

**Monitor of Global Responses to the
Financial Tsunami by Selected Economy
(for 21 March to 12 June 2009)**

(i) Key points

- The major economies have taken further steps to stabilize the global financial market. In the *G20 London Summit*, participating economies have agreed on a US\$1.1 trillion package of measures to restore economic growth and jobs. They have also agreed to take substantive move to reshape existing regulatory framework of the financial market to rebuild confidence and trust in the international financial system. *Asian economies* have also jointly established a liquidity fund to strengthen their position against future financial crisis.
- In *US*, measures announced earlier to stabilize the financial market started to take effect. The results of the "Supervisory Capital Assessment Program (SCAP)" (stress test) reflected that the US financial institutes in general have better-than-expected abilities to withstand further shocks. Meanwhile, the Treasury has approved several major US banks to repay the earlier capital injections from the government, implying improvement in the financial positions of these banks.
- In the *Mainland of China* (Mainland), the Central Government has picked Shanghai as well as Guangzhou, Shenzhen, Zhuhai and Dongguan in the Guangdong Province as pilot cities to conduct RMB settlement in cross-border trade. The government has also relaxed control over domestic firms in making overseas investment to help diversify the country's rising foreign exchange reserves. Meanwhile, export tax rebates were raised twice to support export trade.
- Industrialized economies like *UK* and *Japan* have announced new rounds of comprehensive stimulus package. Many industrialized economies have increased drastically government debts to finance the stimulus package, thereby causing concerns about rising public debt burden over time. In particular, Standard & Poor's has recently marked down UK's credit rating outlook.
- Economies like *US*, *EU*, *Japan* and *UK* have all cut their interest rates to record-low and started to purchase long-term treasury bonds, signifying quantitative easing of monetary policy.

(ii) **Details of Measures**

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CHINA – NATIONAL POLICIES

Boost Domestic Demand	
Measures for boosting automobiles and home appliances consumption (19 May 2009)	<ul style="list-style-type: none"> • Subsidies of RMB5 billion has been earmarked to encourage the purchase of new vehicles to replace existing medium or light trucks and certain medium-sized passenger cars that exceed certain number of years of operation. • Another subsidies of RMB2 billion is set aside for home appliances replacement. A pilot programme covering five types of home appliance, viz. TV sets, refrigerators, washing machines, air-conditioners and computers, will be launched in Beijing, Shanghai, Tianjin, Jiangsu, Zhejiang, Shandong, Guangdong, Fuzhou and Changsha.
Support Export	
Export tax rebates increased twice (1 April 2009 and 1 June 2009)	<ul style="list-style-type: none"> • The first increase covered over 3,800 items and scheduled to take effect on 1 April 2009, with tax rebates ranging from 5% to 17% on various export products, including textiles and garments, metal furnitures, and CRT products. • The second increase covered over 2,600 items and scheduled to take effect on 1 June 2009, with tax rebates ranging from 5% to 17% on various export products, including ethanol, toys and sewing machines. • So far, the export tax rebates have been revised for seven times since last August. Currently, for some items, the rebates are already close to full rebate meaning that there is not much room for further increase.
Pilot scheme of RMB settlement in cross-border trade introduced (8 April 2009)	Cities involved are Shanghai and Guangzhou, Shenzhen, Zhuhai and Dongguan in the Guangdong Province.
Measures to stabilize the external demand (29 May 2009)	<ul style="list-style-type: none"> • Improve policies on export credit insurance • Encourage exports of labor intensive and high-tech products • Assist companies engaged in foreign trade facing difficulties in financing • Improve policies on processing trade
Industrial Policies and SME Support	
Plan on development of light industry released (18 May 2009)	<p>Targets:</p> <ul style="list-style-type: none"> • Maintain the stable growth of the production and create about 3 million new jobs in the coming three years. • Encourage technological advancement and develop creative industries. • Improve the industry structure and reduce the emission of pollutant. • Eliminate less technically developed producers.

