

# APEC 2013 Trade Finance Survey

Policy Support Unit  
APEC Secretariat

Advancing Free Trade for Asia-Pacific Prosperity



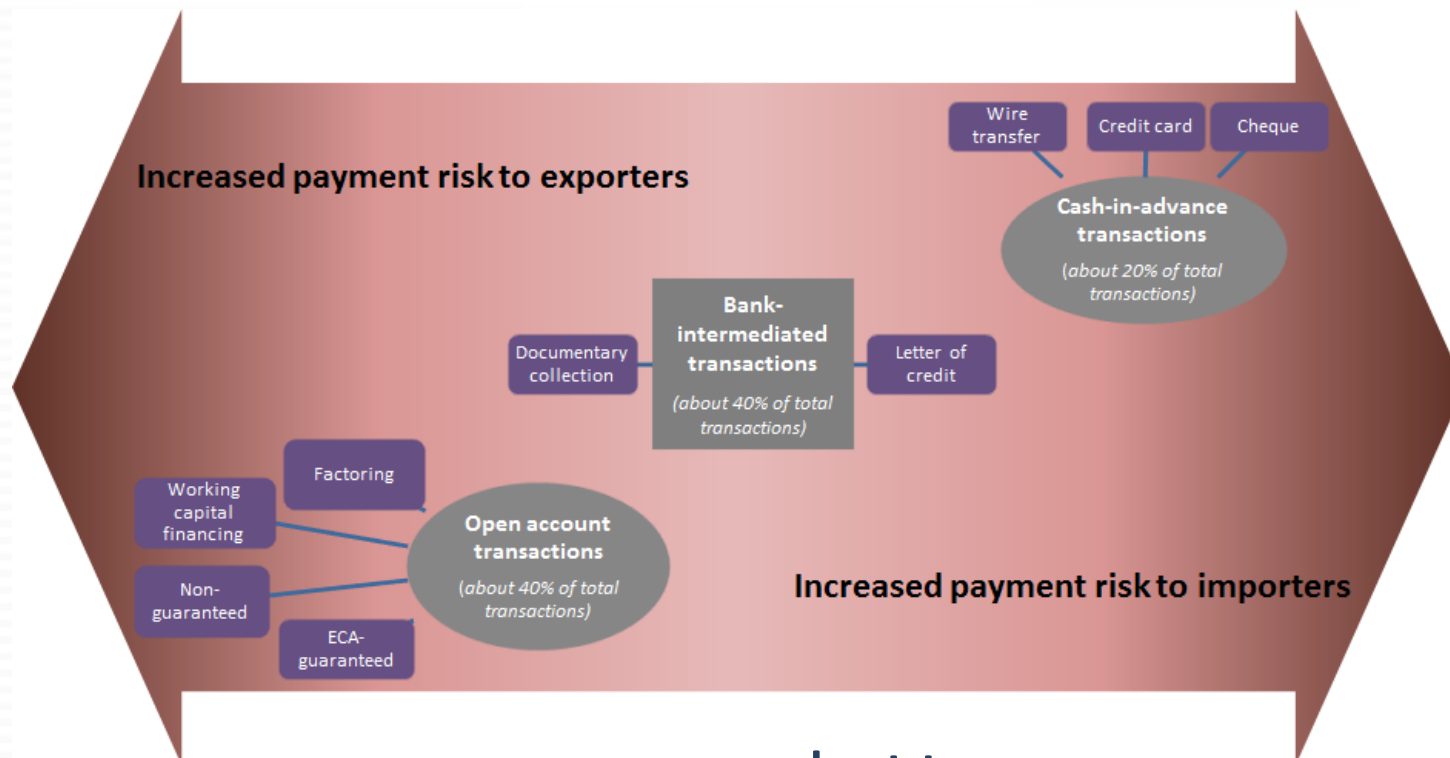
**Asia-Pacific  
Economic Cooperation**

# Trade finance helps to mitigate the risks involved in international trade



Asia-Pacific  
Economic Cooperation

## Payment methods and the balance of risk in international trade



main characteristics  
of trade loans:

