



Taiwan's Tariff: A Negotiated Path Forward

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The White House set a 20% reciprocal tariff rate for Taiwan, higher than Japan and South Korea's 15%. However, this rate only affects 25.2% of Taiwan's exports to the U.S., with key products like semiconductors and servers exempt for now. Negotiations are ongoing, focusing on Taiwan's potential investments in U.S. manufacturing, increased purchases of U.S. goods, and a reduction of its own tariffs. Taiwan's strong position in the semiconductor industry may give it an advantage in securing more favorable trade terms.

By Cathay SITE

On July 31 (U.S. time), the White House released the latest executive order signed by President Trump that set reciprocal tariff rates for key trading partners. Taiwan's rate was set at 20%, higher than the 15% imposed on Japan and South Korea, sparking concern in the market. However, we think that this new reciprocal tariff rate does not directly impact Taiwan's main export products to the United States and that there is still room for negotiation.

In greater detail, the new rate is an update to a proposal released in April and does not apply to all of Taiwan's exports to the United States. The 20% tariff rate applies to 25.2% of Taiwan's total exports to the U.S. Key exports such as semiconductors, servers, pharmaceutical raw materials, critical components, minerals, and chemical materials remain unaffected for now, as they are on an exemption list (Annex II) or are included in newly added exemptions in a presidential memorandum. These products will continue to be exported at their existing rates while they undergo further investigation under Section 232.

Avenues for negotiation

The statement from Taiwan's Presidential Office suggests potential for further dialogue

with the U.S. Negotiations could focus on several key areas.

- **Increased Investment:** Taiwan could increase its investment in U.S. semiconductor manufacturing to secure exemptions or grace periods for certain tariffs.
- **Strategic Purchase:** Taiwan could explore deals involving increased U.S. arms purchases and energy imports, similar to those pursued by the EU, UK, Japan, and Indonesia.
- **Tariff Reduction:** Based on data from Taiwan's Executive Yuan, the average tariff Taiwan imposes on U.S. goods is 6.5%, suggesting room to negotiate reductions toward zero. High-tariff categories such as live animals and plants, processed foods, and vehicles—with tariffs ranging from 9% to 17%—should be prioritized in future talks.

Taiwan's semiconductor leverage

The U.S. has initiated Section 232 investigations into semiconductors and pharmaceuticals. Section 232 allows the government to assess whether imports of certain products threaten national security. The investigation into



semiconductor is particularly broad, covering not only chips but also semiconductor manufacturing equipment (SME) and any end-products containing these components, such as smartphones, electronic devices, and data center equipment. This broad scope offers Taiwan a strategic advantage, given its comprehensive semiconductor ecosystem. Taiwan may thus be able to negotiate Most-Favored-Nation (MFN) tariff treatment—potentially more favorable than those offered to countries like South Korea or EU members.

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