

**Monthly Monitor of Global Responses to the  
Financial Tsunami by Selected Economy  
(for November 2008)**

**(i) Key points**

- **In November, major economies around the world, like the mainland of China (the Mainland), UK, Germany and South Korea have announced series of substantial stimulus packages in a bid to boost domestic economies. In US, further efforts have been made to bail out financial institutions and stabilize consumer finances.**
- **Increased public spending remains the key driver of these packages, especially the speeding up of infrastructure projects in various regions across the Mainland.**
- **For individuals, tax relief measures and consumption subsidies are also proposed (e.g. UK, the Mainland, Taiwan and Macao) in response to the unfavourable business sentiment and deteriorating economic outlook.**
- **For SMEs, facilitation of access to finance via the provision of loans or loan guarantee, and relief of administrative burden are the two key elements of support.**
- **Job creation programmes are the priority in most economies, especially in the Mainland, in the light of increasingly more lay-offs in various industries.**
- **Monetary policy eased further.**
- **Policies on delivering goals for long-term growth are also devised. For instance, measures have been introduced to tackle environmental problems (e.g. EU, UK and the Mainland) and industrial upgrade and restructuring (e.g. the Mainland).**
- **Meanwhile, global economic powers have expressed their commitment and coordinated efforts to tackle the problems arisen from the financial crisis, and the need for concerted regulatory reforms.**
- **A summary of global responses to financial tsunami by selected economies up to end-October 2008 is set out at Annex.**

(ii) **Details of Measures**

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## CHINA – NATIONAL POLICIES

**Announced a Rmb 4 tn (about US\$570 bn) stimulus package**

- The package announced on 9 November will spread over the next 2 years (to 2010), financing programs in 10 major areas and signifying the Central Government's shift to an "active" fiscal policy and "moderately loose" monetary policy (“積極的財政政策和適度寬鬆的貨幣政策”). The National Development and Reform Commission (NDRC) announced that the **central government would provide Rmb 1.18 tn for the Rmb 4 tn package.**
- **Financing the package:** local governments are prohibited from raising capital through bond issues, the **central government is considering to allow them to "raise funds through loan transfers or appropriate channels or measures with central approval"** (“通過轉貸或者允許地方政府經過批准以適當的方式進行融資的管道和方法”). **The government also welcomed all types of capital, including private equity.** Meanwhile, the media reported that China plans to issue long-term construction treasury bonds totaling Rmb 1 tn over the next two years to support the stimulus package.

### Key Points:

#### **Housing**

- Build more affordable and low-rent housing. Rmb 280 bn has been ear-marked.

#### **Rural infrastructure**

- Speed up rural infrastructure construction, by improving roads and power grids; stepping up measures to ensure drinking water safety and increasing poverty relief efforts etc. Rmb 370 bn has been ear-marked.

#### **Transportation**

- The expansion of the transport network, including more passenger rail links and coal routes. Rmb 1,800 bn has been ear-marked.
- Separately, the State Council **approved projects with a combined investment of more than Rmb 200 bn (US\$29 bn).** Amongst others, the infrastructure project of a gas pipeline from the northwestern Ningxia Hui Autonomous Region to the southern economic hubs of Guangzhou and Hong Kong (“自寧夏中衛經 11 個省（區、市）至廣州、香港的西氣東輸二線專案東段工程”) would involve an investment of Rmb 93 bn.
- A total of **Rmb 450 bn (US\$65.88 bn)** will be **spent on at least 60 airport projects**, scheduled for commencement in the next two years. At least 40 of the projects will commence next year and incur an expenditure of Rmb 200 bn.

#### **Health and education**

- Beef up the health and medical services by improving the grass roots medical system. Rmb 40 bn has been ear-marked.

#### **Environment**

- Improve environmental protection by enhancing the construction of sewage and

rubbish treatment facilities and preventing water pollution in key areas. Rmb 350 bn has been ear-marked.

### Industry

- Enhance innovation and industrial restructuring and supporting the development of the high-tech and service industries. Rmb 160 bn has been ear-marked.

### Disaster rebuilding

- Speed up reconstruction in the areas hit by the May 12 earthquake. Rmb 1,000 bn has been ear-marked.
- Ministry of Finance announced that it had earmarked Rmb 20 bn (US\$2.9 bn) from the 2009 central budget for reconstruction. The fund was allocated to the earthquake stricken regions on top of the Rmb 70 bn provided earlier. The new money was also meant to speed up construction of housing projects, hospitals, schools and other reconstruction projects.

### Incomes

- Raise next year's minimum grain purchase price and farm subsidies; increase subsidies for low-income urban residents; increase pension funds for enterprise employees and allowances for those receiving special services.

### Tax Relief

- Extend reforms in value-added tax rules to all industries, which could cut the corporate tax burden by Rmb 120 bn (around US\$17.6 bn).
  - ♦ Shift from the existing production-based to a consumption-based VAT regime.
  - ♦ Allow companies to get **tax deductions from VAT for spending on equipment and instruments.**
  - ♦ Scrapped policies that exempt imported equipment from VAT.
  - ♦ **VAT rate for small businesses (with annual sales not exceeding Rmb 1 million) was reduced to 3% from 6% for industrial firms and to 4% for commercial companies.**

### Finance

- Enhance financial support – Removing loan quotas on commercial banks; appropriately increasing bank credit for priority projects, smaller enterprises, technical innovation and industrial rationalization through mergers and acquisitions.

### Invest Rmb 5 tn on building railways

- In announcing the “Medium-and Long-term Railway Network Plan (Revised 2008)” on 27 November, the Ministry of Railways indicated that China would invest Rmb 5 tn from now to 2020 to build 40 000 km of railways so as to stimulate economic growth.
- According to the current macroeconomic situation and the railway development plan, China will complete an investment of RMB 600 bn in capital works by 2009. The investment of such a scale will create 6 million jobs, raising the country’s GDP directly by 1.5%.

<p><b>Support for SMEs</b></p>	<ul style="list-style-type: none"> <li>• Premier WEN Jiabao emphasised on 15 November that <b>greater efforts should be made to support SMEs</b>, in particular: <ul style="list-style-type: none"> <li>◆ To <b>solve SMEs’ difficulty in raising funds</b>: by simplifying loan granting procedures of financial institutions.</li> <li>◆ To <b>strengthen financial and tax support for SMEs</b>.</li> <li>◆ To <b>support SMEs to carry out industrial transformation and structural upgrading</b>.</li> <li>◆ To <b>strengthen and improve services for SMEs</b> in strengthening credit guarantee, technical innovation, training and market expansion etc.</li> </ul> </li> </ul>
<p><b>Rmb 3 bn venture investment fund established for SMEs</b></p>	<ul style="list-style-type: none"> <li>• <b>Meanwhile, the China Association of Small and Medium Enterprises (CASME) has initiated a Rmb 3 bn (US\$439.2 mn) venture investment fund</b> as a step to help the country's SMEs in raising capital. The fund will be established by the end of this year.</li> <li>• Other efforts include the issue of SME corporate bond and the founding of a bank with a planned registered capital of Rmb 10 bn.</li> <li>• Upon its establishment, the bank will provide loans only to the SMEs. Companies may get as much as Rmb 10,000 to Rmb 5 mn each for their investment and development.</li> </ul>
<p><b>Raise export tax rebate</b></p>	<ul style="list-style-type: none"> <li>• The <b>export tax rebate rate is raised</b> for the third times this year on 17 November. This increase <b>covered a list of 3,770 items which account for 28% of the country's total exports</b> and included labor-intensive, mechanical and electrical products. The rebate takes effect on 1 December 2008. The previous two rebates were made in August and at the beginning of November.</li> </ul>
<p><b>PBOC monetary policy</b></p>	<ul style="list-style-type: none"> <li>• The <b>People’s Bank of China (PBOC) indicated that the central bank would implement “moderately loose monetary policy”</b> to ensure adequate liquidity of the banking system, and to maintain reasonable monetary and credit growth. Six major measures will be taken to enhance the role played by financial services in economic growth. <ul style="list-style-type: none"> <li>◆ <b>To enhance the monitoring of the evolving global financial situation.</b></li> <li>◆ <b>To ensure sufficient liquidity of the financial system and provide timely liquidity assistance to the financial institutions.</b></li> <li>◆ <b>To foster stable growth in the aggregate amount of monetary credit.</b></li> <li>◆ <b>To make conscious effort to optimise the credit structure</b> by encouraging financial institutions to enhance their credit support for key construction projects, SMEs, the “Three Rural Issues”, disaster rebuilding, student sponsorship, employment, etc.</li> <li>◆ <b>To further enhance the financing function of the bond market.</b></li> <li>◆ <b>To enhance the monitoring and analysis of the global economic and financial situation as well as capital movement.</b></li> </ul> </li> </ul>

