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## Implications of New U.S.–Taiwan Trade Agreement

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The Trump Administration announced on February 13, 2026 that it had signed a trade agreement with Taiwan that sets a 15% U.S. tariff rate on goods from Taiwan (down from the 20% “IEEPA tariff” rate announced in April, and subject to certain product-level exceptions) in exchange for a reduction in Taiwanese tariffs on U.S. goods, a lowering of non-tariff barriers, and Taiwan-linked investment and procurement supporting U.S. industrial capacity—particularly in semiconductors, advanced electronics, energy, and other strategic sectors.

However, the agreement faces two remaining hurdles: (1) the agreement’s submission to Taiwan’s legislature, and (2) the pending U.S. Supreme Court challenge to tariffs imposed under the International Emergency Economic Powers Act (IEEPA), which could affect or even remove the President’s ability to negotiate such deals without Congressional involvement.

### Background

In April 2025, President Trump announced the administration’s “Liberation Day” tariffs. These were wide ranging tariffs on imported goods intended to address trade deficits and unfair barriers faced by U.S.-produced goods in other countries. Since that time, the Trump administration has sought to negotiate trade deals with various countries which would lower these IEEPA tariffs in exchange for more access for U.S. goods into the respective countries’ markets. At the same time, the President’s authority to unilaterally change tariff rates without Congressional approval has been challenged, with the case currently at the Supreme Court.

### Tariff and Non-Tariff Barriers

Under the trade agreement with Taiwan, the U.S. will apply a 15% reciprocal tariff on certain goods originating from Taiwan, with most exports receiving the pre-Liberation Day “most favored nation” rate, and with semiconductors receiving “preferential treatment” from future U.S. chips tariffs or other remedial measures. Under the agreement, Taiwan will commit to remove or reduce 99% of tariff barriers and to resolve specific non-tariff barriers affecting motor vehicles, medical devices, and pharmaceuticals. This will include acceptance of U.S. Federal Motor Vehicle Safety Standards and emissions standards, and acceptance of U.S. Food and Drug Administration marketing authorizations for certain U.S.-manufactured products without additional entry requirements. Taiwan will also reform some of its standards for beef, pork, and offal imports. Some of the non-tariff provisions are consistent with U.S. practice in negotiating recent free trade agreements (e.g., the United States-Mexico-Canada Agreement which was renegotiated back in 2018, and went into effect in 2020).

This harmonization of standards has important potential implications for U.S. companies. The U.S. has long complained that other countries engage in covert protectionism by crafting health and safety standards designed to benefit domestic firms and keep out competition. If Taiwan does truly harmonize its standards with the U.S. across a variety of industries, U.S. products will have easier access to Taiwan's nearly trillion-dollar economy. While complaints about foreign regulatory regimes have been a staple of U.S. trade politics for decades, the U.S. has had relatively little success getting other countries to harmonize their domestic regulatory regimes with the U.S., often facing pushback from voters who see the U.S. as too unregulated, as well as business interests who want to keep out competition. If this Taiwan deal is successful, it could serve as a model for U.S. trade negotiations going forward.

### Taiwanese Investments

The White House is emphasizing Taiwanese investment in the United States, particularly in semiconductors, AI, advanced electronics, and energy, including references to industrial parks and clusters. Taiwan plans to facilitate long-term purchases of \$40 billion in U.S. natural gas and crude oil, over \$15 billion in civil aircraft and engines, and over \$25 billion in power equipment, generators, and related equipment (including marine and steelmaking equipment). This may increase demand for U.S. oil and gas in the short- to medium-term, with potential increases in investment if the purchases are financially and commercially fruitful for Taiwan. All investments from Taiwan will be subject to the general rules on foreign investment review, and the Administration did not include any statements that these investments would be exempted from ordinary review (for example, review by the Committee on Foreign Investment in the United States).

These investment provisions follow on a White House push to get Taiwanese companies to produce large portions of their semiconductors in the United States. For this agreement, the fact sheet from the United States Trade Representative references a January memorandum of understanding contemplating industrial parks and clusters intended to expand U.S. production capacity in key high-tech sectors, with anticipated increases in Taiwanese companies' investments in the U.S. semiconductor supply chain and advanced electronics. The fact sheet references preferential treatment relating to Section 232 investigations involving semiconductors and semiconductor manufacturing equipment for "aligned partners," in the context of the U.S.–Taiwan high-tech strategic partnership. This indicates that "alignment" commitments (investment, supply chain cooperation, economic security) may increasingly affect how imports are treated, even from strong U.S. allies.

In addition, the U.S. also said it would expand investments in key Taiwanese industries, including semiconductors, AI, defense and biotechnology, indicating that Washington may be willing to help facilitate outbound U.S. investment into foreign countries if the investment helps the U.S. live up to its trade agreements.

### Uncertainties & Caveats

Implementation remains subject to (1) Taiwan's legislative review and (2) the pending Supreme Court case on whether IEEPA authorizes the president to impose tariffs (consolidated matters include *Learning Resources, Inc. v. Trump*).

On the legislative side, the deal would need to be approved by Taiwan's legislature, where both the ruling DPP and the opposition Kuomintang lack majorities. The negotiations process has been heavily criticized by the Kuomintang, which generally advocates closer relations with the Chinese government and is unlikely to lend its support to the agreement's passage. This is especially true given that the Chinese government has criticized the deal as one that will drain Taiwan's economy, further divide Beijing and Taipei, and violate the "one-China principle" to which it expects the U.S. to adhere. Thus, the DPP government would need to rely on other opposition legislators from smaller parties to enact the deal into law.

On the judicial side, President Trump’s wide-ranging tariff program is currently under review by the Supreme Court in *Learning Resources, Inc. v. Trump*. If the Supreme Court sides with the challengers, it could eliminate the President’s ability to change tariff rates without the consent of Congress. That likely would scuttle this deal before it becomes final. If the administration’s “Liberation Day” tariffs are void, then there is little need for Taiwan to make a deal, as the tariffs on goods from the country would revert to the pre-April, lower rates. Further, any future deal would need to be approved by Congress, where Republicans hold a very narrow majority in the House of Representatives.

Another caveat is that Taiwan may be a unique situation that is not replicable to future trade deals. The U.S. has tried to diversify its dependence on semiconductors manufactured in Taiwan, and bring manufacture to the U.S. At the same time, Taiwan has frequently sought to strengthen its semiconductor industry as a “silicon shield” against a potential Chinese attack on the island. Given how essential U.S. support is to any deterrence, Taiwan may be particularly willing to strike a trade deal that opens its domestic market to other U.S. industries.

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