	<ul style="list-style-type: none"> • Ensure product quality and strengthen food safety.
Agricultural Sectors	
Measures to stabilize agricultural production (22 April 2009)	<ul style="list-style-type: none"> • Allocate RMB3 billion in central funding to support building standard pig and dairy farms. • Create jobs for rural workers by providing training and financial support. • Improve the circulation system of agricultural products and strengthen their quality and safety supervision. • Allocate RMB65 billion this year in investment to fund the construction and improvement of rural infrastructure.
Fiscal measures	
Short-term foreign debt quota relaxed (27 March 2009)	<ul style="list-style-type: none"> • The short-term foreign loan quota for financial institutions was increased by 12% to US\$32.9 billion in 2009. • The Government put specific emphasis on trade finance. The additional quota received by locally-funded and foreign-funded financial institutions in 2009 will be entirely used to support import/export trade finance of domestic enterprises.
Current capital ratio of the fixed assets investment projects adjusted (29 April 2009)	<ul style="list-style-type: none"> • Lowering the capital ratio for projects in urban mass transit, coal mining, airports, ports, coastal and river transport, railways, highways, commercial housing, postal services, information industry and potash fertilizer; and • Suitably raising the capital ratio for projects involving high energy-consumption, highly polluting and resource-intensive industries, such as calcium carbide, ferroalloy, caustic soda, coke and yellow phosphorus projects as well as electrolytic aluminum and corn intensive processing.
Eased Foreign exchange control of domestic firms (10 June 2009)	<ul style="list-style-type: none"> • The State Administration of Foreign Exchange (SAFE) allowed all kinds of firms in China to lend up to 30% of their equity to overseas subsidiaries, branches and companies in which they held a stake from 1.8.2009. Firms still need approvals from the SAFE to use their own foreign currency or buy from banks for their overseas investment, but the procedures have been simplified. • The relaxed control will help solve the financing difficulties of Chinese firms when they expand overseas, and help diversify the country's foreign currency reserves as well.
Regional Cooperation	
Currency swap with Indonesia and Argentina signed (23 March 2009 and 30 March 2009)	<ul style="list-style-type: none"> • China and Indonesia signed a currency swap agreement on 23 March 2009, involving RMB100 billion or 175 trillion Indonesian rupiah over three years, which could be extended by mutual agreement. • China and Argentina signed a currency swap framework deal totalling RMB70 billion on 30 March 2009. This is the biggest financial deal of China with a Latin American economy. Under the agreement, Argentina is allowed to settle payment for imports from China in RMB instead of US dollar. <p>China has also signed currency swap agreements with the Republic of Korea, China's Hong Kong Special Administrative Region, Malaysia and Belarus since the beginning of the global</p>

	financial turmoil, totaling RMB480 billion.
8 favorable measures for Taiwan businesses announced (17 May 2009)	<ul style="list-style-type: none"> • Encourage mainland enterprises to invest in Taiwan; • Increase the purchase of Taiwan products; • Encourage and support qualified Taiwan-funded enterprises to expand market in the Mainland and participate in Mainland infrastructure and other major construction projects; • Increase the number of Mainland tourists to Taiwan; • Promote the establishment of a Cross-Straits economic cooperation mechanism; • Allowing more Taiwanese to take part in Mainland examinations for accreditation of qualifications as professional and technicians; • Strengthen Cross-Straits agricultural cooperation platforms; • Allow Taiwan law firms to set up branches in Fuzhou and Xiamen to engage in legal consulting services for Taiwan-related civil cases on a trial basis.
Call for strengthening cooperation with ASEAN (13 April 2009)	<ul style="list-style-type: none"> • Sign the China-ASEAN free trade zone investment agreement; • Promote China-ASEAN infrastructure and network construction. In this connection, the Chinese Government has decided to set up a US\$10 billion “China-ASEAN Investment Cooperation Fund” for major cooperation projects in areas such as infrastructure, energy and resources, and information and communications. • Enhance ASEAN integration and regional cooperation. Over the next three to five years, the Chinese Government will extend credit of US\$15 billion to ASEAN countries, including US\$1.7 billion in loans with preferential terms. The Chinese Government also considers providing a total of RMB270 million this year as special aid for the less developed ASEAN nations like Cambodia, Laos and Myanmar; • Advance the development of the Mekong River sub-region, and sub-regional cooperation in areas like the East ASEAN Growth Area and “Indonesia-Malaysia-Thailand Growth Triangle”; • Strengthen the financial cooperation of East Asian nations by speeding up “multilateralization” under the <i>Chiang Mai Initiative</i>¹, expanding the regional foreign exchange reserve pool, increasing the scale and range of bilateral currency swaps, and supporting the building of an Asian bond market.
Second China-EU High-Level Trade and Economic	<ul style="list-style-type: none"> • Strengthen cooperation, and actively realize the consensus reached at the G20 Financial Summit in London in fostering an early world economic recovery. • Oppose protectionism in trade and investment, consolidate the achievements made in the World Trade Organization (WTO) Doha round of negotiations. Jointly push ahead

¹ The adoption and implementation of the *Chiang Mai Initiative* marked a substantial progress in the financial cooperation in East Asia, and played an active role in fostering the financial stability in the region. The ASEAN+3 Finance Ministers’ Meeting held in Chiang Mai, Thailand, in May 2000 unanimously agreed to promote the *Chiang Mai Initiative* relating to the building of a network of bilateral currency swap arrangements. Under the Initiative, it is decided to expand the original ASEAN Swap Arrangement and establish bilateral swap agreements among ASEAN countries, China, Japan and the Republic of Korea on a voluntary basis in accordance with the agreed basic principles. In the event of inadequate foreign exchange liquidity or problems in balance of payment in any one country, the other member countries can collectively provide emergency fund to stabilize the financial markets in the region.