<p><b>Measures to stabilise the employment situation</b></p>	<p><b>The Ministry of Human Resources and Social Security</b> issued a notice in which <b>practical measures were put forward, stressing the need to help enterprises tide over difficulties and stabilise the employment situation.</b></p> <ul style="list-style-type: none"> <li>• To suspend adjusting the minimum wage standard of enterprises.</li> <li>• To ensure early warning of unemployment and make timely report to the government.</li> <li>• To encourage state-owned enterprises to take the lead in shouldering social responsibilities and minimise layoffs.</li> <li>• To make timely unemployment insurance payment in full to workers with whom the enterprises have terminated employment relationship due to closedown.</li> <li>• To implement various policies to assist laid-off workers by providing targeted job referral and vocational training so that they can return to work as soon as possible.</li> <li>• To create job opportunities in the community service.</li> <li>• To implement special vocational training programmes.</li> <li>• To improve social insurance benefits steadily.</li> <li>• To help workers retiring from closed/bankrupt/struggling enterprises to meet the medical insurance premium required. The premium rates for basic medical insurance and work-related injury insurance will be suitably reduced.</li> <li>• To strengthen services fostering good labour relationship in enterprises. A sound contingency mechanism will be established to mediate in labour disputes.</li> <li>• To offer appropriate services to farmers-turned-workers.</li> </ul>
<p><b>Measures to support the textile and light industries</b></p>	<p>The State Council <b>adopted six policy measures</b> to step up efforts in <b>helping the textile and light industries</b> weather the difficulties.</p> <ul style="list-style-type: none"> <li>• To promote the rural household appliance project across the state. <b>Financial subsidies will be given to farmers to purchase home appliances.</b></li> <li>• To increase <b>the scale of special funds in various financial support projects for the development of SMEs</b>, especially assistance will be given to the textile and light industry projects with good market prospect.</li> <li>• <b>The export tax rebate rate of textiles, clothing and some light industrial products will continue to be raised suitably</b> while all kinds of unreasonable charges in the textile and light industries will be abolished.</li> <li>• To <b>suspend the policy of requiring the textile and light industries engaging in processing trade to pay standing book deposits.</b></li> <li>• To lend active <b>support to financial institutions in their effort to increase liquidity.</b></li> <li>• To strengthen technological transformation in the textile and light industries and to <b>promote industrial upgrading.</b></li> </ul>

<p><b>Cut administrative fee</b></p>	<ul style="list-style-type: none"> <li>Ministry of Finance will <b>cut administrative fees on 100 items</b>, amounting about Rmb 19 bn (US\$ 2.78 bn). Among others, areas such as business license applications, industrial construction, foreign trade, agricultural production, employment and education are covered. The fiscal policy will take effect on 1 January 2009.</li> </ul>
<p><b>Proposed fuel tax</b></p>	<ul style="list-style-type: none"> <li>The State Council would <b>seek public feedback on pricing reforms for refined oil products and a proposed fuel tax</b>. The authorities are also considering the <b>abolition of six fees</b>, namely road maintenance fee, waterway maintenance fee, road transport management fee, passenger/cargo road transportation surcharge, water transport management fee and passenger/cargo water transportation surcharge at one go.</li> </ul>

## CHINA – REGIONAL POLICIES

### Guangdong

**Spend Rmb 2.37 tn (US\$347 bn) on 222 items contained in 10 projects in the coming five year**

- About Rmb 1.26 tn will go toward building expressways, extending railway tracks, refurbishing ports and airports, and building power generation plants.
- A total of Rmb 731.2 bn to boost the advanced manufacturing and modern service industries – including iron and steel processing plants, refineries, and ship building and repairing.
- About Rmb 375 bn for the development of public facilities in the cities and rural areas.

**Labour authorities have drawn up a series of measures to protect the interests of workers**

- The labour authority will help workers to get back their wages via legal means after the closure of factories.
- The authority will also organize more job fairs that are specially designed for unemployed workers.

**Take positive measures in five areas to assist the export business of Hong Kong-based enterprises in the Mainland.**

- First, set up huge funds to support relocation of industries, including an annual investment of Rmb 3 bn in optimising and improving the industrial park facilities, an annual injection of Rmb 500 mn to implement stimulus policies to provide assistance and support to relocated processing trades, and a fund of Rmb 1 bn each year for training labour to enhance labour quality.
- Second, the provincial government has set guidelines on the restructuring and upgrading of enterprises in the processing trade.
- Third, encourage foreign investment in enterprises such as those in the processing trade to expand domestic sales.
- Fourth, 11 departments concerned have jointly set processing guidelines to support the local restructuring of enterprises that undertake processing with supplied materials.
- Fifth, Guangdong is actively considering and making preparations for giving increased financial support to SMEs.

**Enhance capital investments in the provision of low-rent housing and the construction of economically affordable housing**

- From 2009 to 2011, a grant of Rmb 0.2 bn will be earmarked every year as a subsidy for low-rent housing projects in the eastern and western areas and the mountainous region at the north of the Province.



