



Gempachiro Aihara
ABAC Chair 2010

15 February 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund

Dear Mr. Strauss-Kahn:

In response to the IMF's solicitation of comments on the potential usefulness and impact of various approaches to financial sector taxation in relation to the study requested by the G-20, we, the members of the APEC Business Advisory Council (ABAC), are pleased to convey to you our views on this matter.

We believe that imposition of a global tax is an inappropriate response and a further burden to industries, especially small and medium enterprises, and consumers in the wake of the global financial crisis. We also believe that the proposals under consideration would be harmful for a range of additional reasons, including the practical challenges of implementing any such tax. Further we express additional specific concerns including the following:

- Key to the APEC agenda is reduction of transaction costs. The proposal is directly counterproductive to this goal.
- It would have a very significant negative impact on real economic recovery, as these additional costs are likely to further reduce financing of business activities at a time when markets remain fragile and prospects for the global economy are still uncertain.
- Industries and consumers as a whole would be unfairly penalized.
- It would further weaken financial markets and reduce the liquidity, particularly in the case of illiquid assets.
- Effective implementation would be virtually impossible, especially as opportunities for cross-border arbitrage arise from decisions of certain jurisdictions not to adopt the tax or to exempt particular activities.
- There is no global consensus why a tax is needed and what the revenue would be used for, and therefore no understanding how much is needed. Any consequential tax would need to be supported by clear consensus for its application.

We do hope that the IMF and G-20 will take these views into consideration. We will greatly appreciate continued efforts taken by the IMF and G-20 governments to maintain close consultation and dialogue with the private sector in the formulation and implementation of measures to strengthen financial systems and promote global economic recovery.

Yours sincerely,


Gempachiro Aihara
ABAC Chair 2010


Yoshihiro Watanabe
Chair, ABAC Finance & Economics Working Group

Cc: The Honorable Naoto Kan
Chair, APEC Finance Ministers' Meeting and
Minister of Finance, Japan