<p>Dialogue (8 May 2009)</p>	<p>trade and investment liberalization and facilitation and uphold an open environment for trade and investment.</p> <ul style="list-style-type: none"> • Strengthen cooperation in investment, encourage enterprises of both side to take part in each other's economic stimulus plans allowed under their existing laws and on an equal and unbiased basis. • Jointly support the development of SMEs. The Second China-EU Policy Dialogue on SMEs is scheduled to be held in Guangzhou in September this year. • Initiate cooperation in energy and environment protection, jointly address global climate changes and foster sustainable development. At the same time, enhance mutual cooperation in the areas of high-tech trade, protection of intellectual property rights, product quality and food safety, customs and transport.
<p>Consensus reached at China-UK dialogue (12 May 2009)</p>	<ul style="list-style-type: none"> • Actively implement the agreement reached at the G20 London Summit, adopt all necessary measures to restore market confidence and promote global economic growth. • Work out solid time frame and roadmap for the reform of the international financial system, increase the voice and representation of emerging and developing economies in the international financial system. • Work together to achieve Millennium Development Goals set by the United Nations. • Strengthen communications and cooperation in financial supervision and financial services between the two countries, pay high attention to financial stability and continue to push forward the reform of financial supervision. • Expand pragmatic cooperation and technology transfer in the areas of energy efficiency, the development and application of new energies, the development and construction of nuclear energy and offshore wind power generation facilities, and policies of renewable energy; and foster cooperation in sustainable urban development and regional urban development. • Strengthen cooperation on trade in services and technology, and further expand bilateral trade in the areas of aerospace, environmental protection, biological technology, pharmaceuticals, electronics and advanced engineering. Step up cooperation in innovation and technical projects with a view to reaching the bilateral trade target of US\$60 billion by 2010. • Firmly oppose any forms of protectionism in trade and investment, consolidate the consensus reached in the WTO Doha round of negotiations and work together for a comprehensive and balanced implementation of the conclusion made in the Doha round.

CHINA – REGIONAL POLICIES

<p>Guangdong</p>	
<p>Joint effort of 9 PRD cities to promote tourism (3 April 2009)</p>	<p>Nine cities in the Pearl River Delta (PRD), viz. Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Zhaoqing and Huizhou, reached consensus in the following nine areas:</p> <ul style="list-style-type: none"> • Opening up tourist markets • Integrating tourism resources • Building barrier-free tourism zones

	<ul style="list-style-type: none"> • Establishing joint and interactive mechanisms • Developing quality tourist routes • Tapping tourist markets outside the region • Launching tourism interflows • Increasing cooperation in tourism investment • Developing cooperative platforms for tourism enterprises <p>All these will create more room and more favourable conditions for regional tourism cooperation and thereby helping to improve the tourism landscape in the PRD region.</p>
<p>Measures to create jobs and encourage business start-up (1 May 2009)</p>	<ul style="list-style-type: none"> • Guangdong Province will allocate RMB1.2 billion to 1.5 billion to implement the policies. • Details of the supporting policies and the concrete implementation measures will be announced later. • The aim is to broaden the employment opportunities of college graduates by adopting the preferential policies of providing “Six Subsidies and One Support” (i.e. social insurance subsidy, employment subsidy, job placement subsidy, vocational training subsidy, subsidy for appraisal charges, temporary living allowance and one-off business start-up funding support) and tax and fee remission. • One-off business start-up funding measures include “zero down payment” for capital registration, tax and fee remission and small loans.
<p>Shenzhen</p>	
<p>Cooperation with Hong Kong enhanced (26 May 2009)</p>	<ul style="list-style-type: none"> • Strengthen cooperation in financial area. • Strengthen cooperation in ports and airports, speed up the cooperation between Shenzhen and Hong Kong airports, and further the cooperation in the high-end transportation services to jointly develop world-class ports. • Strengthen commercial and trade cooperation and jointly create a world-class trade centre furnished with business and trade, exhibition and promotion, and tourism and leisure facilities. • Strengthen cooperation in cultural and creative industries. • Strengthen cooperation in social, technology, education and health areas. • Expedite coordination and construction of major infrastructure projects involving city planning, transport, information and energy of the two cities, promote a more convenient, safer and orderly flow of capital, goods and information, and introduce measures to facilitate travel of Shenzhen residents to and from Hong Kong. • Advance the planning, construction and innovation of institutional framework of the Qianhai and Houhai areas in Shenzhen. • Improve the cooperation mechanism in anti-smuggling operations between Shenzhen, Hong Kong and Macau.