<b>Dongguan</b>	
<b>The Dongguan Municipal Government introduced eight major measures to support local Dongguan-Hong Kong enterprises</b>	<ul style="list-style-type: none"> <li>• Set up a Rmb 1-bn fund this year especially for restructuring and upgrading the processing trade, mainly to encourage enterprises to establish research and development units, headquarters, and expand market access in the Mainland, etc.</li> <li>• Set up a Rmb 1-bn fund for financing SMEs and processing trade enterprises to help them overcome financing difficulties; earmark protection funds in case banks suffer losses in loan, the fund will provide up to 50% of guarantee. Proportional interest subsidy equivalent to an interest rate of 2% per annum will be provided to enterprises, subject to a ceiling of Rmb 500,000 each year per enterprise. Under this policy, bank loans supported by the government will amount to Rmb 25 bn.</li> <li>• Operate the Rmb 1-bn “Technology in Dongguan” Fund for a period of three years to encourage independent innovation by enterprises.</li> <li>• Regulate and clear up various administrative fees to reduce burden on enterprises.</li> <li>• Provide banks with counter guarantees. It is estimated that the financial burden on processing enterprises will be reduced by Rmb 1 bn.</li> <li>• Provide operational guidelines to help enterprises in the processing trade to transform locally into equity joint ventures, co-operative joint ventures and wholly foreign-owned enterprises without cessation of production.</li> <li>• Encourage and help foreign-funded enterprises to expand domestic sales.</li> </ul> <p>[It is revealed that <b>the first batch of enterprises receiving financing support from the above scheme amounted to over 3 000, of which over 40 % are enterprises in the processing trade.</b>]</p>
<b>Shenzhen</b>	
<b>New measures for site developers</b>	<ul style="list-style-type: none"> <li>• Shenzhen introduced for the first time a <b>revised payment method</b>, in respect of a <b>residential site</b> put for sale on 26 November. The period for payment in full by developers has been extended from five working days to within six months.</li> </ul>
<b>Zhuhai</b>	
<b>Cut administrative fee of property purchase</b>	<ul style="list-style-type: none"> <li>• The Zhuhai Municipal Government announced a series of new initiatives to suspend <b>the levy of trading fees payable to the real property registry for transactions of second-hand commodity residential units.</b></li> </ul>
<b>Shanghai</b>	
<b>Introduced eight measures to expand domestic demand</b>	<ul style="list-style-type: none"> <li>• Expediting the implementation of infrastructure projects on urban-rural integration;</li> <li>• Expediting the implementation of special projects in major industries;</li> <li>• Expediting the implementation of projects on technology innovation and high-tech industrialisation, striving to enhance the ability of independent innovation;</li> <li>• Expediting the implementation of projects on energy conservation, emission reduction and ecological facilities;</li> </ul>

	<ul style="list-style-type: none"> <li>• Strengthen community building work focusing on people's livelihood;</li> <li>• Expediting the implementation of comfortable housing projects, promoting steady and healthy development of property markets;</li> <li>• Stepping up the coordination work on the Shanghai Expo, expediting the upgrade of hardware facilities and the level of comprehensive management;</li> <li>• Enhancing financial risk prevention and management in all aspects.</li> </ul>
<b>Capital investment of Rmb 160 bn in the next two years</b>	<ul style="list-style-type: none"> <li>• Specifically, from now until the first quarter of next year, over 500 industrial projects worth a total of Rmb 100 bn will be launched in Shanghai.</li> </ul>
<b>Beijing</b>	
<b>Increase investment in the next two years</b>	<ul style="list-style-type: none"> <li>• According to initial estimate, the Beijing government will invest a total of Rmb 120 to 150 bn. It is expected that the investment will bring about a social investment of Rmb 1,000 bn. Such investment will be made in infrastructure projects, improvement of people's livelihood, enhancement of ecological environment and construction of new rural facilities.</li> </ul>
<b>SME Credit Re-Guarantee Limited established</b>	<ul style="list-style-type: none"> <li>• It is the first re-guarantee company at provincial/municipal level set up with Government funds. It is understood that following its establishment, the company will <b>mainly provide SME credit guarantee agencies</b> (“<b>中小企業信用擔保機構</b>”) <b>with services of credit enhancement and risk diversification</b>. The re-guarantee company has a capital of Rmb 1.5 bn. Rmb 500 mn has been ear-marked for the first phase.</li> </ul>
<b>Measures on meeting housing needs</b>	<ul style="list-style-type: none"> <li>• Beijing will <b>relax the eligibility criteria for price-capped housing to focus on resolving the housing problems of the “sandwich class”</b>.</li> <li>• The government also scheduled to <b>start construction of 8.5 million square meters housing project of low-rent and affordable apartments next year</b>, a move to boost the housing consumption and benefit the low-incomer households.</li> </ul>
<b>Tianjin</b>	
<b>Investment of Rmb 16.5 bn in 149 key projects over three years</b>	<ul style="list-style-type: none"> <li>• This is to push forward the construction of an eco-city in Tianjin.</li> </ul>
<b>10 measures to boost employment</b>	<ul style="list-style-type: none"> <li>• <b>The Labour and Social Security Bureau announced ten major measures to expand employment, enhance job security and minimise lay-offs</b>. Amongst others, these measures include increasing employment through the special construction and enterprise development projects; providing incentives and support to the unemployed; and providing incentives to enterprises for offering more employment.</li> </ul>

<b>Macao</b>	
<b>Tax exemptions and subsidies to stimulate the economy (announced in CE's Policy Address)</b>	<b>Subsidies</b>
	<ul style="list-style-type: none"> <li>• 1,500 patacas annual textbook subsidy, costing the Government 126 mn patacas a year;</li> <li>• a monthly 150 patacas electricity fee subsidy for all households to be extended from March 2009 to March 2010, costing the Government 320 mn patacas;</li> </ul>
	<b>Housing</b>
	<ul style="list-style-type: none"> <li>• 4% interest plan for first-time homeowners, benefitting permanent residents purchasing homes of up to 3 Mn patacas;</li> <li>• Down-payment guarantee scheme: homebuyers pay a 10% down-payment with the Government guaranteeing not more than 20% of the purchase price of the flat;</li> <li>• Cutting property transfer stamp tax from 3% to 1%;</li> </ul>
	<b>Health and Welfare</b>
	<ul style="list-style-type: none"> <li>• Residents get healthcare vouchers;</li> <li>• Accelerate the setting up of a retirement scheme for residents;</li> </ul>
	<b>Tax Relief</b>
	<ul style="list-style-type: none"> <li>• Extend some other tax cuts and exemptions, costing 1.1 bn patacas;</li> </ul>
	<b>Infrastructure</b>
	<ul style="list-style-type: none"> <li>• Increase spending on public infrastructure projects to 10.2 bn patacas;</li> </ul>
<b>Employment</b>	
<ul style="list-style-type: none"> <li>• Adequate support of the gaming industry. Discuss with the gaming operators to help guarantee the employment of local workers in gaming establishment;</li> <li>• Extend the measures to support low-income workers. Low-income workers aged 40 and above would get 4,000 patacas per month minimum, with the Government paying the difference if their salaries fell short of 4,000 patacas;</li> <li>• Help set up social enterprises with non-profit organisations to reduce unemployment;</li> </ul>	
<b>SME Support</b>	
<ul style="list-style-type: none"> <li>• Earmark 1.5 bn for the Industrial and Commercial Development Fund and optimise the loan schemes to SMEs.</li> </ul>	

