

4.2 Government measures in response to US tariff policies

In view of the potential impact of the US reciprocal tariff policy on Taiwan's trade and financial markets, the Executive Yuan announced the *Support Program for Strengthening Taiwan's Export Supply Chain in Response to US Tariffs* (hereinafter the *Support Program*) on April 4, 2025. This program includes a planned investment of NT\$88 billion with 20 support measures aimed at assisting domestic industries. Subsequently, on April 24, 2025, the Executive Yuan further approved a draft of the *Special Act for Strengthening Economic, Social, and Homeland Security Resilience in Response to Global Challenges* (hereinafter the *Special Act*), with a projected budget of NT\$410 billion. The *Special Act* outlines four key objectives, namely supporting industries, stabilizing employment, safeguarding livelihoods, and strengthening resilience, along with ten specific measures.⁶⁶ The *Special Act* aims to comprehensively address the impacts of US tariff policies on Taiwan's industries and workforce. Notably, the budget for the *Support Program* was increased by NT\$5 billion, bringing the total to NT\$93 billion, to further assist enterprises with industrial upgrading, transformation, and equipment renewal.

Additionally, the FSC has implemented several measures to stabilize capital markets and provided financial support to industries, while other ministries have actively launched their own response measures. The Bank will continue to closely monitor developments in inflation, the financing conditions of domestic enterprises, and the FX market, and take appropriate actions in a timely manner to safeguard financial stability.

4.2.1 Financial stability measures

Measures implemented by the Bank

The Bank closely monitors changes in the balance of payments (BOP) and the FX market, and has implemented four mechanisms to stabilize the exchange rate by dynamically responding to fluctuations in the FX market: (1) establishing both on-site and off-site supervisory mechanisms, utilizing the real-time reporting system for large-amount FX settlements to capture the actual situation of capital inflows and outflows; (2) undertaking appropriate market operations when necessary to maintain the dynamic stability of the exchange rate in the event

⁶⁶ Ten specific measures include: (1) providing financial support for enterprises; (2) enhancing industrial competitiveness; (3) assisting enterprises with market diversification; (4) supporting stable employment for workers; (5) strengthening agricultural financial support, improving industrial competitiveness, and aiding market diversification; (6) enhancing talent cultivation at the higher education level; (7) injecting funds into the Taiwan Power Company (Taipower), the National Health Insurance Fund, and the Labor Insurance Fund; (8) improving social care programs and services for disadvantaged groups; (9) strengthening homeland defense capabilities; and (10) improving the operational environment and infrastructure for information and communications. Among these, measures (1) through (5) fall within the scope of the *Support Program of Strengthening Taiwan's Export Supply Chain in Response to US Tariffs*.

of an imbalance in market supply and demand that causes excessive fluctuations in the NT dollar exchange rate; (3) staying well-prepared with ample foreign currency liquidity; and (4) providing foreign currency liquidity to domestic financial markets.⁶⁷

Furthermore, the Bank has established a comprehensive liquidity provision mechanism that can be accessed through monetary policy tools, including the discount window, open market operations, and re-deposits from financial institutions. This mechanism is designed to fully meet the funding needs of the banking system and financial markets, with the aim of maintaining ample liquidity within the overall financial system (Chart 4.1).

Chart 4.1 The Bank's monetary policy tools

The Bank injects funds via monetary policy tools to maintain ample liquidity in the banking system		
Discount window	Open market operations	Re-deposits from financial institutions
1. Discount: with a maximum term of 180 days 2. Refinancing of secured loans: with a maximum term of 360 days 3. Short-term accommodations: with a maximum of 10 days	1. Reduce the issuance of NCDs 2. Conduct repo operations with a maximum term of 30 days 3. Conduct expanded repo operations with a maximum term of 180 days	Reduce the acceptance of re-deposits from financial institutions

Source: CBC.

Taiwan's banking system currently maintains ample liquidity, with banks holding over NT\$7 trillion in NCDs issued by the Bank. In response to the potential impact of US tariff policies on market liquidity, the Bank stands ready to reduce the issuance of NCDs to inject funds into the market in the event of liquidity needs of the banking sector, thereby enabling a swift response to evolving market conditions.

