



U.S.-Taiwan Trade and Economic Relations

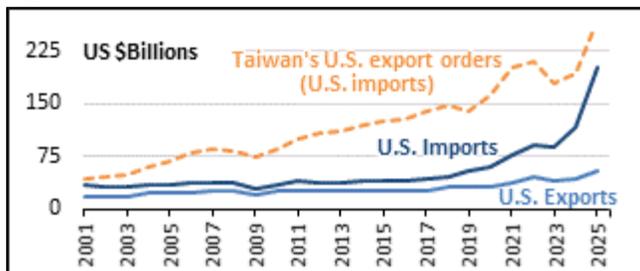
Taiwan is a top U.S. trade partner and a key link in global technology supply chains. Taiwan’s economy is highly dependent on global trade; exports account for about 70% of its gross domestic product (GDP). Taiwan’s policies are seeking to generate growth in emerging technologies and reduce dependence on the People’s Republic of China (PRC or China) by diversifying trade and investment. Central to these efforts are U.S. and Taiwan government actions to deepen commercial ties. Issues before Congress include the January 2026 U.S.-Taiwan tariff and investment deals, and bills aiming to prevent double taxation and promote U.S. liquefied natural gas (LNG) exports to Taiwan. See CRS In Focus IF10275, *Taiwan: Background and U.S. Relations*; CRS In Focus IF12481, *Taiwan: Defense and Military Issues*; and CRS Infographic IG10073, *Taiwan’s Role in Global Semiconductor Supply Chains*.

U.S.-Taiwan Commercial Ties

Taiwan is the United States’ 5th-largest merchandise trading partner (\$256.1 billion in total goods trade), 9th-largest export market (\$54.7 billion), and 5th-largest source of imports (\$201.4 billion), according to 2025 U.S. data (and when the European Union is considered as one trading partner). The U.S. trade deficit with Taiwan reached \$146.7 billion in 2025. U.S. agricultural exports to Taiwan in 2025 were \$4.3 billion. In 2024, U.S. services exports to Taiwan were \$13.7 billion, and Taiwan’s services exports to the United States were \$13.2 billion.

Taiwan’s exports to the United States have been growing as firms have shifted some production and finished goods exports away from the PRC and with strong U.S. demand for semiconductors and electronics. Between 2018 and 2025, Taiwan’s goods exports to the United States grew by 341% while U.S. exports to Taiwan grew by 75%. In 2025, Taiwan’s U.S. exports rose by 73% while U.S. exports to Taiwan rose by 29% over 2024 levels. (Figure 1.)

Figure 1. U.S.–Taiwan Goods Trade 2001-2025



Source: CRS, with data from the U.S. Bureau of Economic Analysis (BEA) and Taiwan’s Ministry of Economic Affairs.

Notes: In 2025, Taiwan firms received \$268.3 billion in U.S. export orders globally, which includes Taiwan firms’ PRC-based production.

In 2024, U.S. direct investment stock in Taiwan was \$20.1 billion, and Taiwan’s direct investment stock in the United States was \$14.8 billion, according to BEA. (Data do not include investments made through Hong Kong and offshore

tax havens.) Taiwan is a top holder of foreign exchange reserves, with \$604.5 billion in reserves as of January 2026. Taiwan is the 10th-largest foreign holder of U.S. Treasuries with \$310.6 billion in holdings as of December 2025.

Taiwan’s Economy

Population: 23.4 million people.

2025 nominal GDP: \$884.4 billion (1.5% agriculture, 39.8% industry, 58.7% services); 22nd largest global economy.

Taiwan’s economy grew by 3.7% in 2025 due mostly to strong global demand for chips and electronics.

Unemployment Rate: 3.4% (11.6% ages 20-24; 5.9% ages 25-29).

Main industries: Electronics, semiconductors, information technology, petrochemicals, textiles, steel, machinery, cement, food, autos, and pharmaceuticals.

