, “Responses to a Chinese Attack on Taiwan and Potential U.S. Taiwan Policy Challenges,” February 18, 2021, p. 4, *The RAND Corporation*, <https://www.rand.org/content/dam/rand/pubs/testimonies/CTA1100/CTA1194-1/RAND_CTA1194-1.pdf>.

Trump is determined to defend the First Island Chain. However, the 2025 NSS argues that “the American military cannot, and should not have to, do this alone.” In addition to asking Washington’s East Asian allies, including Japan, South Korea, and Taiwan, to increase their defense spending, Trump expects more cooperation between the United States and its allies and partners “to deny any attempt to seize Taiwan” and to keep the South China Sea open, free of “tolls,” and not subject to arbitrary closure by any one country. Trump’s policy creates opportunities for Taiwan not only to increase military cooperation with the United States but also with Japan and the Philippines, which are U.S. allies and parts of the First Island Chain.

Second, Taiwan’s semiconductor industry is a critical linchpin not only of U.S. strategic development but also the global economic order. Its IC industry output was estimated to have reached a historical high of US\$197.2 billion in 2025, an increase of 19.1% from 2024 (see Table 5). Among Taiwan’s semiconductor subsectors, its foundry industry accounts for 65%, IC packaging 53%, and IC design 19% of global value.¹⁸ Taiwan Semiconductor Manufacturing Company (TSMC) dominates the global foundry market. Its global market share in 2024 was 64% and TSMC also enjoys a comfortable leading position in advanced process nodes.¹⁹ Should a cross-strait war destroy Taiwan’s semiconductor industry, it would be a disaster for the global economy. For the sake of U.S. economic interest, Trump would try his best to discourage China from using force against Taiwan. Other industrialized countries would join the United States to encourage Beijing for maintaining peace and stability in the Taiwan Strait.

Third, Trump is a mercantilist realist. Commercial diplomacy is the key term that repeatedly appears in almost every section of the 2025 NSS. Through commercial

18. Department of Industrial Development, National Development Council, “Stabilize Taiwan Semiconductor’s International Leading Position,” *Taiwan Economic Forum*, Vol. 22, No. 3, September 2024, p. 18.

19. Chen-Yuan Tung (ed.), “Taiwan and the Global Semiconductor Supply Chain,” *Monthly Report*, June/July 2025, p. 23, *Ministry of Foreign Affairs, Republic of China (Taiwan)*, <<https://roc-taiwan.org/uploads/sites/86/2023/08/20230824-TAIWAN-AND-THE-GLOBAL-SEMICONDUCTOR-SUPPLY-CHAIN.pdf>>.

Table 5. Taiwan's IC Industry Output Value (2023-2025)

	2023 (US\$ Billion)	2023 Growth	2024 (US\$ Billion)	2024 Growth (%)	2025 Estimate (US\$ Billion)	2025 Growth (%)
IC Industry output	135.2	-10.2%	165.5	22.4%	197.2	19.1%
IC Design	34.1	-11.0%	39.6	16.0%	45.1	13.9%
IC Manufacturing	82.9	-8.8%	106.5	28.4%	131.1	23.1%
IC Packaging	12.2	-15.6%	13.2	7.7%	14.4	9.0%
IC Testing	5.9	-12.8%	6.2	5.0%	6.6	0.6%
IC Product Output	39.4	-13.7%	45.1	14.3%	51.1	13.4%
Global Semiconductor Market	526.9	-8.2%	630.5	19.7%	710.4	12.7%

Source: Chia-Chen Lee, "Taiwan IC Industry Development in 2025Q1," June 9, 2025, p. 6, *IEK*, <https://ieknet.iek.org.tw/iekrpt/rpt_more.aspx?actiontype=rpt&domain=2&indu_idno=0&rpt_idno=211321513&utm_source=chatgpt.com>; Chen-Yuan Tung (ed.), "Taiwan and the Global Semiconductor Supply Chain," June/July 2025, p. 9.

diplomacy, the U.S. looks to chiefly use tariffs and reciprocal trade agreements as powerful tools to strengthen the U.S. economy and industries. In addition, the U.S. government seeks to identify strategic acquisition and investment opportunities in partnership with regional governments and private-sector actors to develop scalable and resilient energy infrastructure, secure access to critical minerals, and strengthen the resilience of both existing and future cyber communications networks.

Commercial diplomacy has played a significant role in driving the Trump administration's decision to make a decisive pivot, and the Indo-Pacific is the economic and geopolitical battleground. Trump has consequently vowed to build alliances and strengthen partnerships in the region that will be the bedrock of security and prosperity into the future. From the Trump administration's perspective, strong American deterrence opens up space for more disciplined economic action, while more disciplined economic action leads to greater American resources to sustain deterrence in the long term. Taiwan should really see Trump's mercantilist realism as a window of opportunity and take full advantage of this approach. Trump is an atypical U.S. president who does not believe in norms and rules, which means that he is a

leader who has no interest in *stare decisis*. Trump's decision to seek separation with the U.S.' traditional European allies also suggests that he is not a leader who could be restrained by any historic legacy or baggage. Trump's mercantilist realism implies that he is driven by *quid pro quo*, given he often prides himself as a deal maker.

Taiwan should not hesitate to show willingness and ambition to join the U.S. crusade of commercial diplomacy in exchange for greater security assurances and to deepen the *de facto* U.S.-Taiwan security partnership. Taiwan is well positioned to partner with the U.S., given that it meets the Trump administration's priority of "high defense spending and high strategic importance" in national security strategy.

Fourth, although the Trump administration's tactical implementation remains controversial — risking a double-edged effect that could both undermine rival hegemony and simultaneously jeopardize U.S. global leadership — the broader strategic shift from Europe to Asia points toward an inevitable transformation of the world order. While Washington and the world are in the midst of an ongoing fundamental change in U.S.-China relations, this could be a blessing in disguise for Taiwan. Taiwan should continue to strengthen both its capabilities and its resolve — not only to safeguard itself against Chinese coercion as a frontline bulwark of the U.S.-led liberal democratic order in the Indo-Pacific, but also to pursue sustained and strategic investment across key sectors. In particular, prioritizing defense and the semiconductor industry will be essential for securing Taiwan's indispensable role in global critical supply chains. In doing so, Taiwan is not only set to strengthen U.S.-Taiwan strategic convergence in a mid-long run, but can also seize this golden opportunity to deepen connections with the liberal democratic community through the United States. Looking forward, Taiwan is in a position to be recognized — and to act without hesitation — as a vital player and responsible stakeholder in the evolving geopolitical balance of power.