Measures implemented by the FSC

To preserve stability in the domestic stock market and protect investor interests, while preventing individual stock prices from falling excessively due to short-selling, the FSC

⁶⁷ The Bank provides foreign currency liquidity to the financial system through foreign currency call-loan operations and currency exchange transactions. To promote liquidity in the Taipei foreign currency call-loan market, the Bank has appropriated foreign currency seed funds totaling USD 20 billion, EUR 1 billion, and JPY 80 billion.

implemented temporary measures starting from April 7, 2025. These included: (1) allowing investors to use other forms of collateral that meet specified conditions such as adequate market liquidity to make up the margin shortfall for margin transactions or short sales; (2) reducing the maximum quantity of intraday sell orders for borrowed securities from 30% to 3% of the average daily trading volume of such securities over the preceding 30 business days; and (3) raising the minimum margin ratio for the short sales of TWSE- and OTC-listed securities from 90% to 130%. Subsequently, in light of the gradual stabilization of domestic and international stock markets, the FSC announced that starting from May 26, 2025, the measures under items (2) and (3) would cease to apply and resume prior restrictions, while item (1) would remain in effect.

In addition, in response to potential short-term liquidity pressures faced by import/export enterprises, the financial support measures proposed by the Bankers Association were filed with the FSC for recordation on April 18, 2025. These measures included: (1) allowing enterprises that demonstrate a willingness to continue operation, maintain regular interest repayments, and possess a sound debt and credit record to apply for a six-month extension on principal repayments due before December 31, 2025, with continued coverage by the Credit Guarantee Fund; (2) streamlining procedures and expediting the review process for government project loans that meet specific criteria; (3) requiring each bank to set up a dedicated contact window and publish consolidated loan-related information on the Bankers Association website for public access; and (4) encouraging banks to provide policy-oriented lending, with a growth target of NT\$460 billion for the “Tranche 20 of SME Loan Program” for domestic banks, and continuing with the loan program that supports the six core strategic industries with a new annual lending target of NT\$380 billion.

4.2.2 Support measures implemented by relevant ministries

To help mitigate the impact of US tariffs on enterprises and individuals, the Ministry of Finance, Ministry of Economic Affairs, Ministry of Agriculture, and Ministry of Labor have each introduced a series of support measures, as outlined in Table 4.2.

Table 4.2 Support measures by relevant ministries in response to US tariff policies

Relevant Ministries	Support Measures
Ministry of Finance	<ol style="list-style-type: none"> 1. Offer reduced interest rates on trade financing and premium discounts on export insurance to support exporters; lower administrative costs by exempting packing lists for customs clearance in bonded areas and increasing the implementation of remote customs inspections 2. Implement a range of tax incentives to support industrial upgrading and

Relevant Ministries	Support Measures
	technological innovation
Ministry of Economic Affairs	<ol style="list-style-type: none"> 1. Offer additional preferential guarantees for export loans to alleviate the financial burden on enterprises in procuring raw materials, sustaining production, and maintaining export-related working capital 2. Provide interest subsidies and export credit guarantees, along with increased loan support for micro, small and medium-sized enterprises 3. Subsidize R&D and transformation initiatives to encourage technological upgrading among enterprises 4. Provide financial assistance for the establishment of new facilities such as showrooms and distribution warehouses to support enterprises in expanding into international markets
Ministry of Agriculture	<ol style="list-style-type: none"> 1. Offer additional interest rate subsidies under various special-purpose agricultural loan programs to enterprises affected by the tariffs 2. Strengthen the cold chain logistics for exports, accelerate value-added industrial transformation and incentivize the acquisition of domestic and international certifications or accreditations to enhance the global competitiveness of Taiwan's agriculture and fisheries sectors
Ministry of Labor	<ol style="list-style-type: none"> 1. Proactively visit enterprise unions to assess the impact on workers 2. Provide support to affected enterprises, individuals, or groups through wage subsidies, vocational training, start-up loan interest subsidies, or the granting of employment incentives

Sources: Websites of the Executive Yuan, Ministry of Finance, Ministry of Economic Affairs, Ministry of Agriculture and Ministry of Labor; special reports to the Finance Committee of the Legislative Yuan.