## INDUSTRIALISED ECONOMIES

EU	
<p><b>European Commission called for a European Union-wide fiscal stimulus package of €200 bn (US\$259 bn)</b></p>	<p>* EU leaders will study the plan at the December 11-12 summit. The proposals comprise measures worth 1.5% of EU's GDP, within both the national budgets of around €170 bn and EU and European Investment Bank (EIB) budgets of around €30 bn.</p> <p><u>Key Points:</u></p> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Reduce VAT rates for green products and services related to the building sector.</li> </ul> <p><b>Labour Market Activation Policies</b></p> <ul style="list-style-type: none"> <li>• Make sure employment services are fully equipped and ready to provide people with personalised counselling and job search assistance, intensive (re)-training, apprenticeships, subsidised employment schemes and grants for self-employment and business start-ups.</li> <li>• Call on Member States to reduce labour taxation (social contributions) on lower incomes.</li> <li>• Encourage innovative solutions, such as temporary hiring subsidies for vulnerable groups or service cheques for household care.</li> <li>• Subsidise services, such as care or home insulation, for those on low incomes or the elderly to meet currently unmet needs and, at the same time, generate jobs.</li> <li>• Aid job creation in the fast growing sectors, such as the care sector.</li> <li>• Propose to make permanent reduced VAT for labour-intensive services.</li> </ul> <p><b>Enhance access to financing for SMEs</b></p> <ul style="list-style-type: none"> <li>• Put together an overall package of loans to SMEs, reaching €30 bn, for the period 2008-2011. In addition, an additional €1 bn will be conferred by the EIB to the European Investment Fund (EIF) for a mezzanine finance facility. The EIF will also accelerate the implementation of the financial instruments under the EU's Competitiveness and Innovation Programme.</li> <li>• Make full use of the recently reformed rules for granting state aid, particularly for SMEs. The European Commission will speed up its state aid decision making. It will also be temporarily easier for Member States to grant certain kinds of aid to SMEs (e.g. loans for investments in the manufacture of products complying early with, or going beyond, new Community standards which increase the level of environmental protection).</li> <li>• Reduce administrative burdens on business, building on the proposed Small Business Act. They include: <ul style="list-style-type: none"> <li>◆ Ensuring that starting up a business can be done within three days at zero cost;</li> </ul> </li> </ul>

- ◆ Removing the requirement on micro-enterprises to prepare annual accounts (with estimated savings of €7 bn per year for companies);
- ◆ Ensuring that public authorities pay invoices for supplies and services within one month.

#### **Measures for the car industry**

- giving temporary authorisation to Member States to subsidise the part of the cost of guarantees for loans to car producers;
- supporting the work of the EIB to provide loans to car companies and their suppliers to finance innovation in clean technologies and better environmental performance;
- developing a €5 bn "European green cars initiative", essentially a research partnership between the public and private sectors (including EIB) on smart infrastructures and technologies for using renewable and non-polluting energy sources for cars;
- giving temporary authorisation to Member States to provide subsidised loans for investment in new cars which either anticipate or go beyond new Community environmental standards, before they enter into force;
- revising the rules of the Globalisation Adjustment Fund to intervene more rapidly in sectors like cars either to co-finance training and job placements for workers made redundant or to keep skilled workers in the labour market.

#### **Construction industry**

- Propose a new partnership between public and private sectors to boost the construction industry. This partnership, entitled 'European energy-efficient buildings initiative', will have an envelope of €1 bn.

US	
<p><b>Bail out packages for AIG and Citigroup</b></p>	<ul style="list-style-type: none"> <li>• The government <b>injects US\$150 bn at AIG's disposal</b>, US\$27 bn more than what it extended previously (originally an US\$85 bn line of credit and a US\$38 bn supplementary lending facility). The Fed will buy US\$40 bn of AIG preferred shares through the US Treasury's Troubled Asset Relief Program (TARP), lend it US\$60 bn under a credit facility, and provide US\$50 bn to buy distressed securities and backstop AIG's securities lending portfolio.</li> <li>• Separately, the government <b>entered into an agreement with Citigroup</b> to provide a package of guarantees, liquidity access, and capital. <ul style="list-style-type: none"> <li>* Treasury and the Federal Deposit Insurance Corporation (FDIC) will <b>provide protection</b> against the possibility of unusually large losses on an asset pool of <b>approximately \$306 bn of loans</b> and securities backed by residential and commercial real estate and other such assets.</li> <li>* As a fee for this arrangement, Citigroup will issue preferred shares to the Treasury and FDIC.</li> <li>* Additionally, <b>Treasury will invest \$20 bn in Citigroup from TARP</b> in exchange for preferred stock with an 8% dividend to the Treasury.</li> <li>* Citigroup will comply with enhanced executive compensation restrictions and implement the FDIC's mortgage modification program.</li> </ul> </li> </ul>
<p><b>Bank rescue programme</b></p>	<ul style="list-style-type: none"> <li>• The government <b>supplied US\$33.56 bn to 21 banks in a second round of payments from the US\$700 bn TARP rescue program</b>, and announced a deadline for another 3,800 banks to apply for funds. The new deadline was announced as the Treasury confirmed a second round of government stock purchases that followed the initial US\$125 bn allocated to 9 of the country's largest banks. The rescue program now has earmarked payments of US\$158.56bn to banks.</li> </ul>
<p><b>Lending facility for the consumer asset-backed securities</b></p>	<ul style="list-style-type: none"> <li>• The Treasury Secretary planned to <b>use the second half of TARP</b> to help relieve pressures on consumer credit, while <b>scrapping an effort to buy illiquid mortgage assets</b>.</li> <li>• Meanwhile, the <b>Treasury Department announced that it would allocate US\$20 bn</b> to back a lending facility for the consumer asset-backed securities market established by the Federal Reserve Bank of New York (FRBNY). Under the new facility, the <b>FRBNY will lend up to \$200 bn</b> on a non-recourse basis to holders of newly issued AAA-rated asset-backed securities (ABS) for a term of at least one year. The Federal Reserve will lend an amount equal to the market value of the ABS less a haircut and will be secured at all times by the ABS.</li> <li>• This facility, the <b>Term Asset-Backed Securities Loan Facility</b>, is intended to <b>assist the credit markets in accommodating the credit needs of consumers and small businesses</b> by facilitating the issuance of ABS and improving ABS market conditions. The <b>underlying credit exposures of eligible securities initially must be newly or recently originated auto loans, student loans, credit card loans or small business loans guaranteed by the U.S. Small Business Administration</b>.</li> </ul>

<p><b>New plan to refinance mortgage loans</b></p> <p><b>The Fed purchased direct obligations of Fannie Mae and Freddie Mac</b></p>	<ul style="list-style-type: none"> <li>• FDIC released the details of a new plan to <b>refinance mortgage loans for 1.6m US households, costing the government an estimated US\$24.4 bn.</b></li>   <li>• The Federal Reserve announced a program to <b>purchase the direct obligations of housing-related government-sponsored enterprises (GSEs)</b> -- Fannie Mae, Freddie Mac, and the Federal Home Loan Banks -- and mortgage-backed securities (MBS) backed by Fannie Mae, Freddie Mac, and Ginnie Mae. Measures include: <ul style="list-style-type: none"> <li>* <b>Purchases of up to \$100 bn in GSE direct obligations</b> under the program will be conducted with the Federal Reserve's primary dealers through a series of competitive auctions.</li> <li>* <b>Purchases of up to \$500 bn in MBS</b> will be conducted by asset managers selected via a competitive process with a goal of beginning these purchases before year-end.</li> </ul> </li>   <li>• Meanwhile, <b>Fannie Mae and Freddie Mac would suspend foreclosures of occupied homes until early 2009</b>, as the government moves to stem the tide of home losses plaguing the economy.</li> </ul>
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**Announced a £20bn fiscal stimulus package between now and April 2010, representing around 1% of its GDP**

- The Government presented the 2008 Pre-Budget Report on 24 November. Total public spending is expected to be around £623 bn this year, setting to rise to £654 bn in 2009-10, and £682 bn in 2010-11.