<p>Measures to enhance innovation in financial sectors (26 May 2009)</p>	<ul style="list-style-type: none"> • Increase SMEs access to the equity market by actively supporting the establishment of a Growth Enterprise Market and over-the-counter market in Shenzhen to speed up the creation of a multi-level capital market. • Explore the possibility of establishing a foreign currency bond market in Shenzhen. • Step up the development of the futures market and consolidate the regulatory framework for the development of various equity markets. • Support financial institutions (such as banks, securities companies, insurance firms, fund houses and futures exchange agencies) in the innovation of their financial products and modes of operation on the condition that the relevant laws and sector-specific regulatory requirements will not be compromised. • Actively explore the securitization of assets, such as real estate, highways, piers and electricity.
<p>Macao</p>	
<p>One-off subsidy granted to residents (16 April 2009)</p>	<p>The Government of the Macao Special Administrative Region granted a one-off subsidy of 6,000 patacas (US\$ 751) per head for permanent residents and 3,600 patacas per head for non-permanent residents. Besides, the Macao Government would give each permanent resident a medical voucher worth 500 patacas.</p>
<p>Jiangsu</p>	
<p>Measures to support Taiwan businesses in Jiangsu (22 April 2009)</p>	<ul style="list-style-type: none"> • Increase loans to Taiwan businesses; • Create new forms of secured financial guarantees; • Encourage Taiwan businesses to raise funds from the capital market directly; • Support Taiwan enterprises in accessing the North Jiangsu market; • Strengthen support for the Taiwan-funded agricultural projects; • Exempt parts of the inspection and quarantine fees, parts of the taxes on modern services and equipment replacement, and taxes for Taiwan enterprises in financial difficulties; • Relieve the burden of social insurance on Taiwan enterprises; • Encourage the registration of new and high-tech enterprises and self-developed intellectual property rights; • Simplify the procedures for outward processing, transfer of bonded goods, domestic sales of bonded goods of the processing trade, collection and settlement of foreign exchange in trade, tax rebate on exports as well as inspection and quarantine.

INDUSTRIALISED ECONOMIES

US	
Measures for the Stabilizing Financial Market	
Further initiatives to improve banks' balance sheet (23 March 2009)	<p>The Treasury announced on 10 February 2009 the Financial Stability Plan (FSP). Details of the "Public-Private Investment Programme" under the FSP to buy up to US\$1 trillion worth of toxic assets to help repair banks' balance sheets was disclosed on 23 March 2009.</p> <p>US\$75 billion to US\$100 billion from the Treasury's US\$700 billion Troubled Asset Relief Program (TARP) will be used to fund the government's purchase of assets. To encourage private investors to take part in the scheme, low-interest loans and guarantees will be offered via the Federal Reserve and the Federal Deposit Insurance Corp (FDIC). This means that the private investors (including private equity, individual investors, pension plans and insurance companies) will shoulder relatively little risk, with 93% of the risk borne by the government. The programme initially aims to buy US\$500 billion of toxic assets, with the potential to expand up to US\$1 trillion.</p>
Direction of future regulatory reform unveiled (26 March 2009)	<ul style="list-style-type: none"> • A single independent regulator with responsibility over systemically important firms and critical payment and settlement systems. • Higher standards on capital and risk management for systemically important firms. • Registration of all hedge fund advisers with assets under management above a moderate threshold. • A comprehensive framework of oversight, protections and disclosure for the over-the-counter (OTC) derivatives market. • New requirements for money market funds to reduce the risk of rapid withdrawals.
Coverage of TARP expanded (14 May 2009)	<p>With a "pass" in the "stress test", some banks wanted to return bailout money to the Fed. The government is planning to pump the money returned back into the bailout fund and recycled to assist other smaller banks. The window for applying or reapplying and the deadline for small banks to form a holding company to participate in the program will be opened for six months.</p>
Disclosure requirement of credit card companies tightened (20 May 2009)	<p>The US House of Representatives gave final approval to a landmark credit card bill that will eliminate unfair and arbitrary interest rate increases and excessive fees to protect consumers. The changes include new restrictions on issuing cards to minors, and requirement for credit card companies to give 45 days notice before raising rates.</p>
Approved banks to repay capital injected earlier (9 June 2009)	<p>Ten major US banks were approved to repay the Treasury a total of US\$68 billion for capital injections made earlier to stabilize the financial system.</p> <p>The repayments implied that many banks have been able to raise equity or debt financing from the market.</p> <p>Firms that repay their preferred stock have the right to repurchase the warrants (or rights to purchase additional shares) Treasury holds at fair market value. The 10 banks have paid dividends on the preferred stock amounting to about US\$1.8 billion over the last seven</p>

