



Taiwan-U.S. Tariff Agreement: Strategic Gains Beyond 15% Parity

January 2026

Taiwan's 2026 trade deal with the U.S. reduces reciprocal tariffs to 15%, matching regional rivals. Featuring a US\$250 Bn + US\$250 Bn investment framework and unique Section 232 exemptions, the "Taiwan Model" cements Taiwan's AI and semiconductor leadership. Despite U.S. onshoring pressure, Taiwan's chip dominance remains intact while traditional industries gain competitiveness under the unified 15% cap.

By Cathay SITE

On January 15-16, 2026, Taiwan and the U.S. announced a trade arrangement that reduces reciprocal tariffs to 15% (from 20%)—matching the tariff levels secured by Japan and South Korea—and prevents tariff stacking on top of Most Favored Nation (MFN) rates. The deal also grants Taiwan the most preferential treatment to date under Section 232 for semiconductor-related imports, especially for companies investing in U.S. manufacturing capacity.

Four Major Breakthroughs

Tariff Reduction to 15% A commitment to reduce reciprocal tariffs to 15%. Crucially, these will not be "stacked" with MFN rates, placing Taiwan on equal footing with Japan, South Korea, and the EU.	Section 232 Exemptions Taiwan became the first country globally to obtain Section 232 preferential tariff treatment for semiconductor and automotive components when investing in U.S. facilities, including tariff-free imports of raw materials and equipment needed for new fabs.
"Taiwan Model" Financing The deal institutionalizes a dual-track investment structure including US\$250 Bn in autonomous private investment and an additional US\$250 Bn in government credit guarantees to support semiconductor and ICT ecosystem.	Global AI Strategic Partnership Both sides established a bilateral investment mechanism where the US expands investment in Taiwan's "Five Trusted Industries," reinforcing Taiwan's leadership in the AI supply chain.

Source: Taiwan Executive Yuan Release, compiled by Cathay SITE.

Parity in Tariffs, Divergence in Outcomes

While all three East Asian powerhouses have secured the 15% tariff cap, the "Taiwan Model" differs significantly in its focus and concessions:



Japan – Korea - Taiwan Tariff & Investment Comparison

Category	Taiwan	South Korea	Japan
Investment Scale / Method	<ul style="list-style-type: none"> • US\$250 Bn in direct investment • US\$250 Bn in government credit guarantees to support bank loans 	US\$350 Bn	US\$550 Bn
Investment Details	<ul style="list-style-type: none"> • Firms autonomously invest US\$250 Bn in advanced semiconductors, energy, and AI • Gov. provides up to US\$250 Bn credit guarantee for bank lending to these firms • U.S.-Taiwan cooperation to build industrial clusters; U.S. provides land, utilities, infrastructure, and tax incentives 	<ul style="list-style-type: none"> • US\$200 Bn direct cash investment (capped at US\$20 Bn/yr); US\$150 Bn for shipbuilding via gov. loans/ guarantees • Focus: Shipbuilding, energy, semiconductors, pharma, critical minerals, AI, and quantum computing • Profits are split 50/50 before the project reaches payback 	<ul style="list-style-type: none"> • Gov. provides loans, insurance, and guarantees through policy financial institutions (JBIC, NEXI) • Focus: Semiconductors, nuclear power, energy, batteries, critical minerals, and pharma • Returns are split based on the respective levels of contribution
Tariff Baseline	<ul style="list-style-type: none"> • Reciprocal tariffs reduced to 15% with no MFN stacking • Tariffs on auto parts and wood products capped at 15% • Medicine, aircraft parts, and some natural resources are duty-free • Firms building U.S. capacity get Section 232 duty-free imports for 2.5x estimated capacity; excess is taxed at 15% 	<ul style="list-style-type: none"> • Reciprocal tariffs reduced to 15% with no MFN stacking • Auto tariffs reduced to 15% • Wood and medicine tariffs capped at 15% • Aircraft parts and non-patent drugs are duty-free • Semiconductor terms will not be less favorable than key competitors 	<ul style="list-style-type: none"> • Reciprocal tariffs reduced to 15% with no MFN stacking • Auto tariffs reduced to 15% • Chips and medicine follow Most Favored Nation status • Certain natural resources and medicine tariffs reduced to 0%
Market Concessions	<ul style="list-style-type: none"> • In progress; negotiations cover tariffs, trade facilitation, economic security, labor, and environment 	<ul style="list-style-type: none"> • Removed the 50,000-unit import quota on U.S. automobiles • Simplified non-tariff barriers for food and agricultural products • Guaranteed non-discriminatory treatment for U.S. digital services 	<ul style="list-style-type: none"> • Opened truck/auto markets and removed trade barriers such as subsidies • US\$8 Bn annual agricultural procurement; increased U.S. rice import quota • Increased procurement of U.S. defense equipment and aircraft

Source: The White House, USTR, Department of Commerce, Taiwan Executive Yuan, compiled by Cathay SITE.