Key Points:

**Tax Relief**

- Temporary reduction in VAT to 15% from 17.5% with effect from 1 December 2008 to 31 December 2009; equivalent to the Government giving back some £12.5 bn to consumers to boost the economy.
- Income tax personal allowance will be restricted for those with incomes over £100,000 from April 2010 and a new additional higher rate of income tax of 45% will be introduced for those with incomes above £150,000 from April 2011. This higher rate of tax will only affect the top one per cent of incomes.
- Make permanent the £600 increase in the income tax personal allowance announced in May 2008 with a further increase of £130, meaning basic rate taxpayers pay £145 less tax a year in 2009-10. This will benefit 22 million basic rate tax payers.
- Employee, employer and self-employed rates of National Insurance Contributions will increase by 0.5% from April 2011. No one under £20,000 will pay any more national insurance contributions.
- Maintain the ceiling on tax relief given to people with pension funds up to £1.8 mn, until and including 2015/16.
- Contribute 50 pence for every pound saved in the Saving Gateway scheme and reform to modernise tax administration and protect tax revenues.

**Public Investment**

- £3 bn of public investment will be brought forward from 2010-11 to 2008-09 and 2009-10. The money will be used to increase capacity in the motorway network; improve and build new social housing; renew primary and secondary schools, and invest in energy efficiency measures.

**Business Support**

- Implement measures to help small SMEs facing credit constraints, including a new Small Business Finance Scheme to support up to £1 bn of bank lending, allowing firms to borrow at more flexible terms than before; a separate £1 bn guarantee facility to support bank lending to small exporters through the Export Credit Guarantee Department; a £50 mn fund to convert businesses' debt into equity; and a £25 mn regional loan transition fund.
- As part of the recapitalisation scheme, banks receiving Government funding would maintain the availability of lending to SMEs at 2007 levels.
- Agreed a £4 bn deal with the European Investment Bank (EIB) to provide money to the banks to pass onto SMEs. So far, 7 UK banks have already asked the EIB for the money and £1 bn will be available to customers by the end of the year.



- A new HMRC Business Payment Support Service to allow businesses in temporary financial difficulty to pay their HMRC tax bills on a timetable they can afford (in other words, as long as they need).
- More generous tax relief for businesses now making losses and the modification of a number of planned tax reforms, including vehicle excise duty, air passenger duty, and deferral of the increase in the small companies' rate of corporation tax (i.e. leaving their tax rate in 2009 unchanged).
- A package of reforms to the taxation of foreign profits, including the introduction of a foreign dividend exemption for large and medium-sized businesses, supported by a worldwide debt cap on interest.
- A temporary increase in the threshold for empty property relief. For 2009/10, empty commercial properties with a rateable value below £15,000, will be exempt from business rates. This exemption covers an estimated 70% of all empty properties.

### **Welfare**

- Increase Pension Credit from £124 to £130 a week for individual pensioners and from £189 to £196 for pensioner couple.
- Pay £60 to all pensioners in the New Year, which is equivalent to bringing forward the April increase in the basic State Pensioner for a single pensioner to January.

### **Lending**

- Create a new Lending Panel to improve monitoring of lending to households and businesses, and provide help through Mortgage Rescue and Support for Mortgage Interest schemes to eligible homeowners in difficulty.

### **Employment**

- Provide an additional £1.3 bn to continue delivering effective support for the unemployed to find a new job.
- Bring together Government and major employers in a National Employment Partnership to tackle rising unemployment.
- Strengthen pre-redundancy support, including through Train to Gain, Skills Hubs, and the Rapid Response Service.

### **Environment**

- Introducing a green stimulus, ensuring part of the fiscal stimulus supports low-carbon growth and jobs by accelerating £535 mn of capital spending on energy efficiency, rail transport, and adaptation measures.
- Retaining the Renewable Obligation by at least ten years to provide financial support for large-scale renewable electricity ensuring investors can plan with confidence for the future.
- Successfully securing inclusion of aviation in the EU Emissions Trading Scheme from 2012, and holding Europe's first Phase II carbon auction on 19 November 2008.
- The postponed two pence per litre fuel duty increase will go ahead on 1 December 2008.

	<ul style="list-style-type: none"> <li>• Installing 600,000 insulation measures this winter through the £6.8 bn Home Energy Saving Programme, half of which is funded through energy companies, to help households save up to £300 a year on energy bills and reduce carbon emissions.</li> <li>• Continuing to provide a clearer environmental signal through reform to vehicle excise duty, while ensuring that no driver in any given band will pay more than £5 extra in 2009 or £30 extra in 2010.</li> <li>• Reforming air passenger duty from 1 November 2009, moving from two to four distance bands to improve environmental signals.</li> </ul>
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<b>Germany</b>	
<b>The second biggest German bank Commerzbank AG tapped the government for €8.2 bn (US\$10.6 bn)</b>	<ul style="list-style-type: none"> <li>• The state money will be provided in two steps of €4.1 bn each, with an interest rate of 8.5% on the first instalment and 5.5% on the second.</li> </ul>
<b>A package of measures of €50 bn announced</b>	<ul style="list-style-type: none"> <li>• The two-year program included tax breaks for buyers of new cars and greater financial help for improving buildings' energy efficiency. The government aims to avert a credit squeeze for SMEs in order to strengthen the power of the economy to resist the impact of the crisis.</li> </ul>

<b>Australia</b>	
<b>Make permanent an existing ban on so-called naked short selling</b>	<ul style="list-style-type: none"> <li>• Credit agencies and research companies will be required to be licensed and to provide annual reports.</li> <li>• The ban on “naked short selling” would force investors to reveal their daily stock lending and short sales, in an effort to reduce the risk of market instability. A prohibition on covered short sales will end on 20 January.</li> </ul>
<b>Announced a A\$300 mn (US\$196 mn) package to build new libraries and parks</b>	<ul style="list-style-type: none"> <li>• To boost the economy amid slowing growth.</li> </ul>

## ASIAN ECONOMIES

<b>Taiwan</b>	
<b>2 job creation schemes announced</b>	<ul style="list-style-type: none"> <li>• First, to create <b>more than 100,000 short-term jobs</b> next year through subsidies and temporary government employment.</li> <li>• Second, <b>create 48,000 permanent jobs annually for four years</b> at a cost of NT\$6.7bn (US\$202 mn) each year.</li> </ul>
<b>Distribute NT\$ 82.9 bn (US\$ 2.51 bn) consumption coupons</b>	<ul style="list-style-type: none"> <li>• The move is expected to raise GDP growth for 2009 by 0.64% if all the coupons are used.</li> <li>• Under the program, each citizen, regardless of income level, will <b>get NT\$3,600 in coupons that will be valid until the end of 2009</b>, to purchase goods.</li> <li>• Wealthy citizens can opt to donate the coupons to charity organizations and <b>get a tax deduction</b>.</li> <li>• The coupons can be used in any retailers or restaurants with a business registration certificate.</li> </ul>
<b>“Program for subsidizing working income” by offering subsidies to working people whose incomes fail to reach a certain level</b>	<ul style="list-style-type: none"> <li>• <b>Spend NT\$600 mn to increase low-income-household living subsidies</b> that had remained unchanged for eight years.</li> <li>• <b>NT\$630 mn</b> to help those families <b>pay national health insurance premiums</b>.</li> <li>• <b>NT\$1.04 bn for emergency relief</b> delivered through grass-level community organizations, benefiting 96,000 families.</li> <li>• Expand the number of students from medium- and low-income families eligible for <b>lunch subsidies</b> from 170,000 to 220,000.</li> <li>• Various ministries and central-government agencies intensify efforts to <b>create short term jobs</b>, with a view of offering unemployed college graduates social-survey work.</li> </ul>

<b>South Korea</b>	
<b>Planned Won 14 tn to boost the economy next year</b>	<ul style="list-style-type: none"> <li>• The package includes Won 11 tn of public expenditures and Won 3 tn of tax reductions. Out of the Won 11 tn, Won 4.6 tn will be spent on regional infrastructure.</li> </ul>

