

*Deb Henretta  
ABAC Chair 2011*

1 June 2011

**Mr. Stefan Walter**

Secretary General  
Basel Committee on Banking Supervision  
Centalbahnplatz 2  
Basel, Switzerland

Dear Mr. Walter:

The APEC Business Advisory Council (ABAC) is the formal private sector advisory group of the Asia-Pacific Economic Cooperation (APEC) Forum. Representing the business communities of all 21 APEC economies, ABAC is tasked with supporting the success of APEC by providing private sector insights on how best to achieve APEC's goals, both through APEC's own initiatives, and in dialogue with other international organizations.

In ABAC's 2010 Report to APEC Economic Leaders, we expressed our strong support for targeted policies that accelerate SMME capacity building efforts including improved SMME access to finance.

In recent World Economic Outlooks, the IMF describes a broad but uneven recovery in APEC economies. Within this economic environment, we need to ensure there is a continued and committed effort towards sustainable development of SMMEs, with specific focus on building their capacity to engage in international trade. SMMEs are critically important to the APEC region given that they make up more than 90 percent of all business and employ as much as 60 percent of the region's total workforce.

Access to finance has been identified as one of the most important issues facing SMMEs today. At the global level, the capital flows that existed three years ago – cash flowing from resource rich economies to indebted developed nations – has not returned to the same levels, resulting in the world economy enduring a slow, tentative recovery.

Against this backdrop, we would encourage the Basel Committee to review the effect of Basel III on trade finance in the context of low income countries in line with the request of the G20 following in its meeting in November 2010. As it currently stands, Basel III has the potential to impact the availability and cost of trade finance which would particularly have an effect on SMMEs in the developing world and in the APEC region. Trade finance transactions are generally fixed, short-term, self-liquidating finance transactions by nature and therefore low risk. As such, they should not be treated in the same manner as more risky transactions. Unfortunately, Basel III may have the unintended consequence of worsening trade finance conditions and access for companies, particularly SMME enterprises, from emerging markets involved in import and export activities.

We therefore respectfully urge the Basel Committee to pay special attention to the risk weighting of trade finance to ensure that SMMEs are not disadvantaged in any way and have an equal opportunity to participate as an integral component of the economic growth of the APEC region.

Yours sincerely,



**Deb Henretta**  
ABAC Chair 2011



**John W.H. Denton**  
Chair, ABAC Finance & Economics Working Group