	months and all dividends from the TARP program amounting to US\$4.5 billion to date.
Measures for the Automotive Industry	
Further assistance to GM and Chrysler	<ul style="list-style-type: none"> On 31 March 2009, the US Government provided second batch of funding to General Motors (GM) and Chrysler in late March to facilitate their restructuring. GM has obtained working capital over the next 60 days to produce a reorganization plan, while Chrysler received up to US\$6 billion and 30 days to complete a merger deal with Fiat, the Italian automaker. The government also offered tax incentives for auto purchases, and to consumers trading in old cars for newer fuel-efficient models. On 25 April 2009, the US Treasury provided another US\$2 billion to GM for the giant automaker to restructure. On 21 May 2009, the US Treasury pumped another US\$7.5 billion to bailout auto lender General Motors Acceptance Corporation (GMAC), that was previously the wholly owned financial services arm of GM. The investment includes US\$4 billion for GMAC to offer loans to Chrysler buyers and sellers. The remaining US\$3.5 billion will help GMAC meet capital needs as identified by the government stress tests.
Monetary Policy	
Purchase of bonds to increase money flow (23 March 2009)	The Federal Reserve decided to keep the target range for the federal funds rate at 0% to 0.25%, and anticipated that economic conditions are such that exceptionally low federal funds rate may have to stay for an extended period. In addition, the Fed will buy up to US\$300 billion of Treasury securities by autumn this year.
EU	
Assistance to eastern European members strengthened (4 May 2009)	EU finance ministers agreed to double the fund for emergency lending to eastern European members to €50 billion (US\$67 billion).
Quantitative easing of monetary policy adopted (8 May 2009)	After cutting its key interest rate to a record-low of 1%, the ECB planned to spend about €60 billion (US\$80 billion) buying covered bonds, marking the beginning of quantitative easing. The ECB also extended unlimited cash loans to commercial banks for up to 12 months from the previous maximum of six.
Bank supervision tightened (27 May 2009)	<ul style="list-style-type: none"> The European Systemic Risk Council will be established, comprising central bankers and national regulators, to monitor any buildup of risks and issue call for action before they threaten the stability of the financial system as a whole. The Council, to be chaired by the ECB, will provide early warnings of systemic risks that might be building up and, where necessary, make recommendations for action to deal with those risks. The European System of Financial Supervisors will be formed to monitor the insurance, banking and securities markets. It will be made up of a network of national financial supervisors and new European authorities. <p>The new EU authorities would have the power to mediate and, if necessary, resolve</p>

	disagreements over supervision of cross-border financial institutions among national regulators.
UK	
2009 Budget announced with more stimulus introduced (22 April 2009)	<p>The stimulus in this Budget is expected to raise the country's GDP by 0.5% this year, but public borrowing is also expected to surge to a historical high of £175 billion by the end of 2009. The further stimulus includes:</p> <ul style="list-style-type: none"> • Support for employment - including Jobcentre Plus and the Flexible NewDeal, and the offer of guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed; • Support for business - including extending the enhanced loss relief for another year and expanding HMRC's Business Payment Support Service, increasing capital allowances for new investment to 40% for one year, and establishing a £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance; • Support for individuals - including increase in the annual investment limit for Individual Savings Accounts (ISAs) to £10,200, of which up to £5,100 can be saved in cash; additional payment alongside the Winter Fuel Payment worth £100 for households with member(s) aged over 80 and £50 for households with member(s) aged over 60; • Support for homeowners and homebuyers - including £600 million funding package to support the building of more homes through unlocking sites currently sitting dormant, and extension of the stamp duty holiday for all houses costing up to £175,000 until the end of the year; • Support for the environment - including setting the world's first carbon budgets and measures to encourage energy efficiency and low-carbon growth. <p>To reduce public debt, the government also planned to:</p> <ul style="list-style-type: none"> • From April 2010, an additional rate of income tax of 50% will apply to income over £150,000, and the income tax personal allowance will be restricted for those with income over £100,000; • From April 2011, tax relief on pension contributions will be restricted for those with income of £150,000 and over, and tapered down until it is 20%; • Fuel duty to increase by 2 pence per litre as from 1.9.2009, and by 1 penny per litre above inflation each year from 2010 to 2013;
Bond purchase to support economic recovery increased (7 May 2009)	<p>The Bank of England announced on 7 May 2009 that it will increase bond purchases to give the British economy a further push and will also add £50 billion (US\$75 billion) to its program of asset purchases. It has also decided to leave the key interest rate unchanged at a record low of 0.5%.</p>