<b>Spend Won5,000bn (US\$3.6bn) on infrastructure</b>	<ul style="list-style-type: none"> <li>• The spending will create 50,000 jobs by the end of next year.</li> <li>• State-owned companies would inject a total of Won 3,800 bn into building roads, railways and other public infrastructure.</li> </ul>
<b>Set up a US\$7.2 bn fund to invest in corporate and bank bonds</b>	<ul style="list-style-type: none"> <li>• To ease a liquidity crunch faced by companies and lenders.</li> <li>• The fund will be financed by contributions from financial institutions including pension funds, private banks and insurers.</li> </ul>
<b>Provide dollar liquidity amounting to US\$16 bn to support enterprises in obtaining import/export financing</b>	<ul style="list-style-type: none"> <li>• Bank of Korea will offer SMEs foreign currency loans secured by export bills purchased.</li> <li>• The Government has also decided to support export financing for SMEs and large corporations for raw material import financing.</li> </ul>

<b>Malaysia</b>	
<b>Launched a RM200 mn Micro Enterprise Fund to increase access to financing for micro enterprises</b>	<ul style="list-style-type: none"> <li>• The Central Bank will channel the funds to micro enterprises through the existing Pembiayaan Mikro Scheme.</li> <li>• Under this scheme, micro enterprises with viable businesses can obtain micro-financing up to RM 50,000 for working capital or for capital expenditure. Micro-financing under this scheme requires no collateral, minimal documentation and provides for quick approval and disbursement.</li> <li>• Currently, nine financial institutions participate in this micro-financing scheme. Participating financial institutions will determine the interest or profit rate to be charged and applications are subject to the normal credit approval process of the participating financial institutions.</li> </ul>

<b>Singapore</b>	
<b>Singapore's budget to be presented in January</b>	<ul style="list-style-type: none"> <li>• Singapore will move forward its budget statement, which is usually presented in February, by a month to January next year.</li> </ul>
<b>Preparing new rules on the sale of structured investment products</b>	<ul style="list-style-type: none"> <li>• This is an action against banks accused of mis-selling investments that became worthless.</li> </ul>

## OTHERS

<p><b>India</b></p>	<ul style="list-style-type: none"> <li>• <b>India's central bank makes Rs 220 bn (US\$4.5 bn) available for banks to refinance export credit at favourable interest rates.</b> It also extended the export credit repayment window for exporters to nine months from six months.</li> </ul>
<p><b>Russia</b></p>	<ul style="list-style-type: none"> <li>• <b>Russia would push ahead with sharp rises in import duties</b> in the near future in spite of signing the Group of 20 communiqué that promised not to introduce protectionist measures for a year. In particular, it would increase tariffs on imported cars.</li> </ul>

## MULTILATERAL COOPERATION

<p><b>China, South Korea, Japan</b></p>	<ul style="list-style-type: none"> <li>• Policy makers from <b>South Korea, Japan and China</b> gathered in Tokyo on 26 November to <b>discuss economic and financial stability.</b></li> </ul> <p>Earlier this month, China, Japan and South Korea agreed to enhance economic cooperation and concurred to <b>explore increase in the size of bilateral currency swap arrangements</b> among the three countries.</p> <p>China, South Korea and Japan are scheduled to meet in Japan on 13 December to discuss cooperation among the northeast Asian nations to overcome the economic crisis and enhance security in the region.</p>
<p><b>World Bank</b></p>	<ul style="list-style-type: none"> <li>• The World Bank was set to <b>provide up to US\$100 bn in loans to developing countries over the next 3 years</b>, amid fears that the spreading effects of the financial crisis could devastate poorer and middle-income states.</li> </ul>
<p><b>G-20</b></p>	<ul style="list-style-type: none"> <li>• Leaders of the Group of 20 (G-20) industrialized and emerging market economies <b>announced a series of immediate and longer-term actions to stabilize the financial system, stimulate domestic demand, help emerging and developing economies battered by the crisis, and strengthen the regulatory framework.</b> They agreed that emerging market countries should have a voice in running the world economy and will study ways of giving them more power at the IMF. A second summit will be held by April 30 next year.</li> </ul>
<p><b>European Bank for Reconstruction and Development</b></p>	<ul style="list-style-type: none"> <li>• The <b>European Bank for Reconstruction and Development plans to invest a record €7 bn (US\$8.8 bn) in central and eastern Europe</b> next year to help the region weather a global economic slump.</li> </ul>

<b>APEC</b>	<ul style="list-style-type: none"><li>• <b>APEC Economic Leaders</b>, at the 16th Meeting in Peru, discussed the impact of the global financial crisis and the actions APEC members are taking, individually and collectively, to restore confidence in the economies. They are <b>convinced to overcome this crisis in a period of eighteen months</b>.</li></ul>
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*[Disclaimer: The Monthly 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  
5 December 2008

## OVERVIEW OF GLOBAL KEY MONETARY POLICY (November 2008)

Economy	Announcement Date	Interest rates	Latest	Required reserve ratio
<b><u>Key Economies</u></b>				
<b>China:</b> one-year lending rates	26.Nov	↓ 1.08 percentage points	5.58%	↓ 1 percentage points for large banks ↓ 2 percentage points for small and medium banks
<b>United States:</b> federal funds rate	--	-- --	1.00%	
<b>United Kingdom:</b> bank rate paid on commercial bank reserve	06.Nov	↓ 1.5 percentage points	3.00%	
<b>European Central Bank:</b> interest rates on the marginal lending facility	06.Nov	↓ 50 basis points	3.75%	
<b>Japan:</b> uncollateralised overnight call rate	--	-- --	0.30%	
<b><u>Asia-Pacific</u></b>				
<b>Australia:</b> cash rate	05.Nov	↓ 75 basis points	5.25%	
<b>Malaysia:</b> overnight policy rate	24.Nov	↓ 25 basis points	3.25%	↓ Statutory Reserve Requirement from 4% to 3.5%
<b>South Korea:</b> base rate	07.Nov	↓ 25 basis points	4.00%	
<b>Taiwan:</b> benchmark discount rate	09.Nov	↓ 25 basis points	2.75%	
<b><u>Europe</u></b>				
<b>Denmark:</b> lending rate	06.Nov	↓ 0.5 percentage points	5.00%	
<b>Hungary:</b> 2-week deposit rate	24.Nov	↓ 0.5 percentage points	11.00%	
<b>Poland:</b> 7-day reference rate	26.Nov	↓ 0.25 percentage points	5.75%	
<b>Switzerland:</b> 3-month LIBOR target range	06.Nov	↓ 50 basis points	1.5%-2.5%	

**Monitor of Global Responses to the  
Financial Tsunami by Selected Economy  
(Position up to end-October 2008)**

**(a) Strategies to stabilise the financial systems**

Strategy\Country	US	UK	Germany	France	Australia	Japan	South Korea	Mainland China
Target	Financial institutions with business in the US	Eight major UK banks	Major banks	Major banks	Major banks	Major banks	Banks	Banks
Amount involved	US\$ 850.5 bn	£ 250 bn	€480 bn	€320 bn	AUD 10.4 bn		US\$ 130 bn	
Guarantee for bank deposits	Bank deposit protection limit raised from US\$ 100,000 to US\$ 250,000 per account	Deposit protection limit raised from £ 35,000 to £ 50,000 per account	100% guarantee for all bank deposits	Guarantee of up to € 70,000 for all bank deposits	Government guarantees the deposits and wholesale funding of deposit-taking institutions	100% guarantee for all bank deposits for three years		
Guarantee for interbank borrowing	Establishment of a mortgage insurance fund to encourage financial institutions to take out insurance with the	Guarantee for interbank borrowing	Guarantee for interbank borrowing	Guarantee for interbank borrowing	Repeated injections of capital into the market before the implementation of counter-measures	Guarantee for financing activities in the banking sector	Guarantee for interbank borrowing and foreign currency debts for three years	