Semiconductors: About 90% of global advanced chips are made in Taiwan. Taiwan firms are also active in design; R&D; materials; and assembly, packaging, and testing.

Energy Mix (consumption): Oil and gas (47%); coal (31%); renewables (13%); and nuclear (5%). Taiwan relies on imports for almost 98% of its energy needs. Taiwan’s government in early 2026 signaled its intention to re-invest in nuclear power after taking steps to phase it out.

Competitiveness: Switzerland’s International Institute for Management Development Business School ranks Taiwan as the world’s sixth most competitive economy. Taiwan is coping with stagnant wages; technical talent gaps; an aging population; and land, power, and water shortages. The Taiwan government’s “5+2” plan is boosting targeted industries—advanced manufacturing, biotechnology, renewable energy, recycling, and defense.

Efforts to Strengthen Economic Ties

The United States and Taiwan have undertaken several efforts to address market barriers and bolster economic ties:

- In 2026, Taiwan joined as a non-signatory the U.S.-led **Pax Silica** effort on secure technology supply chains. In 2022, the United States and Taiwan launched a “U.S.-Taiwan Initiative on 21st Century Trade,” parallel to the U.S.-led Indo-Pacific Economic Framework for Prosperity, which does not include Taiwan. The initiative covers trade facilitation, technical standards, regulatory and nonmarket practices, and other issues. The two sides reached their first agreement in 2023. P.L. 118-13 asserts Congress’ ex-post approval of the agreement, sets conditions for its entry into force, and requires consultation for future agreements.
- In 2021, the United States and Taiwan resumed talks, last held in 2016, under a 1994 **Trade and Investment Framework Agreement (TIFA)**. Taiwan’s barriers in agriculture led the U.S. government to suspend TIFA talks between 2007 and 2013. Other U.S. concerns about Taiwan’s market barriers include those in digital services, biotech, medical devices, and energy.

- In 2020, the two sides launched a **U.S.-Taiwan Economic Prosperity Partnership Dialogue**, which meets annually to discuss supply chains; PRC coercion; digital trade; research; energy; and tax issues. In 2024, the U.S. International Development Finance Corp. said it would invest with Taiwan in some overseas projects.

Since 2020, the Treasury Department has listed Taiwan in its **currency monitoring report** for macroeconomic policies and currency practices of concern, citing Taiwan's large trade account surplus and foreign exchange reserves. Taiwan operates a managed floating exchange regime and intervenes to maintain "stability."

U.S. policy encourages Taiwan's membership in global economic organizations for which statehood is not required. Taiwan is a member of the World Trade Organization, the Asian Development Bank, and the Asia-Pacific Economic Cooperation forum, which refer to it as an economy or a separate customs territory, not a state.

Cross-Strait Economic Ties

The PRC (including Hong Kong) is Taiwan's largest investment and trading partner with \$263.7 billion in trade in 2025. Taiwan data shows that Taiwan's goods exports to the PRC as a share of Taiwan's total exports were 23% in 2025, down from 42.3% in 2021. An estimated 177,000 Taiwan citizens worked in the PRC in 2022, down from 242,000 in 2020.

Since 2017, Taiwan authorities have sought to diversify away from the PRC and address the risks of PRC investment in Taiwan's infrastructure (e.g., shipping, finance, and media). This follows the 2008-2016 period when the government of Taiwan, then led by the Kuomintang party, negotiated direct trade, transportation, and postal links and a 2010 economic cooperation deal with the PRC. Beijing has used economic coercive actions to pressure Taiwan's Democratic Progressive Party, which has led the government since 2017, over its opposition to the PRC's "one country, two systems" framework for cross-Strait relations. During Taiwan's 2024 elections, the PRC opened a review of Taiwan's "trade barriers" and revoked tariff preferences for 12 petrochemical items. The PRC also uses incentives to attract Taiwan investment and immigration and pressure Taiwan officials and firms to constrain Taiwan's diversification efforts. Since 2023, the PRC has promoted economic integration of its Fujian province with Taiwan.