Germany	
Subsidies to the purchase of new low-emission vehicles raised (8 April 2009)	The Germany Government agreed plans to raise the amount of government subsidies to €5 billion (US\$6.6 billion) from an initial €1.5 billion to encourage replacement of old vehicles by low-emission new vehicles. The program, originally due to expire on May 31, will be extended through the end of this year.
Canada	
Further assistance to GM and Chrysler (7 April 2009)	On 7 April 2009, the Canadian government increased its fund for insuring sales of auto-parts makers by C\$700 million (US\$567 million) and providing guarantee to consumers' warranty on new GM and Chrysler vehicles. Both GM and Chrysler have to rework their restructuring plans. In addition, Chrysler was asked to enter into agreement with Fiat SpA before the end of April.
Credit to farmers (3 May 2009)	Canadian government will provide CAN\$1 billion (US\$840 million) to farmers to help them deal with the current recession. The money will be provided in loans over the next five years to farmers finding it difficult to borrow money.
Disclosure requirement of credit card companies tightened (21 May 2009)	The Canadian Government is proposing to strengthen the disclosure requirements on federally regulated financial institutions that provide consumers credits to ensure that Canadians have access to credits on terms that are fair and transparent.
Japan	
The third package of economic stimulus plan worth ¥15.4 trillion (US\$154 billion) announced (10 April 2009)	<p>The package cover five main areas: 1) Creating a safety net for workers who do not have the status of "permanent" staff, 2) helping corporate financing, 3) boosting spending on solar power systems, 4) reducing public anxiety over medical and nursing care services, and 5) revitalizing regional economies.</p> <p>FUNDING THE SPENDING</p> <ul style="list-style-type: none"> The government will fund ¥4 trillion of the new spending with reserves and the rest by new bonds, which would amount to around ¥11 trillion. <p>TAX CUTS</p> <ul style="list-style-type: none"> Extending tax exemptions for companies' research and development spending. Expanding a "gift tax" exemption for assets to be passed down within families on condition that the money is used to buy residential property. <p>MEASURES ON STOCK MARKETS</p> <ul style="list-style-type: none"> Expanding types of assets purchased by a state body for buying shares held by banks to preferred shares and exchange-traded funds (ETFs) as well as listed real estate investment trusts (REITs). Preparing a backup scheme for a government body to buy shares in case of exceptional market conditions. The government will guarantee up to ¥50 trillion of loans to the body.

HELPING CORPORATE FINANCE

- Expanding guarantees on loans to small firms. The maximum available funds will be expanded to ¥30 trillion from the current ¥20 trillion.
- Increasing emergency loan and guarantee scheme by government-affiliated banks for small companies to ¥17 trillion from ¥10 trillion.
- Boosting long-term funding scheme by government-affiliated banks for large and midsize companies to ¥10 trillion from ¥2 trillion.

ENVIRONMENT

- Paying subsidies of ¥100,000-250,000 for each purchase of an environment-friendly vehicle.
- Subsidizing purchases of energy-saving home appliances by giving back 5% in the form of purchase points.
- Expanding the scheme in which electric power companies will purchase surplus electricity generated by solar panels at individual houses and other buildings.
- Setting up solar power generators in about 37,000 schools.
- Introducing heat-insulating materials and other devices to 3 million houses and buildings in the next three years to cut energy use.
- Supporting new technologies to achieve a low carbon society.

EMPLOYMENT

- Increase subsidies to give companies incentives not to cut jobs.
- Support training programmes for unskilled workers.

RESOURCES

- Recycling rare metals used in electrical appliances and electronic devices, with a target to collect about 3.2 tonnes of gold in the next three years from 100 million mobile phones.
- Enhancing use of wood biomass and doubling domestic timber production by 2020.
- Recycling steel used in ships.

BUILDING INFRASTRUCTURE

- Creating new transport link to halve the travelling time between Tokyo's Haneda and Narita airports to around 50 minutes.
- Extending runways at Haneda airport to boost its capacity for international flights.

NURTURING ADVANCED TECHNOLOGY

- Funding further research on stem cells to advance reproductive medical technology.

