Introduction

Over the past decade under the leadership of President Xi Jinping, China has been increasingly ambitious about its role and position on the world stage. From promoting a more assertive foreign policy towards its neighbors and rivals, to modernization of its military, and expansion of its economic soft power to other nations – it is apparent that China is no longer content with being just a regional power. President Xi has repeatedly used phrases like the "Chinese Dream" and that China is undergoing a period of "national rejuvenation" to assert the inevitable role that China will play in global affairs in the coming decades. President Xi as recent as 2024 has said that "The reunification of the motherland is a historical inevitability". Though Taiwan is not mentioned outright, it's apparent what President Xi is referring to. China has challenged US interests in the Indo-Pacific as it continues to expand its influence globally, and one of those major flashpoints happens to be Taiwan. To the CCP, Taiwan is an unfinished chapter in Chinese history. It views Taiwan as a rogue province which needs to be reunified. The island nation is home to many of the US' critical semiconductor imports and Taiwan's strategic position in the so-called 'First Island Chain' geographically serves as one of the containment barriers the United States uses in its quest to hopefully contain China.

The dynamics and politics of U.S.-China relations are poised for monumental shifts under President Donald Trump's second term, especially concerning Taiwan. Trump's transactional ideology regarding foreign policy, multiplied with his administration's focus on economic, political and cultural nationalism along with strategic competition with China, suggests a multifaceted response to China's influence over Taiwan. Though we are only in month four of Donald Trump's second term, he has taken a few steps that are worth exploring and it gives us an insight into how the second Trump Administration will approach China and Taiwan. While Beijing is expected to assert its power across the South China Sea and tightens its foothold in the Indo-Pacific region, Taiwan is the pinnacle at the center of U.S.-China geopolitical tensions and rivalry. Taipei is not only an ally of the United States but also a critical player in the global semiconductor industry. This thus makes it both a strategic and economic linchpin for not only the United States, but the rest of the world. Under Trump's leadership, Washington's foreign policy in response to Beijing is expected to be molded by a blend of hardline rhetoric, conditional support, and economic sanctions, as a reflection of both domestic political considerations and broader global geopolitical strategic interests.

The Trump Doctrine – "America First"

On the campaign trail, President Trump has promised an 'America First' style of foreign policy. A good way to describe how it's put is a transactional method. The United States negotiates with country X and both sides benefit. If only one side gains, the United States will not be interested in dealing nor negotiating with said country. In essence, his foreign policy shifts away from the United States being the conventional strategic partnership with countries we've seen up until the end of the Cold War and beginning of the 21st Century to a more conditional alliance that can only stand if and only if both nations benefit.

Already we've seen this shift in US foreign policy – at least on the economic side of things with President Trump recently announcing tariffs against nearly every nation that the US has been trading with. Instead of aligning the United States with countries which share the values of liberal democratic institutionalism, it appears President Trump is recalibrating US foreign policy to benefit the United States both economically and financially.

President Trump has in his rhetoric accused Taiwan of 'stealing' the US semiconductor industry. He has also framed that the US military forces protecting Taiwan is an insurance policy –

essentially saying that Taiwan should pay the United States for continued protection over the island nation. His rhetoric is like what he has demanded of NATO allies in Europe for not meeting its security spending threshold. Even though Taiwan is already engaging in substantial arms purchases from the United States with a combined arm sales of over 19 billion USD, the Trump administration appears to be poised to pressure for even greater financial commitments and economic insurance from Taipei. These pushes included substantial defense spending and likely payments for having US military forces and advanced missile defense systems stationed on the island nation. It is reasonable to believe that this strategy of economic pressure will likely generate tension between Washington and Taipei in the face of Beijing's continued pressure both diplomatically and militarily in the coming decades. This policy of economic and financial transactional foreign policy has implications not only for Taiwan but the entirety of the IndoPacific, especially to both South Korea and Japan. It carries the potential to strengthen Beijing's hand both diplomatically and politically. If Taiwan doubts the reliability of American aid, it might take into consideration its survival and bow to Beijing and strike a deal with China instead to remain independent. This could encourage Beijing to take a more aggressive approach in the Taiwan strait, a future where the United States no longer will back its allies unless it gains financially is something that Beijing could very well look forwards to.

