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## Trump's Terms, Taiwan's Strategy

*By Drew Thompson*

### SYNOPSIS

*For the United States, using Taiwan as a pawn against China is harder than many people think. A closer analysis of Taiwan's strategy and actions shows that it is proactively engaging US President Donald Trump and asserting its own agency.*

### COMMENTARY

The Donald Trump administration's attitude and approaches towards its allies and partners is a jarring departure from the past, which understandably causes concern around the world about Washington's reliability and credibility as a security and economic partner. Taiwan's close economic and security relationship with the US, and Taipei's dependence on Washington to help mitigate the interminable threat from China make any shift in Washington's approach disconcerting.

Pundits have proclaimed that United States President Donald Trump will trade Taiwan like a [pawn](#) or a [chip](#) in some grand deal with China's President Xi Jinping, but they are wrong. Trump cannot use Taiwan as a bargaining chip with Xi Jinping, and Taiwan is taking steps to prevent it from happening.

Taiwan is not a chip, it has agency, and it has a plan.

### Neither Trump nor Xi Can Use Taiwan as a Chip

There is reason for Taipei to be concerned about Trump. He does not perceive alliances or longstanding partnerships like Taiwan's to be inherently virtuous but instead seeks to extract tangible benefits for the US without regard for intangible or indirect advantages.

In his second term, he is particularly focused on maximising gains from relationships

to further his objectives of attracting investment in manufacturing, reducing the trade deficit, and generating revenue from tariffs. Logically, due to China's sheer scale, President Trump could gain much greater economic benefits from China than he could from Taiwan. Trump's transactional nature and desire for "a deal" logically leads some to conclude that Taiwan is a bargaining chip in his negotiations with Xi Jinping. The logic is false, however.

It is doubtful that Taiwan gives Trump leverage to get the economic deal that he wants. Xi does not have room to make concessions without radically liberalising China's economy, which would run counter to the reforms Xi has implemented since coming to power in 2012. The dominant role of state-owned enterprises in the economy and China's well-developed industrial and trade policies, like [Made in China 2025](#) and the "[dual circulation](#)" strategy, are written into the 13th and 14th Five-Year Plans and cannot simply be deleted to open the market to US-manufactured goods.

Xi has little to offer Trump, and little to expect from Trump. At best, Xi can seek concessions from Trump that would constrain Washington's actions, perhaps reducing or limiting support for Taiwan, including limiting arms sales or diplomatic engagement. Should Trump accept such terms, he would hardly be trading Taiwan away to China, he would simply be trading away his own equities.

The most compelling reason Taiwan is not a pawn to be traded is because Xi Jinping can't negotiate for something he already claims to possess. Negotiating with Trump for Taiwan is an ideological trap for Xi, an admission that Taiwan is independent and its future is negotiable. The very act of negotiating is an admission that Taiwan is not China's as the Chinese Communist Party so forcefully asserts. Just as Beijing refuses to admit that there are territorial disputes in the East and South China Sea, Beijing cannot admit that Taiwan is a tradeable commodity.

But to ensure that Taiwan is not put on the bargaining table by the big powers, Taiwan's President Lai Ching-te has crafted a strategy to engage the Trump administration and prevent the risk.

### **Taiwan's Strategy and Agency**

Taiwan may not be Trump's to give, but Taipei still must manage its relationship with Washington to avoid being put in a risky position, so President Lai Ching-te is taking a proactive approach to engagement. President Lai began planning for the Trump administration before his inauguration, assessing the administration's objectives, measuring Taiwan's own value proposition and sources of support in the US, and determining how Taiwan can deepen the bilateral relationship and align interests more closely.

President Lai has even coined the strategy as "[Taiwan plus America](#)". Taiwan's approach acknowledges Trump's objectives of balancing trade, reducing government spending, reducing income tax and reinvigorating the US industrial base by attracting investment in the manufacturing sector. President Lai also appreciates the Trump administration's insistence that its security partners adequately invest in their own defence so they are capable partners, not dependent ones.

Importantly, Taiwan has strong sources of US support which it can leverage. On Capitol Hill, Taiwan has enthusiastic bipartisan backing. In President Lai's first year in office, at least six US governors visited Taiwan, and [five states opened trade offices in Taiwan](#), bringing the total number of state offices to 24, indicating that Taiwan's value to the US extends far beyond the Trump administration itself.

To address the US\$73.9 billion trade imbalance and President Trump's threatened reciprocal tariffs, President Lai moved quickly to offer to negotiate [lowering reciprocal tariffs to zero](#), gaining a spot for Taiwan in the [first tranche of countries to negotiate with Washington](#).

Only a few days after Trump's November election, the Lai Administration signalled its intention to [purchase US\\$15 billion of US arms](#), and in February, it committed to [spending 3 per cent of GDP on defence](#), tackling two of Trump's objectives head-on.

Taiwan has also pledged to support the Trump Administration's goal of blocking Chinese-made goods from transiting third countries, called "[origin washing](#)", by requiring Taiwan exporters to submit [proof-of-origin documents for all exports](#) to the US beginning in May.

### **Ripple Effect of TSMC's US Expansion**

Taiwan has also stepped up to answer Trump's call for investment in the US manufacturing sector, most notably [TSMC's March announcement](#) of their plan to increase investment in advanced semiconductor manufacturing by US\$100 billion with three new fabs, two packaging facilities and an R&D centre.

There are at least 350 Taiwanese companies that supply the semiconductor industry around the world planning to open facilities in the US to bring them closer to their customers, revealing that the impact of TSMC's investment will be greater than the announced investment figures. President Trump's effusive praise for TSMC chairman C.C. Wei during and after his highly successful March meeting in the White House demonstrates the political success of Taiwan's engagement strategy.

### **Conclusion**

The Trump administration is unsettling allies and partners, necessitating the development of new engagement strategies to manage political risks. Taiwan has not stuck its head in the sand but proactively developed a strategy to bind the US and Taiwan closer together.

The Lai administration understands Trump's objectives and his desire to create a successful relationship model to show the American people that his strategy is working — and Taiwan is prepared to provide a model that demonstrates tangible benefits to both partners. By giving President Trump a high-profile diplomatic and economic victory, it benefits Taiwan and becomes their victory too, demonstrating that Taiwan is not a pawn but an invaluable partner for the US.

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