Trump 2.0 Tariff War and the Shift in Taiwanese Companies' Global Deployment: The Strategic Position of Vietnam and Mexico

Liu, Yu-Chen | Analyst at the Regional Development Study Center,

Chung-Hua Institution for Economic Research (CIER)

U.S. President Trump entered the White House for the second term this year (2025), once again takes imposing tariffs as primary policy measure. However, unlike his first term, the scope of tariff measures has expanded to include partners with longstanding close diplomatic relations or military alliances, and the magnitude of tariffs imposed on products is also substantial.

Although there are concerns about the legality of reciprocal tariffs implemented under the International Emergency Economic Powers Act (IEEPA), Trump can still legally impose product tariffs under Section 232 of the Trade Expansion Act of 1962. Regardless of legality, corporate decisions regarding the establishment of production facilities and the relocation of supply chains have already been made during this period.

Strategic Advantages

Investment in Vietnam offers clear advantages in labor costs. In 2025, minimum hourly wages across various regions of Vietnam range from $0.69 to $0.99, which is not only more cost-competitive than neighboring Indonesia, Thailand, the Philippines, and Malaysia but also far lower than China's labor wage levels. In terms of supply chain connectivity, Vietnam's proximity to China provides an excellent geographic position, enabling companies to seamlessly integrate into Asian supply chains while considering factors such as U.S. tariffs on China and the search for backup production bases outside China.

As for Mexico, its proximity to the U.S. market means short transportation times and low logistics costs. Combined with labor costs that are more competitive than in the United States, particularly in industries such as automotive, aerospace, and electronics, where the workforce is skilled, Mexico has become the preferred location for investment and factory establishment in these industries. The existence of a free trade agreement between Mexico and the United States is an additional advantage.

Partial Equilibrium Simulation

To understand which industries in Vietnam and Mexico are likely to be most impacted by U.S. tariff increases, the World Bank's WITS-SMART partial equilibrium model was employed. The scenario was set with the United States imposing tariffs on Vietnam and Mexico that are 10 percentage points higher than those on other countries, with calculations based on 2024 U.S. import values from each country. Industry categories followed the Taiwan Ministry of Finance's Harmonized System (HS) code classification method. The results reveal that the primary industry affected in both Vietnam and Mexico is machinery and electrical equipment. The secondary industries in Vietnam are mainly textiles (including apparel) and other industries such as furniture, toys, and sporting goods. For Mexico, the secondary impacts fall on transportation equipment and mineral products.

Taiwanese Companies' Deployment Strategies

In the context of deploying Taiwanese companies in Vietnam and Mexico, particularly in the information and communication technology industry, companies typically adopt a strategy of diversified operations across multiple locations. For example, Foxconn expanded its AI server production lines in Mexico in 2024 and then again in August 2025, responding to emerging opportunities in the artificial intelligence market. In March 2025, the company also increased its AI server capacity in Vietnam through its subsidiary, Foxconn Bac Giang Technology. Pegatron has similarly deployed in both Vietnam and Mexico according to customer requirements.

Conclusion

Vietnam and Mexico have become preferred destinations for manufacturing relocation by leveraging their respective advantages. However, some risks require attention. For example, although Vietnam has negotiated with the United States to reduce reciprocal tariffs to 20%, a 40% tariff will be imposed on transshipped products from third countries. However, subsequent details and implementation guidelines have not been issued, raising concerns about whether products that have undergone “substantial transformation” in Vietnam might still be deemed transshipped by the United States if they contain a certain proportion of Chinese raw materials. This creates risks of uncertainty for companies exporting products to the United States.