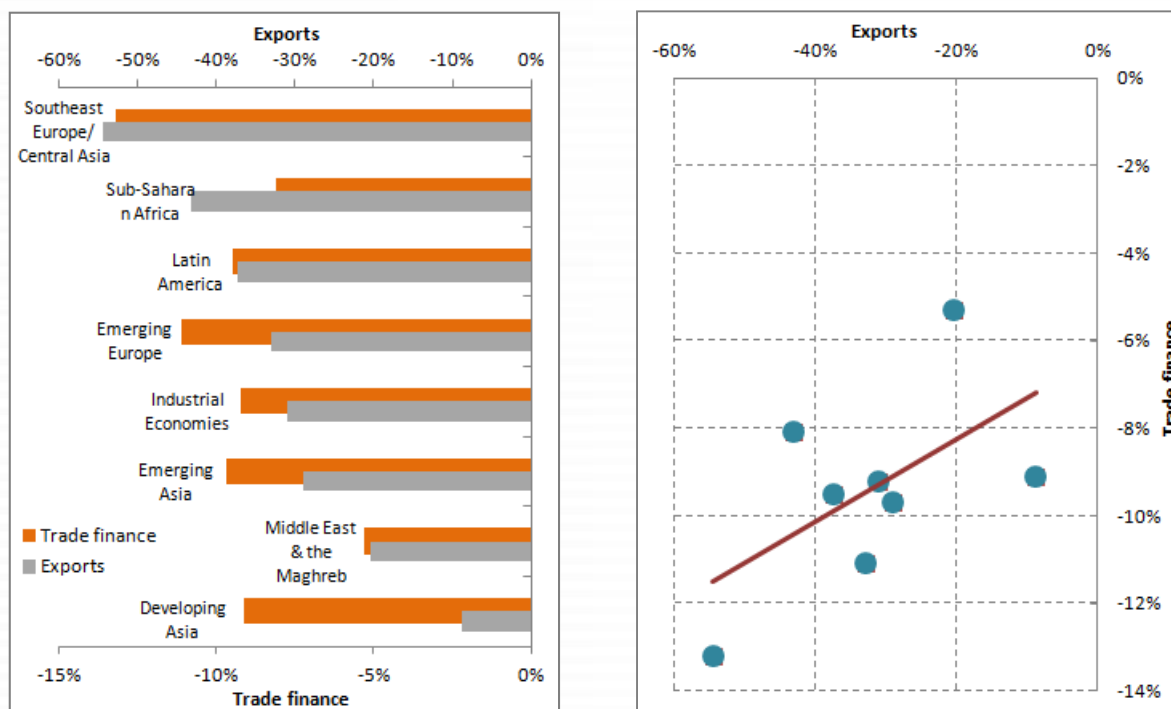
- short-term
- collateralized
- self-liquidating
- low rate of default

# Credit available for trade finance fell sharply following the 2008 GFC



Asia-Pacific  
Economic Cooperation

% change in export value and trade finance, October 2008-January 2009



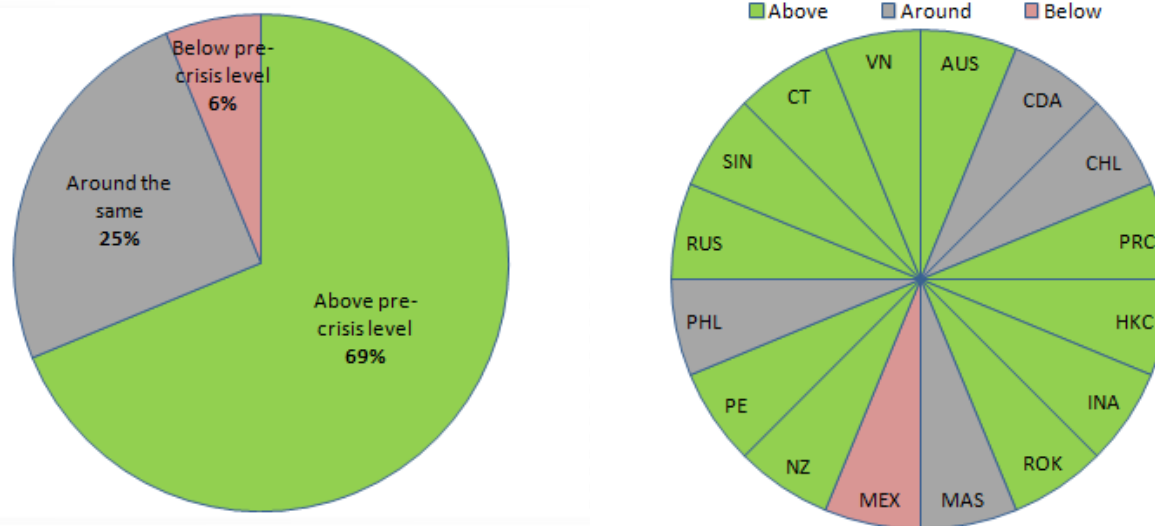
Source: Asmundson et al (2011).