Maintenance of Strategic Ambiguity and Multilateral Cooperation

Since the Taiwan Relations Act of 1979, the United States policy towards Taiwan has always been that of deliberate strategic ambiguity - a vague stance that is designed to both deter Beijing from potentially invading and preventing Taiwan from outright declaring independence. Under President Trump's new term however there are signs that the status quo of strategic ambiguity could potentially change. The status quo has been preserved for decades, but there is a growing bipartisan majority in the US Congress that signals for a clearer response to China and more support for Taiwan. Though beyond what President Trump has done in his first term, it's reasonable to draw conclusions based upon what he has said then and try to predict what might happen in the coming years.

During President Trump's first term, there was a drastic increase of arms sales to Taiwan and an expanded military presence in the South China Sea. These measures were framed as bolstering Taiwan's defense capabilities likely signaled to China that the United States is interested in defending the island nation while at the same time, bolstering US defense industry interests. Given President Trump's rhetoric, it's reasonable to predict the new administration could very well go all in on this strategy like his first term. It is important to note that while this may benefit Taiwan, President Trump is most likely not doing this out of ideological alignment with Taiwan in support of a fellow liberal democracy, but rather out of his 'America First' style of foreign policy. It's important to note that Trump's foreign policy of transnationalism could weaken the strategic ambiguity that Taiwan has enjoyed for the past few decades. If his administration's rhetoric suggest that US intervention in the Taiwan Straits is contingent on continued economic and financial burdens that Taipei must meet, Beijing could feel emboldened – China will likely publicly cast doubt on Washington's reliability as a defense partner. Unlike South Korea or Japan where the United States has a mutual defense treaty, US commitment to Taiwan's defense is unofficial. Given this grey zone of strategic ambiguity, it makes consistency and credibility on the United States' part important to maintain. If the Trump Administration wants to mitigate these risks, they could also potentially play it both ways – have a transactional relationship with Taiwan while at the same time pushing US allies in the Indo-Pacific region to defend Taiwan should China invade. Regional US partners in frameworks like the QUAD (US, India, Japan, Australia) and AUKUS (Australia, UK, United States) by leveraging diplomatic pressure on Beijing's continued aggression in the South China Sea. Given that Japan and Australia have strong mutual security interests tied to Taiwan's stability, they could play a more active role in deterring continued aggression from Beijing. This could involve coordinated naval exercises between the two nations, an increased intelligence sharing capacity between the two, or mutual statements of deterrence signaling a united front against any attempt by Beijing to change the status quo with Taipei.

Tariffs, Taiwan and Implications regarding China

President Trump has always viewed tariffs as a weapon for economic nationalism to benefit the United States. The renewal of protectionist trade policies as he had done in his first term is likely to continue into his second term, with the most recent across-the-board tariffs of ten percent on all countries. His weaponization of tariffs as a tool of economic leverage against Taipei despite being an important regional partner to contain China might find itself targeted in the administration's effort to recalibrate global supply chains in an attempt to reassert U.S. industrial primacy. In this lenses when viewed in this manner, Taiwan's dominance in the semiconductor industry becomes both a strategic strength and a liability.