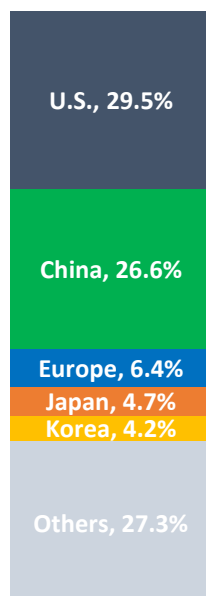


Media outlets in South Korea have expressed a sense of "Taiwan Envy." Korean analysts highlight that while Korea is a major investor in the US, Taiwan has managed to secure specific Section 232 exemptions for semiconductor equipment that Korea is still negotiating. There is growing concern in Seoul that the "Taiwan-US AI Strategic Partnership" might sideline Korea's memory chip industry in favor of Taiwan's foundry and logic chip dominance.

Taiwan's Industrial Base Remains Intact

Would the U.S. leverage tariffs/Section 232 to force a larger share of advanced chip production onshore, hollowing out Taiwan's industrial core over time? The Ministry of Economic Affairs (MOEA) has countered this by reinforcing that U.S.-Taiwan semiconductor relations are complementary, not zero-sum. Even with U.S. expansion, Taiwan will remain the world's dominant producer of advanced chips, projected 85% (2030) and 80% (2036) share of advanced AI semiconductors.

2025 Taiwan Exports by Country



Taiwan's Export Structure to the U.S.

Product Category	Share in Exports to U.S. (%)	Exports to U.S./ Taiwan's Total Exports (%)	Exports to U.S./ Total Product Exports (%)
Electronics & ICT	81.3%	25.2%	34.0%
• ICT & AV Products	76.5%	23.7%	60.4%
• Electronic Components	4.8%	1.5%	4.3%
Traditional Industries	15.3%	4.7%	22.4%
• Base Metals	3.7%	1.1%	25.9%
• Machinery	3.4%	1.1%	26.2%
• Electrical Machinery	3.3%	1.0%	42.9%
• Transport Equipment	1.8%	0.5%	33.8%
• Plastics & Rubber	1.6%	0.5%	17.2%
• Chemicals	1.2%	0.4%	13.0%
• Textiles	0.3%	0.1%	9.5%
Others (incl. Agriculture)	3.4%	1.1%	43.6%

Source: Ministry of Finance, compiled by Cathay SITE

The benefits of the deal extend well beyond semiconductors. The Electronics and ICT sector, comprising over 80% of U.S. exports, is largely protected by Section 232 exemptions. Simultaneously, the 15% reciprocal tariff cap directly improves the profit outlook for traditional industries (such as machinery, auto parts, and base metals) which previously bore the brunt of higher duties. Recent data on export orders indicates a pivot toward optimism among traditional sector manufacturers, signaling a potential recovery as the competitive disadvantage relative to regional rivals is effectively eliminated. The result is a more level playing field across multiple sectors, reinforcing Taiwan's industrial resilience at a critical geopolitical juncture.



【Cathay SITE is operated independently.】 This document is solely for informational purposes and should not be construed as investment recommendations for specific clients. All content in this document is information of a general nature and does not address the financial circumstances and particular needs of any particular individual or entity. Therefore, information provided herein may not be suitable for all clients or investors. **Readers should be aware that they are self-responsible for evaluating the investment risks and their investments.** The making of this document is based on information which Cathay SITE deems reliable. However, Cathay SITE makes no guarantee of the entireness or correctness of the information contained in this document notwithstanding our efforts to use reliable and general information. Opinions or estimation contained in this document reflect the views when this document was made; Cathay SITE will not make subsequent notifications if relevant information or views changed. Cathay SITE is under no obligation to update the content of this document or follow up the analysis on the topics covered herewith. **This document does not constitute an offer or solicitation to buy or sell any securities or other financial instruments.** This document may not be copied, circulated, reproduced or distributed without the prior written consent of Cathay SITE.