SUPPORT FOR HEALTH/FAMILIES

- Subsidizing salaries of workers at nursing homes with the aim of creating more jobs in the sector.
- Extra pay-outs for families with children aged 3-5. The payouts will be one-off at ¥36,000 per child.

	The government expected that the package would raise GDP by around 2% and create 400,000-500,000 jobs in the first year.
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OTHER ECONOMIES

South Korea	
Supplementary budget announced with new stimulus included (24 March 2009)	<ul style="list-style-type: none"> • Offer more jobs by maintaining and creating jobs. • Assist SMEs and the self-employed through expanding credit guarantees and increased government financing. • Support municipal governments by purchasing municipal government bonds and facilitate early completion of infrastructure projects by provincial firms. • Invest in nurturing future growth engines such as education to prepare for the post-crisis period. • Allocate more funds to help lower-income families manage their living expenses, including increased support for the unemployed. <p>The 28.9 trillion won (US\$21 billion) supplementary budget, to be executed within 2009, are expected to create 552,000 new jobs, and raise GDP growth in 2009 by about 2%. Of the total, 17.7 trillion won will be executed as fiscal expenditures and 11.2 trillion won will be used to make up for the projected shortfall in revenues. Fiscal balance excluding social security funds in 2009 is expected to record a deficit equivalent to 5.4% of its GDP.</p>
South Korea and Japan extend currency swap line by six months (31 March 2009)	In mid-Dec 2008, the Bank of Korea (BOK) settled a deal with the Bank of Japan (BOJ) to expand the won-yen currency swap line from US\$3 billion to US\$20 billion. The two countries agreed to extend the currency swap deadline by six months to 31.10.2009.
Thailand	
Second stimulus package worth 1.4 trillion baht (US\$39.78 billion) approved (26 March 2009)	The stimulus covered investments in transportation, irrigation, education and public health projects from 2009 to 2012. It is estimated that the investment will create jobs for two million people and boost the country's long-term competitive advantages.
India	
New anti-dumping measures against imports from neighbouring economies (28 March 2009)	India has imposed anti-dumping duty of US\$112.64 to US\$527.31 per ton on yarns and fabrics imported from China, Thailand and Vietnam to protect its home industry. The anti-dumping duty will remain in force till 25.9.2009. An anti-dumping duty of up to 205 rupees (US\$ 4) per meter has also been imposed on flax fabric imported from China, including Hong Kong SAR. The country had also imposed safeguard duty up to 35% on some of the aluminum products to protect domestic industry against imports from China.

Singapore	
Widened fluctuation band to allow mild depreciation of currency (14 April 2009)	<p>The Monetary Authority of Singapore (MAS) re-centred the exchange rate policy band of the nominal effective exchange rate of Singapore dollar (S\$NEER) to the prevailing level, while keeping the width of the band unchanged.</p> <p>As the S\$NEER has largely fluctuated in the lower half of the policy band since September last year, the shift of trading band for the Singapore dollar is equivalent to a one-off devaluation of the currency.</p>
Chile	
Second stimulus package introduced (30 March 2009)	Chile announced new measures to boost its economy in addition to the stimulus plan launched in Jan 2009. The measures will focus on aid to small enterprises, easier access to bank credits and promotion of competition in the financial sector.

MULTILATERAL COOPERATION

China and IDB	
Strengthen support to poor nations in Latin America and the Caribbean region (28 March 2009)	China will establish two partnerships with the Inter-American Development Bank (IDB) to co-finance public and private sector projects in Latin America and the Caribbean, increasing credit flows to this region amid the global financial crisis. China is contributing US\$350 million to fund key IDB Group initiatives, including soft loans for the region's poorest countries and investment capital for SMEs.
G20	
Consensus reached on rebuilding confidence and trust in the world financial system (2 April 2009)	<p>US\$1.1 trillion package of measures agreed:</p> <ul style="list-style-type: none"> • An additional US\$500 billion for the IMF US\$250 billion in International Monetary Fund Special Drawing Rights available to all IMF members; • A trade finance package worth US\$250 billion over two years to support global trade flows; and • At least US\$100 billion of additional lending by the Multilateral Development Banks. <p>More specifically on strengthening the financial system, G20 agreed to:</p> <ul style="list-style-type: none"> • Establish a new Financial Stability Board (FSB) with a strengthened mandate, as a successor to the Financial Stability Forum (FSF), including all G20 countries, FSF members, Spain, and the European Commission; • Ensure collaboration between FSB and IMF to provide early warning of macroeconomic and financial risks and the actions needed to address them; • Reshape the regulatory systems so that the authorities concerned are able to identify and