Taiwan authorities' efforts to curtail industry's role in the PRC's semiconductor sector have had limited success. Taiwan engineers and firms have partnered with the PRC government to develop PRC capabilities. The PRC has used firms in Taiwan to make chips, recruit engineers, and steal technology. In 2022, Taiwan amended its National Security Act to criminalize economic espionage and require approval to use trade secrets and critical technologies outside of Taiwan.

Issues Facing Congress

Tax. Congress has sought to address the complexities posed by the unofficial status of U.S. relations with Taiwan as it seeks to deepen economic ties. In 2025, H.R. 33 passed the House (423-1). H.R. 33/S. 199 includes the U.S.-Taiwan Expedited Double-Tax Relief Act and the U.S.-Taiwan Tax Agreement Authorization Act. It aims to avoid double taxation and encourage Taiwan investment in the United States. It would amend the Internal Revenue Code of 1986

by providing special rules for the taxation of certain Taiwan residents with income from sources in the United States. It would authorize the President to negotiate a tax agreement with Taiwan and require a Senate vote on an agreement.

U.S. Tariffs and Investment. In January 2026, the United States and Taiwan reached a deal for a 15% U.S. tariff rate on Taiwan, reducing a 32% tariff that President Trump imposed in 2025 under the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. §§1701 et seq). The 2025 action and the 2026 deal both except electronics, semiconductors, and goods subject to Section 232 actions. In February 2026, the Supreme Court ruled against the use of IEEPA to impose tariffs. In response, President Trump imposed a 10% global tariff for 150 days under Section 122 of the Trade Act of 1974 (19 U.S.C. § 2132) and the U.S. Trade Representative initiated an investigation under Section 301 of the Trade Act of 1974 (19 U.S.C. §2411) of structural excess capacity manufacturing in Taiwan and 15 other foreign markets. Taiwan officials have said that, despite U.S. tariff policy changes, they would like to keep the deal. Some experts say it may be hard for the deal to pass Taiwan's opposition-controlled legislature. The deal exempts generic drugs, aircraft parts, and certain natural resources from the 15% tariff, and caps at 15% Section 232 tariffs on auto parts, timber, lumber, and wood derivative products. It creates duty-free and lower-tariff-rate quotas on semiconductor imports for firms investing in U.S. capacity. Taiwan is to purchase from the United States between 2025 to 2029: \$44.4 billion in LNG and crude oil; \$25.2 billion in equipment; and \$15.2 billion in civil aircraft. Taiwan also is to invest \$250 billion in the U.S. semiconductor sector; provide \$250 billion in credit guarantees for other U.S. investment; and establish U.S. industrial parks. Since 2020, Taiwan Semiconductor Manufacturing Company Ltd. (TSMC) has invested in three fabrication plants in Arizona. In 2025, it committed to invest an additional \$100 billion.

Free Trade Agreement (FTA). A U.S.-Taiwan FTA could boost two-way trade and investment and encourage other countries to pursue similar deals. Taiwan has FTAs with New Zealand and Singapore and an investment deal with Canada. Its efforts to seek trade deals with Australia, Japan, the European Union, and the United Kingdom led the PRC to exert pressure on those countries. The PRC imposed an embargo on Lithuania for enhancing Taiwan ties. In 2021, Taiwan and the PRC applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership; the PRC has pressed countries not to admit Taiwan.

Energy. Taiwan's reliance on energy imports and limited stockpiling capacity may leave it vulnerable to supply disruptions, such as a PRC blockade. S. 2722 would promote U.S. LNG exports to Taiwan and the development of LNG storage in Taiwan.

Export Controls. U.S. export control actions since 2020 restrict any firm that uses U.S. technology from making certain chips for some PRC firms. Many PRC firms are not restricted, however, and some have reportedly used proxies to work around controls and make chips at TSMC: In 2021, Pythium procured chips for China's hypersonic missile program; in 2024, Huawei procured its 910 Ascend chips.

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