APEC 2009 Trade Finance Survey: 15 out of 17 respondents indicated that there was a trade financing problem in their economies, with 8 considering the problem to be moderately to very serious.

# Trade finance in the APEC region has broadly recovered since the 2008 GFC



## Current volume of trade finance in APEC economies compared with the 2003-2007 average



Source: APEC 2013 Trade Finance Survey.

However, the recovery in trade finance has been uneven with changes in the provision of certain trade finance instruments as well as in the major suppliers of trade finance.

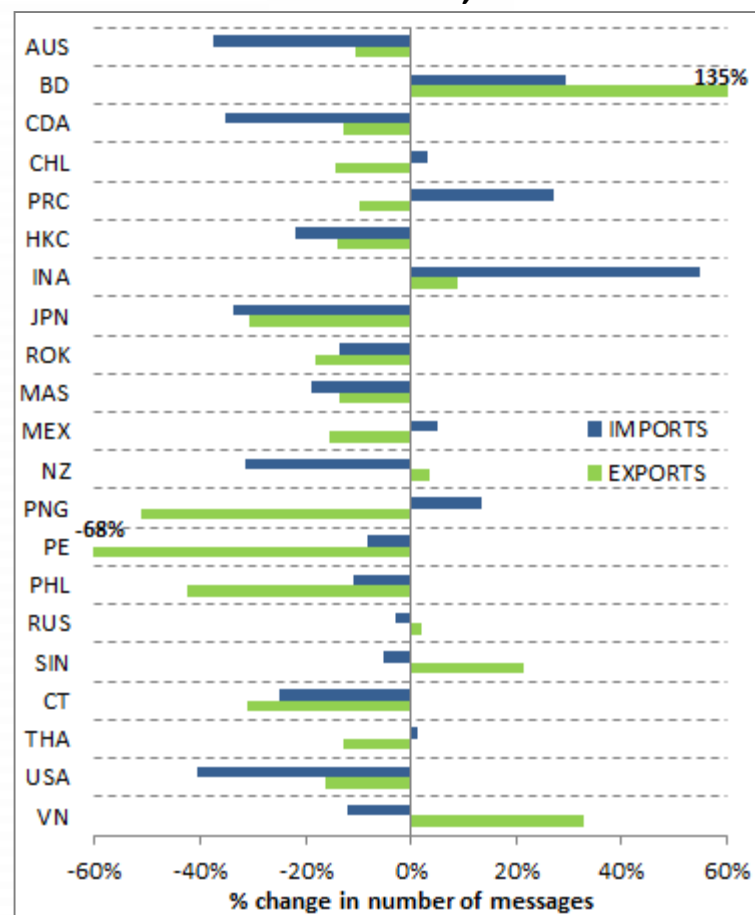
# The use of letters of credit in the APEC region has declined substantially



Asia-Pacific  
Economic Cooperation

- In the APEC region, the issue of letters of credit for exports fell by 2.4% in 2012, while those for imports declined by 1.0%.
- Reasons include (1) a move towards open account payment methods and (2) stricter risk management policies adopted by banks.

% change in trade messages for letters of credit  
in APEC economies, 2007-2012



Source: SWIFT and PSU calculations.