At the forefront of this dispute is the Taiwan Semiconductor Manufacturing Company (TSMC). TSMC procures and produces some of the world's most advanced semiconductor chips found anywhere in the modern era. Upwards ninety percent of the world's advanced chips come from Taiwan and a multitude of US-based companies and organizations (Apple, Nvidia, Intel, AMD and the Department of Defense, just to name a few) are heavily reliant on the output that TSMC provides. From the Trump Administration's perspective, the overreliance on a third-party source on the doorstep of a foreign adversary and rival presents a strategic blind spot that the United States has. In prior statements and policy initiatives, the Trump Administration has framed the United States' overreliance on foreign manufacturing for cheap labor as a failure of American leadership that has exported American jobs and security overseas. In order to reverse this trend, the Trump Administration has suggested at the revival or expanding tariffs on high-tech imports like semiconductor chips from Taiwan. This in their view will pressure companies to bring back jobs and manufacturing to the United States and create plants on American soil. These tariffs and economic leverage used is consistent with the first Trump Administration's trade war with China – however they could be viewed as a hostile and controversial move if he chooses to apply it to a partner like Taiwan.

The reasoning behind such economic tariffs that the Trump Administration wishes to impose is twofold. The result the Trump Administration wishes to achieve is to increase the prices of Taiwanese imports. By doing this, President Trump hopes to encourage US based semiconductor companies to invest in making factories within the United States. Under the Biden Administration's CHIPS and Science Act, billions of dollars of investments in high-tech fabricators for semiconductors are already being built and likely will continue under the second

Trump Administration.

Imposing tariffs on Taiwan can be a negotiating tactic that the Trump Administration undertakes. It could be a way to bargain with Taipei for economic payments for the US military being stationed on the island nation. This fits with President Trump's transactional foreign policy of 'America First' that American military support is not unconditional, and it will always come with strings attached. If Taiwan wants to continue to have the American shield, it must cooperate and be expected to invest in matters that benefit the American economic industry.

With all that said as context, it's important to understand how this will affect China. While imposing tariffs on Taiwan's semiconductor industry has no direct impact on China, it in fact does affect China in several ways. For one, China continues to frame Taiwan's future as one of peaceful eventual reunification under the "One China" principle. Given President Trump continues to demand more defense spending and pressuring Taipei to move semiconductor production out of Taiwan it sends a clear signal to China. Suppose that Taipei agrees to President Trump's demands, and if it does, it suggests Taiwan is moving deeper into the U.S. security and economic sphere of influence, making reunification by peaceful means unlikely. As a result, this weakens China's narrative that peaceful integration of Taiwan is inevitable or even desirable to the Taiwanese people.

If the United States ramps up military support for Taiwan even if it demands more defense spending in the 'America First' style of diplomacy undertaken by President Trump, China could possibly view it as a threat. The Trump Administration pressuring Taiwan to pay more for defense or increase arms purchases from American defense companies will lead to more difficult island to invade, thus complicating Beijing's invasion calculus. This could lead to more PLN activity around the Taiwan Straits, and possibly expanded military presence in the South China Sea to counter Taiwan slipping into the American sphere of influence.

Conclusion

As the United States enters a new presidential administration under President Donald Trump, the complex relationship between Beijing, Taipei and Washington is set to evolve in a number of ways. Given the Trump Administration's "America First" transactional foreign policy doctrine, the new administration's approach to Taiwan carries the potential to shape or reshape institutional norms of US foreign policy. Like his first term where President Trump pivoted to a more active role in countering China in a hardline stance, this is likely set to continue into his second term in office. While there is a growing bipartisan consensus in the United States Congress that China is a geopolitical rival, the Trump Administration's approach to transactional foreign policy in regards to its allies and China may have a ripple effect across the Indo-Pacific region. The island nation of Taiwan is at the pinnacle of this power struggle between China and the United States. President Donald Trump's transactional foreign policy is designed to bolster American interests and carries the risk to alienating Taiwan at a time when unity is crucial to deterrence – especially at a time when Beijing is growing more and more emboldened to challenge the American-led global order. The unintended signals sent to Beijing will shape how China reacts, whether it be economically, militarily or diplomatically. President Trump's foreign policy methods may make Taipei straddle a finer line between deepening its ties with the United States and preserving its own independence. Whether or not this transactional foreign policy will achieve any sense of stability for both sides in the Taiwan Straits is yet to be seen.

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