Strategic Adjustments by Japan and South Korea Under Shifting U.S. Automotive Policy: Implications for Taiwan

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U.S. New Energy Vehicle Policy and the Biden Administration's Framework

The United States, a traditional leader in the global automotive industry, has faced challenges from the rise of new energy vehicle technology and the growing prominence of Chinese automakers. These pressures prompted a comprehensive reassessment of U.S. automotive industrial policy and development strategy. Beginning in 2021, the Biden administration promoted the adoption of new energy vehicles through the *Infrastructure Investment and Jobs Act* and the *Inflation Reduction Act* (IRA) by implementing subsidies, tax incentives, and charging infrastructure development. Meanwhile, the administration established increasingly stringent requirements for domestic manufacturing ratios and rules of origin for qualifying new energy vehicle components, aiming to strengthen supply chain autonomy for U.S. automotive materials. These initiatives aligned with long-term climate objectives, including a target of 50% zero-emission vehicle sales by 2030.

Trump's Return to Power and Policy Reversal

However, with Donald Trump's return to the U.S. presidency in 2025, a markedly different approach emerged. Emphasizing an "America First" agenda, Trump expressed skepticism toward green energy transitions, arguing that

aggressive net-zero emissions targets would harm American workers and undermine domestic manufacturing competitiveness. Upon taking office, Trump quickly suspended budgetary allocations related to the IRA, rescinded Biden-era climate executive orders, and signed the *One Big Beautiful Bill Act* in July 2025 that comprehensively rolled back clean energy policies. This legislation eliminated or terminated certain IRA provisions, including electric vehicle purchase tax credits and used vehicle tax benefits, reduced charging infrastructure subsidies, and relaxed emissions standards for gasoline-powered vehicles. These measures delivered a direct blow to the still-maturing U.S. electric vehicle market and to consumers who had relied on subsidy support. Concurrently, the Trump administration invoked Section 232 of the *Trade Expansion Act* to bolster domestic manufacturing and supply chain independence by imposing 25% tariffs on imported vehicles and components effective in 2025. However, given the U.S. automotive parts industry's heavy dependence on imports, the policy triggered significant industry pushback. Trump subsequently issued an executive order providing a two-year transitional tariff exemption, while gradually raising United States-Mexico-Canada Agreement (USMCA) automotive component threshold requirements to reinforce domestic manufacturing and enhance national security resilience in the automotive sector.

Response Strategies by Japanese and South Korean Governments and Automakers

In response to the Trump administration's trade protectionism, especially the tariffs on imported vehicles, both the Japanese and South Korean governments, along with major automakers, have implemented extensive strategies. These measures aimed to mitigate the impact of tariffs, stabilize industry supply chains, and preserve competitiveness in the global market. At

the governmental level, both nations deployed multifaceted support, including financial assistance, tax relief, subsidy programs, diplomatic negotiations, and market diversification strategies to ensure operational stability and facilitate industrial transformation. On the corporate front, Japanese and South Korean automakers predominantly adopted strategies centered on expanded U.S. investment and strengthened localization of production, while simultaneously adjusting export strategies and reorganizing global production networks to reduce policy risk, maintain market share, and preserve global competitiveness.

Implications and Risks for Taiwan's Automotive Parts Industry

For Taiwan, the impact of shifting U.S. industrial policy on Japanese and South Korean governments and automakers, along with their corresponding responses, offers valuable reference points. However, it is crucial to recognize that Taiwan's automotive parts exports to the U.S. market predominantly serve the aftermarket (AM) sector. Facing U.S. tariff policies, Taiwanese parts manufacturers with competitive quality advantages can initially leverage their pricing power to pass on costs to consumers, thereby cushioning the impact on their profitability. Nevertheless, should other international competitors increasingly establish U.S. manufacturing operations in response to tariff incentives and progressively reconfigure supply chain arrangements, Taiwanese firms will inevitably face intensified pressure on both pricing competitiveness and market share. Furthermore, given that the United States represents the largest export market for Taiwan's automotive parts industry and that alternative markets cannot be readily secured in the short term, Taiwan's industrial dependence on a single market presents an increasingly apparent risk. Therefore, it is recommended that the government provide necessary support mechanisms to assist firms with transformation, upgrading, and market diversification efforts. On the corporate side, companies should not only assess

U.S. manufacturing establishments to consolidate existing markets but also proactively expand into emerging markets such as Europe, Southeast Asia, and India. By doing so, they can establish more resilient and flexible operational systems, which will help secure Taiwan's critical position in the global automotive parts supply chain.