# Deleveraging by European banks has reduced their role as a supplier of trade finance

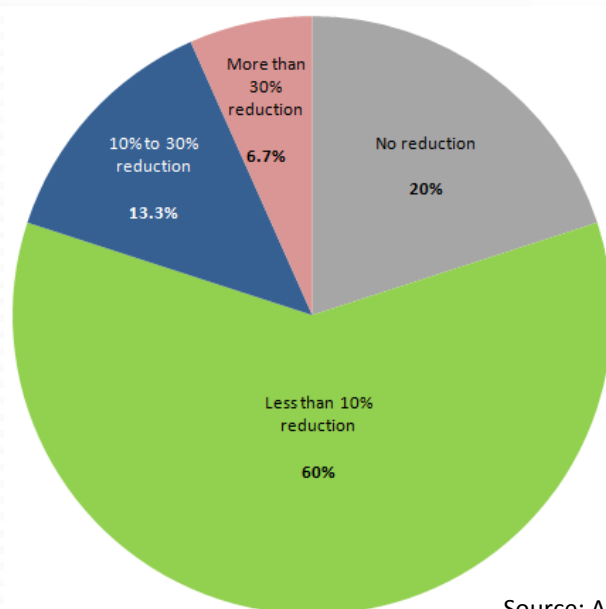


Asia-Pacific  
Economic Cooperation

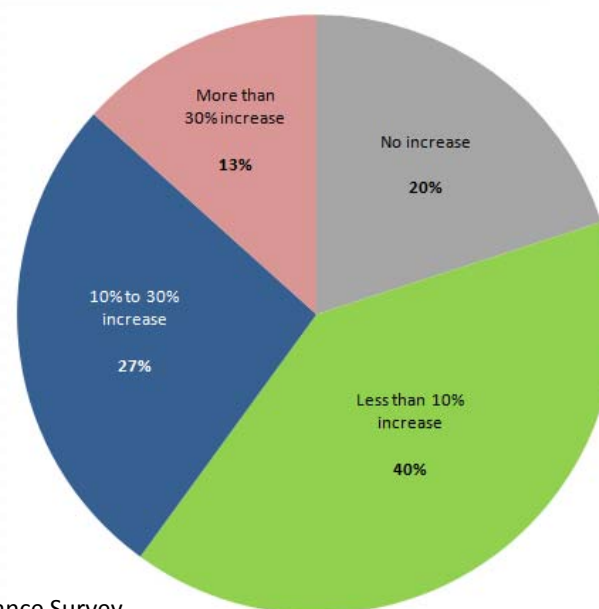
Nearly half the respondents to the APEC 2013 Trade Finance Survey reported that European banks provided less than 10% of the total volume of trade finance between 2003-2007.

## Share of the total supply of trade finance in APEC economies since 2010

### European banks



### Domestic banks and other international banks



Source: APEC 2013 Trade Finance Survey.