Strategy\Country	US	UK	Germany	France	Australia	Japan	South Korea	Mainland China
	government							
Injection of capital into banks	<p>Injection of US\$ 250 bn into nine major banks including the Citigroup, the JPMorgan Chase, and the Bank of America</p>	<p>Purchase of shares of the Royal Bank of Scotland, HBOS, the Lloyd's Bank and the Barclays.</p> <p>The Government's shareholding in banks subscribing to its recapitalisation fund will be managed on a commercial basis by a new arm's-length company, 'UK Financial Investments Limited' (UKFI), which is wholly owned by the Government. UKFI will manage the investments in Northern Rock</p>	<p>Purchase of shares of major banks</p>	<p>Purchase of shares of major banks</p>	<p>Injection of capital into local banks as necessary and provision of unlimited fixed rate secured loans in US dollars by the central bank.</p> <p>Purchased a total of AUD 8 bn of residential mortgage-backed securities from a wide range of Australian lenders.</p>		<p>Injection of liquid capital of US\$ 20 bn into the banking system</p>	

Strategy\Country	US	UK	Germany	France	Australia	Japan	South Korea	Mainland China
		plc and part of Bradford & Bingley.						
Purchase of assets	Purchase of troubled assets or bad debts related to sub-prime mortgage			Purchase of subordinated debentures	Suspension of sales of commonwealth-owned enterprises and relaxation of restrictions on the repurchase of shares by enterprises			
Interest rate cut	<p>16 Sep: Kept federal funds rate at 2%.</p> <p>8 Oct: Lowered federal funds rate by 50 basis points to 1.5%.</p> <p>29 Oct: Lowered federal funds rate by 50 basis points to 1%.</p>	<p>7 Aug, 4 Sep: Maintained the official bank rate paid on commercial bank reserves at 5.0%.</p> <p>8 Oct: Reduced bank rate by 0.5 percentage points to 4.5%</p>	<p>7 Aug, 4 Sep, 2 Oct: ECB maintained the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility at 4.25%, 5.25% and 3.25% respectively.</p> <p>8 Oct: Reduced the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%; Reduced the interest rate on the marginal lending facility by 50 basis points to 4.75%; Reduced the interest rate on the deposit facility by 50 basis points to 2.75%.</p>		<p>5 Aug: Maintained the cash rate unchanged at 7.25 %.</p> <p>3 Sep: Lowered the cash rate by 25 basis points to 7.0%.</p> <p>8 Oct: Lowered the cash rate by 100 basis points to 6.0%.</p>	<p>19 Aug, 17 Sep, 14 Oct: Maintained the uncollateralized overnight call rate at around 0.5%.</p> <p>31 Oct: Lowered the uncollateralized overnight call rate by 20 basis points to around 0.3%.</p>	<p>7 Aug: Raised the Base Rate by 25 basis points from 5.00% to 5.25%; Raised the interest rates on Aggregate Credit Ceiling Loans by 25 basis points from 3.25% to 3.50%.</p> <p>11 Sept: Maintained the base rate at 5.25%.</p> <p>9 Oct: Lowered the Base Rate by 25 basis points</p>	<p>15 Sept: Reduced the benchmark lending rate by 0.27 percentage point, the first reduction since 2002, and lowered the reserve requirement ratio by 1 percentage point. Reserve requirement ratio for the 6 state-owned commercial banks will remain unchanged.</p> <p>9 Oct: Cut the RMB reserve requirement ratio by 0.5 percentage points. Cut the one-year RMB benchmark deposit and lending rates both by 0.27</p>

Strategy\Country	US	UK	Germany	France	Australia	Japan	South Korea	Mainland China
							<p>from 5.25% to 5.00%; Lowered the interest rates on Aggregate Credit Ceiling Loans by 25 basis points from 3.50% to 3.25%.</p> <p>27 Oct: Lowered the Base Rate by 75 basis points from 5.00% to 4.25%;</p> <p>Lowered the interest rates on Aggregate Credit Ceiling Loans by 75 basis points from 3.25% to 2.50%.</p>	<p>percentage points</p> <p>29 Oct: Lowered the benchmark lending and deposit rates by 0.27 percentage point each.</p>
Others	<p>Ban on short selling</p> <p>Acquisition of warrants by the government from enterprises receiving</p>	<p>Ban on short selling</p> <p>Acquisition of preference shares by the government from banks receiving capital</p>	Ban on short selling	Ban on short selling		BOJ lowered the minimum fee rates applied to its Security Lending Facility from 1% to 0.5%. Extend the period of relaxation in conditions for	<p>The government will provide tax incentives for long-term holdings of funds. This will help strengthen stability of the</p>	<p>Strengthening of supervision of the financial system.</p> <p>A series of changes to foreign exchange rules announced, aiming to strengthen the monitoring of capital inflows but to</p>

Strategy\Country	US	UK	Germany	France	Australia	Japan	South Korea	Mainland China
	assistance; and prohibition against enterprises making huge severance payments to high ranking staff and restrictions on bonuses payable to CEOs	injections; requirement for banks to support SME and home mortgage loans; and restrictions on bonuses payable to high ranking staff of banks				conducting the Security Lending Facility.	stock market and asset management companies.	simplify the approval process for capital outflows.
							Expand tax relief on equity sales tax.	Scrap the stamp tax on purchase of equities.
	Alter the formula used to determine the interest rate paid to depository institutions on excess balance.							Scrap the tax levied on the interest income of individual stock account balance.
								Purchasing the shares of three major Chinese banks by a state-owned investment agency in the secondary

Strategy\Country	US	UK	Germany	France	Australia	Japan	South Korea	Mainland China
								market.
								State-owned Assets Supervision and Administration Commission (SASAC) backing up its 147 centrally-administered state-owned enterprises in buying more stocks of their listed subsidiaries.
								Released regulations to improve risk management of the banking system.