	<p>take account of macro-prudential risks;</p> <ul style="list-style-type: none"> • Extend regulation and oversight to all systemically important financial institutions, instruments and markets. This will include, for the first time, systemically important hedge funds; • endorse and implement the FSF’s tough new principles on pay and compensation and to support sustainable compensation schemes and the corporate social responsibility of all firms; • Take action, once recovery is assured, to improve the quality, quantity, and international consistency of capital in the banking system. In future, regulation must prevent excessive leverage and require buffers of resources to be built up in good times; • Take action against non-cooperative jurisdictions, including tax havens. To be ready to deploy sanctions to protect public finances and financial systems; • Call on the accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards; and • Extend regulatory oversight and registration to Credit Rating Agencies to ensure they meet the international code of good practice, particularly to prevent unacceptable conflicts of interest.
ADB	
<p>Capital tripled from US\$55 billion to US\$165 billion to boost capacity to fight poverty (30 April 2009)</p>	<p>The 200% increase will help ADB boost its support to countries affected by the global downturn, enabling it to provide an additional US\$10 billion from its Ordinary Capital Resources over the next few years for crisis-related assistance. It will also give ADB the financial capability to pursue longer term development priorities in the region.</p> <p>The ADB also expanded the Trade Finance Facilitation Program (TFFP) from US\$150 million to US\$1 billion. It has also increased the maximum maturity of loans permitted under the TFFP from two years to three years.</p>
Others	
<p>Central banks agreed on currency swap lines to strengthen Fed ability to fight crisis (7 April 2009)</p>	<p>Under the agreement, the Bank of England, the European Central Bank, the Swiss National Bank and the Bank of Japan would offer their domestic currencies to the Fed for lending to US financial institutions, should the need arise. The swap lines, which are authorized until 30 October, provide up to £30 billion, €80 billion, ¥10 trillion, and CHF40 billion to US companies.</p>

<p>US\$120 billion worth liquidity fund established to strengthen Asian economies position against financial crisis (4 May 2009)</p>	<p>China, Japan and South Korea agreed on the details of an emergency US\$120 billion liquidity fund to help 13 Asian economies counter the global economic downturn. The three nations will contribute on a 2:2:1 ratio – US\$ 38.4 billion from China and Japan and US\$ 19.2 billion from South Korea – making up 80% of the fund. The rest would come from the ASEAN. Among China's share, Hong Kong will contribute US\$ 4.2 billion.</p> <p>The fund will be used to give emergency balance of payments support to any country experiencing the kind of capital flight that marked the Asian financial crisis in 1997-98.</p>
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[Disclaimer: This Monitor of country responses to the global financial crisis is prepared for indicative purposes only. The information in the Monitor may be based on the published information obtained from national government news releases and media reports as available. The Monitor may not be exhaustive, comprehensive, accurate, or representative of the views of the Government of the HKSAR or of any other government, person or institution.]

TFEC Secretariat
23 June 2009

OVERVIEW OF GLOBAL KEY INTEREST RATE CHANGE (for 21 March to 12 June 2009)

Economy	Announcement Date	Interest rates	Latest
Key Economies			
European Central Bank: interest rate on the marginal lending facility	2 April 7 May	↓ 0.25 percentage point ↓ 0.50 percentage point	1.75%
Australia: cash rate	7 April	↓ 0.25 percentage point	3.00%
Canada: overnight rate target	21 April	↓ 0.25 percentage point	0.25%
Asia			
India: repo rate under the Liquidity Adjustment Facility	21 April	↓ 0.25 percentage point	4.75%
Indonesia: BI Rate	3 April 5 May	↓ 0.25 percentage point ↓ 0.25 percentage point	7.25%
Philippine: overnight borrowing or reverse repurchase facility	16 April 28 May	↓ 0.25 percentage point ↓ 0.25 percentage point	4.25%
Others			
New Zealand: official cash rate	30 April	↓ 0.5 percentage point	2.50%
Sweden: repo rate	21 April	↓ 0.5 percentage point	0.50%
Russia: refinancing rate	22 April 13 May	↓ 0.5 percentage point ↓ 0.5 percentage point	12.00%
Turkey: overnight borrowing rate	14 May	↓ 0.5 percentage point	9.25%
Egypt: benchmark overnight interest rate	14 May	↓ 0.5 percentage point	11.50%
Brazil: benchmark interest rate	29 April 10 June	↓ 1 percentage point ↓ 1 percentage point	9.25%
Mexico: overnight interbank funding rate	17 April 15 May	↓ 0.75 percentage point ↓ 0.75 percentage point	5.25%
Peru: reference rate	8 April 7 May	↓ 1 percentage point ↓ 1 percentage point	4.00%