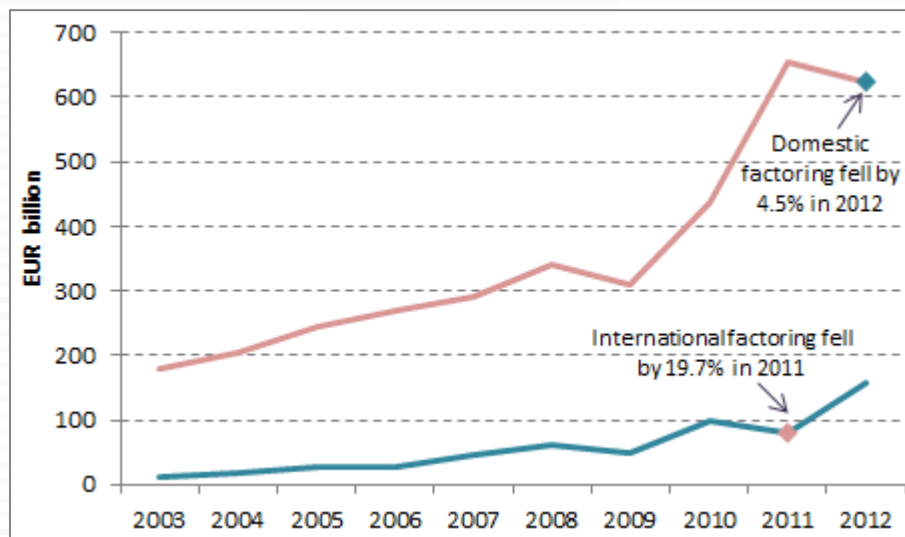


# Factoring in the APEC region was affected by the turmoil in Europe in late 2011

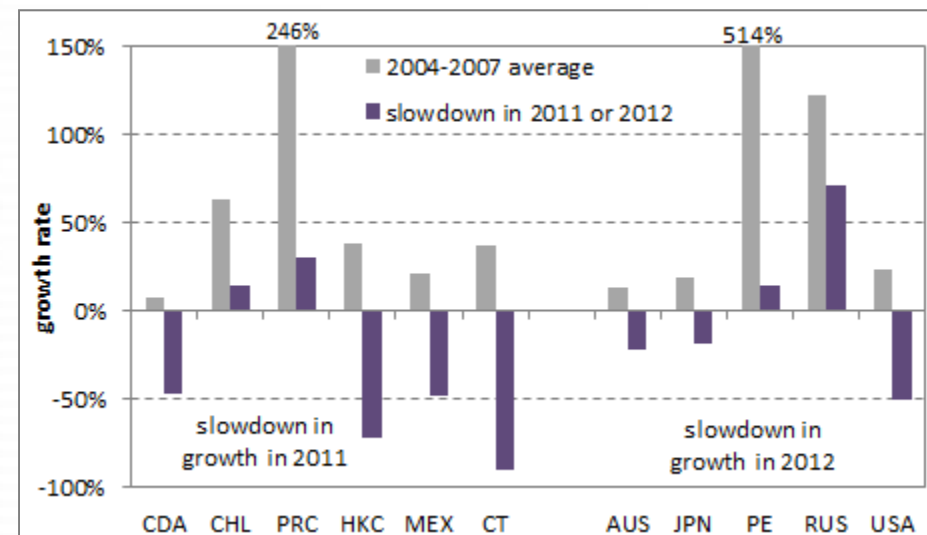


Asia-Pacific  
Economic Cooperation

Factoring value in the APEC region



Change in the value of international factoring in selected APEC economies



Source: Factors Chain International and PSU calculations.

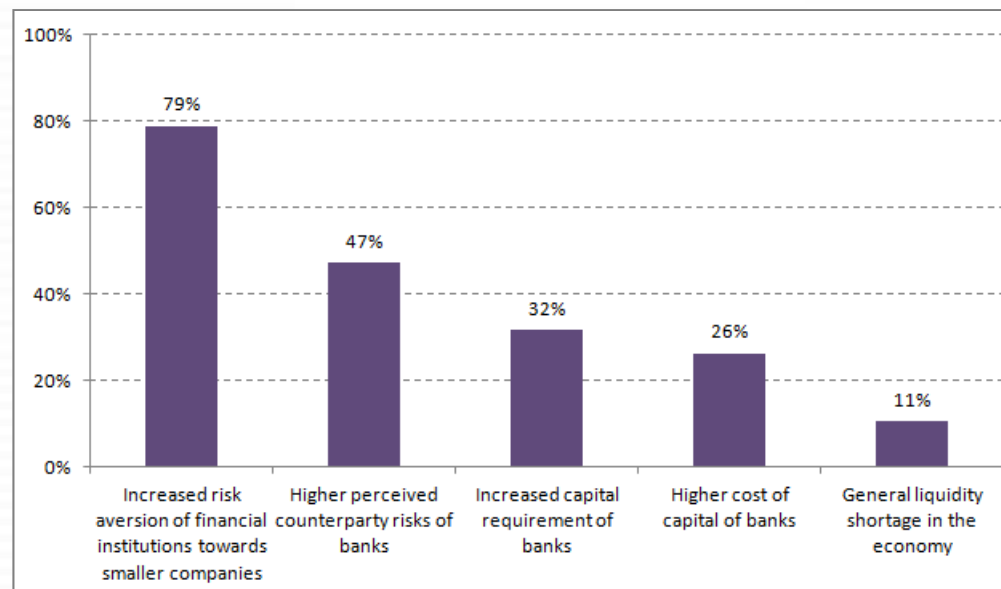
- The value of international factoring in the APEC region fell by 20% in 2011 as a result of deleveraging by European banks.
- The magnitude and timing of its impact varied widely among the APEC members.

# SMEs are impeded by increased risk aversion of financial institutions towards smaller companies



Asia-Pacific  
Economic Cooperation

## Main impediments for SMEs to access trade finance in the APEC region



Note: Survey respondents could select more than one option.

Source: APEC 2013 Trade Finance Survey.

- SMEs often face a range of challenges in accessing all types of financing; however, trade finance should be easier to obtain.
- The lack of access to trade finance constrains the ability of SMEs to grow their operations and to become exporters.