**(b) Strategies to revive the economy**

	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
Tax relief	<p>(1) One-year Alternative Minimum Tax relief for 24 mn middle-class taxpayers;</p> <p>(2) extension of the soon-to-expire tax concessions for businesses;</p> <p>(3) extension of the scope of sales tax relief;</p> <p>(4) expansion of tax credits for research and development in renewable energy by individuals and enterprises, and;</p> <p>(5) tax relief for people in the Midwest affected by natural disasters, e.g. flooding and hurricanes.</p>	<p>(1) Adoption of the Single Sales Factor Apportionment method in calculating profits tax for certain types of enterprises, and;</p> <p>(2) profits tax relief for freelancers and sole proprietors with income below US\$150,000.</p>	<p>(1) Introduction of tax relief or tax payment deferral, and;</p> <p>(2) stamp duty land tax will not be applied to purchases of residential property of £175,000 or less.</p>		<p>(1) Provision of tax concessions for SMEs in credit difficulties;</p> <p>(2) tax reduction of 130,000 Won, and;</p> <p>(3) provide additional tax supports to facilitate investments. Temporary Investment Tax Credit will be extended until Dec. 2009.</p>	<p>(1) Preferential fiscal and investment policies in border areas, e.g. tax exemption of the daily necessities;</p> <p>(2) preferential taxation and easier market access to help farmers, and;</p> <p>(3) scrap the 5% individual income tax on savings interest earnings.</p>
Support for enterprises and	Assistance for home-owners unable to make mortgage	(1) Provision of loan guarantee for small and non-profit-making	Assistance to mortgaged home-owners and	(1) Grant of AUD 1,000 to every child in families in low and medium	The government will make an investment in kind, equivalent to	Widening of direct financing channels for SMEs and support for

	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
individuals	repayments to restructure repayment arrangements	<p>enterprises, and tailor-made vocational training and retraining programmes for their employees;</p> <p>(2) increase in the number of staff members of existing employment centres and extension of their service hours;</p> <p>(3) strengthening of vocational training to provide manpower for the thriving transport industry and healthcare services;</p> <p>(4) provision of property tax relief to home owners in financial difficulties, and construction of more “affordable housing”;</p> <p>(5) freeze of food prices;</p> <p>(6) provision of free breakfasts for students in poverty, and;</p> <p>(7) streamlining of the procedures for application for food</p>	<p>enterprises in difficulties:</p> <p>(1) Provision of commercially attractive loans to banks for onward lending to SMEs, amounting up to £4 bn in loans from the European Investment Bank (EIB) over the next four years;</p> <p>(2) increase money available in the Small Firms Loan Guarantee Scheme;</p> <p>(3) a £13 mn deal to buy unsold homes off the market to use as affordable housing;</p> <p>(4) a £400 mn boost in spending power for social housing providers, including registered social landlords and councils, to deliver 5,500 more social houses over the next 18 months;</p>	<p>income groups, and grants of AUD 1,400 and AUD 2,100 respectively to each retiree and each retired couple, and;</p> <p>(2) allocation of AUD 1.5 bn to help home buyers, with grants increased to AUD 14,000 and AUD 21,000 respectively for first home buyers and for those who purchase a newly constructed home.</p>	<p>Korean Won 1 tn, expanding the capital base of the Industrial Bank of Korea. The expanded capital base is likely to translate into additional loan facility worth Won 12 tn available to SMEs.</p>	<p>their technical innovation:</p> <p>(1) Allocated 1 bn RMB in credit guarantees for SMEs;</p> <p>(2) raised export tariff rebates;</p> <p>(3) increased the annual loan quotas for the national commercial banks and local commercial banks by 5% and 10% respectively to help fund the growth of small enterprises.</p> <p>(4) favourable taxation, financing and other polices to encourage business start-ups;</p> <p>(5) simplified credit procedures for small enterprises to get loans;</p> <p>(6) increased rates of export tax rebates for labour intensive products and high value-added electrical</p>

	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
		coupons by the elderly in poverty.	<p>(5) reforming Income Support for Mortgage Interest (SMI) by shortening the waiting period before SMI is paid from 39 weeks to 13 weeks;</p> <p>(6) £100m investment to support SMI reform which could help prevent a further 10,000 repossessions;</p> <p>(7) offering 10,000 first time buyers currently frozen out of the mortgage market the chance to get onto the property ladder through a new £300m shared equity scheme;</p> <p>(8) supporting up to 6,000 of the most vulnerable ; homeowners facing repossession to remain in their home through a £200m mortgage rescue</p>			<p>and mechanical products;</p> <p>(7) cut stamp tax on property purchase and exempt value-added tax of land on property sales;</p> <p>(8) cut the property deed tax from 3-5% to 1% for people buying their first home;</p> <p>(9) reduced the downpayment requirement for owner-occupied smaller flats to 20% of the home value from 30%;</p> <p>(10) establish a pension system in rural areas and expand the urban pension system to cover rural migrant workers, and;</p> <p>(11) special subsidies to senior secondary and post-secondary students in areas hardest hit by the Wenchuan</p>



	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
			<p>scheme, and;</p> <p>(9) requiring all government departments to pay creditors within 10 days to ensure the earliest possible payment to businesses.</p>			earthquake.
Boosting of employment and vocational training		<p>(1) Creation of 27,000 new jobs through tax reform, and;</p> <p>(2) creation of about 25,000 jobs in infrastructure projects</p>	<p>(1) £27 mn of new European Social Fund (ESF) money will be invested in innovative projects to help people improve skills and stay in work, or develop new skills and find a new job;</p> <p>(2) from March next year, stricter rules will be applied to recruitment of foreign students;</p> <p>(3) government funds £350 mn to help small businesses train their staff;</p> <p>(4) cash injection of</p>	Provision of 56,000 additional vocational training places in 2008/09	Strengthen its efforts to tackle youth unemployment problems, by expanding internship programs and enhancing job training programs.	Provide more vocational training for laid-off workers.

	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
			<p>£100m over the next three years to give much needed help to people who lose their jobs;</p> <p>(5) review of the use of £ 400 mn in the budget of the London Development Agency, giving priority to job creation, manpower training and economic development; and</p> <p>(6) provision of appropriate vocational training and retraining programmes with about £ 600 mn for London citizens</p>			
Boosting of domestic demand	Provide US\$ 3.5 bn in tax credits to organizations investing in rural and urban low-income communities.	Launching of infrastructure projects worth US\$ 10.4 bn, including projects for enhancing energy efficiency in buildings and for expediting the demolition of old	Acceleration of 50 infrastructure projects.	Acceleration of infrastructure projects.	Public enterprises will expand their investments by 1 tn Won.	<p>(1) Acceleration of reconstruction works in the earthquake stricken areas;</p> <p>(2) expansion of the scale of construction of social security housing,</p>

	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
		buildings				and;  (3) acceleration of infrastructure projects.
Others	Acquisition of warrants by the government from enterprises receiving assistance to enable taxpayers to gain profits when the performance of the enterprises improves	<p>(1) Leasing of the external walls of government properties and the bodies of government vehicles to enterprises for advertisement purpose;</p> <p>(2) reduction of the non-teaching expenditure of the Department of Education and the laying off of staff in its Division of Human Resources;</p> <p>(3) establishment of the Financial Empowerment Centre to implement poverty alleviation measures and educate the disadvantaged on financial management, and;</p> <p>(4) publicity on public financial consultation services provided by the government to restore</p>	<p>(1) A new £6 mn fund to help charitable and voluntary organisations support and develop environmental projects throughout England;</p> <p>(2) support the most critical regeneration schemes with the most potential to transform their communities;</p> <p>(3) abolishment of the requirement of at least 50% of “affordable housing” in new residential developments;</p> <p>(4) introduction of energy efficiency programmes to reduce the energy bills of enterprises</p>	Reform of the long-term welfare payment system	Streamline and reduce excessive regulations regarding environment, land use, and labor issues.	<p>(1) Expansion of the scope of agricultural subsidy;</p> <p>(2) control on general expenses to stop extravagant spending, and;</p> <p>(3) The Central Huijin Co, an investing arm of the government, will recapitalize the bank with US\$19 bn capital injection into the Agricultural Bank to provide rural financial services and increasing lending.</p>

	US		UK	Australia	South Korea	Mainland China
	National	New York City	(mainly London)			
		public confidence.	and individuals, and;  (5) stepped-up efforts to promote London around the world to boost tourism and attract investment and talent.			

*[Disclaimer: The 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  
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