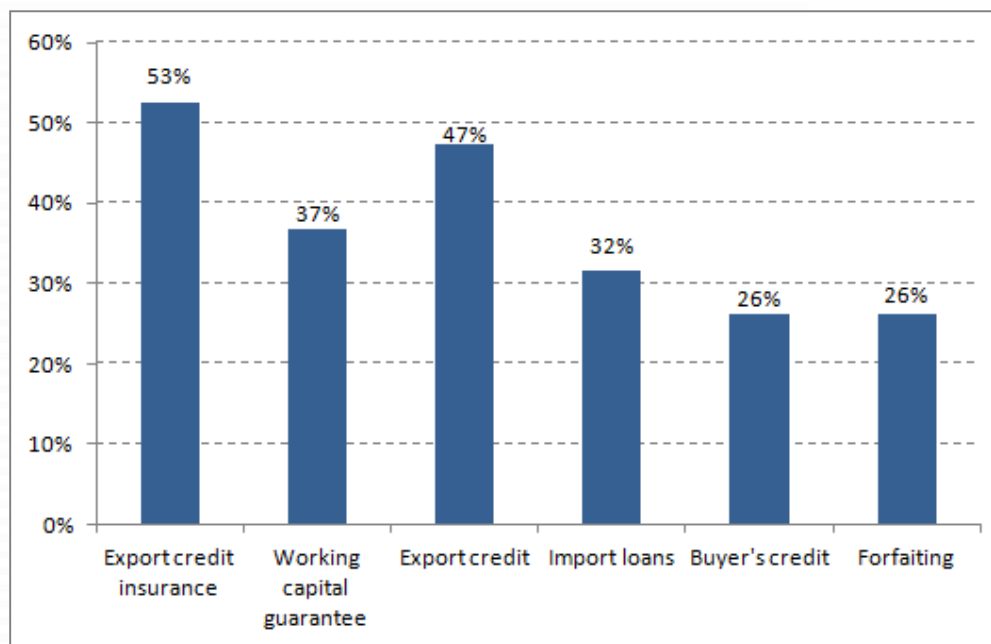
# Export credit agencies have a role to play in providing trade finance to SMEs



Asia-Pacific  
Economic Cooperation

Through their domestic export credit agencies, APEC members have a range of measures in place to facilitate trade finance to SMEs, including export credit insurance, working capital guarantees, and export credit.

## New or enhanced measures to facilitate trade finance in the APEC region since 2009



Note: Survey respondents could select more than one option.

Source: APEC 2013 Trade Finance Survey.

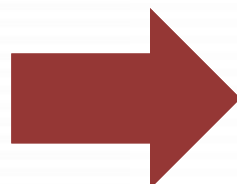
# Basel III regulations overstate both the tenor and risk profile of trade finance



Asia-Pacific  
Economic Cooperation

Basel III will have significant consequences on the activities of the banking sector, most likely leading to an increase in the cost of lending and/or a general reduction in overall lending capacity, with trade finance affected.

- One-year maturity floor
- Risk-weighted assets calculation
- 100% credit conversion factor
- 50% liquidity coverage ratio for corporate trade finance



*ADB Trade Finance Survey*  
If Basel III were to be fully implemented, then banks would reduce their support for trade finance by 13%, on average, with over 35% reducing their support by  $\geq 20\%$ .

Europe's approval of CRD IV/CRR could lead to regulatory arbitrage if other jurisdictions do not follow since it will be less expensive for European banks to provide trade finance, putting banks in the APEC region at a disadvantage.

# APEC members are overwhelmingly positive on the outlook for trade finance



Asia-Pacific  
Economic Cooperation

## Outlook for trade finance through 2014



Source: APEC 2013 Trade Finance Survey.

However, two significant risks to trade finance remain:

- possible reduction in global liquidity that could limit the availability of credit and raise its cost; and
- implementation of regulatory standards that will raise the cost of lending and potentially change the lending behaviour of banks.

# APEC is in a position to address some of the current challenges to trade finance



Asia-Pacific  
Economic Cooperation

1. Monitor the volume of trade finance in the region as well as whether there are any issues in the ability of businesses to access trade finance;
2. Continue to promote and facilitate access to trade finance for SMEs in the region, particularly given the medium-term risks to the availability and cost of credit;
3. Help build capacity in the export credit agencies of the developing APEC members, including through the sharing of best practices; and
4. Regulators should take note of how the implementation of the Basel III standards will affect the provision of trade finance in their economies, especially in light of Europe's planned implementation of the rules.

# APEC Policy Support Unit



Asia-Pacific  
Economic Cooperation

Website:

[http://www.apec.org/apec/about\\_apec/psu.html](http://www.apec.org/apec/about_apec/psu.html)

Policy Support Unit

APEC Secretariat

35 Heng Mui Keng Terrace

Singapore 119616

Telephone: (65) 6891 9600

Fax: (65) 6891 9419

E-mail: [psugroup@apec.org](mailto:psugroup@apec.org)