

## **APEC Services Competitiveness Roadmap (2016-2025)**

### **Final Outline from the Co-Chairs of the Friends of the Chair on Connectivity**

*[This Outline will be used as the basis for preparing a first draft of the Services Competitiveness Roadmap. The first draft will be prepared by the Committee on Trade and Investment (CTI). In drafting the Roadmap, the CTI will consult all relevant APEC fora including the APEC Finance Ministers' Process, the SOM Steering Committee on ECOTECH, the Economic Committee and the Group on Services. The CTI will also consult relevant external stakeholders, primarily through ABAC, PECC and the Asia Pacific Services Coalition. The CTI will present a revised draft of the Roadmap to Senior Officials for their consideration at SOM3.]*

### **Introduction**

*[This section will provide the context for the Roadmap, including the Leaders-level commitment. It will highlight the increasing importance of services in promoting growth across APEC economies. This section of the Roadmap will be drafted by the Committee on Trade and Investment, drawing on the work and advice of other relevant fora.]*

- In the APEC Services Cooperation Framework, Leaders committed to “develop a strategic and long-term APEC Services Competitiveness Roadmap in 2016 with the adoption of a concerted set of actions and mutually agreed targets to be achieved by 2025”.
- Services are critical to the future growth of all APEC economies. Efficient services generate productivity increases and contribute strongly to innovation throughout the entire economy.
  - Improvements in information and communications technology have made services much more tradeable. APEC is the hub for some of the world's biggest global value chains. As value chains expand, so too does the importance of embodied services to international trade.
  - Policies that promote greater trade in services can lead to higher employment levels, higher incomes and higher standards of living.
  - The opening of sectors to competition provides consumers with access to a broader range of services. Competition arising from freer trade, over time, promotes more innovative and efficient local providers.
  - Open markets for services trade and investment can help economies diversify, move up the value chain and avoid the ‘middle income trap’.

- However, growth in services trade and its associated benefits will not happen automatically. For services to be globally competitive APEC economies must address factors constraining services trade and investment, including:
  - restrictions that increase distribution and other services costs, impacting negatively on upstream producers both domestically and in other economies;
  - policies that limit consumer choice, fail to boost productivity and constrain competitive pricing of goods and services;
  - the lack of reforms vital to improving the productivity, competitiveness and quality of services that support traditional sectors like agriculture, manufacturing and mining; and
  - the shortage of programs and opportunities that promote greater participation of the broader community in the services sector, including SMEs, indigenous businesses and women.

### **Objective, Principles and Targets**

*[This section of the Roadmap will be drafted by the Committee on Trade and Investment, drawing on the work and advice of other relevant fora and the APEC Policy Support Unit]*

- The key objective of the Roadmap is to enable concrete action to facilitate services trade and investment and enhance the competitiveness of the services sector. Action under the Roadmap will promote growth and job creation across APEC economies.
- The Roadmap will provide a means of delivering the desired outcomes under the APEC Services Cooperation Framework (ASCF):
  - Increased services value-adding capacity of APEC economies;
  - Cultivation of globally competitive services sectors of APEC economies;
  - Expansion of trade and investment in services in APEC economies via improvements in physical, institutional, and people-to-people connectivity;
  - Enhancement of GVC participation of all businesses especially micro, small, and medium enterprises (MSMEs);
  - Wider access to more efficient and greater variety of services for APEC and its people;
  - Job creation and growth while promoting social inclusion and human development; and
  - Addition of measures in pursuit of the APEC Leaders' Growth Strategy for inclusive, innovative, balanced, secure, and sustainable growth.

- The development and implementation of the Roadmap will be guided by the principles of:
  - **delivering on Leaders commitments** made under the APEC Services Cooperation Framework;
  - **building on existing APEC work** on services (including the work outlined in Annex A);
  - **recognition of differences** in economic and social circumstances across APEC economies that will necessitate economy-specific approaches to improving the competitiveness of services sectors;
  - emphasis on the APEC culture of cooperation and concerted unilateralism through **demand-driven assistance** to interested member economies in implementing APEC-wide and economy-specific reforms, including capacity building support for developing member economies and sharing of good practices and lessons learned across all economies;
  - **collaboration** in areas of common interest, both between economies and collectively as a region; and
  - **measurement and regular reporting** of progress made under the Roadmap.
- As directed by Leaders, the Roadmap will include a concerted set of actions and mutually agreed targets to be achieved by 2025.
  - For each agreed APEC-wide action, the Roadmap will include measurable targets against which progress can be tracked.
    - These targets could include institutional and regulatory quality improvements and the removal/reduction of restrictions on trade in services.
    - It could also include measures of outcomes in terms of benefits to economies including, for instance, trade flows.
  - In addition, the CTI (in consultation with relevant fora) will give consideration to the feasibility and appropriateness of aggregate measures of progress such as growth in services trade across APEC economies.

### **Enabling Factors of Competitiveness in the Service Sector**

*[This section will draw on APEC and international experience, including through trade agreements, to summarise the key factors needed to enhance the competitiveness of the services sector. This section of the Roadmap will be drafted by the Committee on Trade and Investment, drawing on the work and advice of other relevant fora including the APEC Finance Ministers' Process, the SOM Steering Committee on ECOTECH, the Economic Committee and the Group on Services.]*

- Developing and sustaining competitive services sectors requires a range of fundamental factors that are central to boosting services competitiveness at both an APEC-wide and individual economy level. These factors include:
  - **Regulatory and institutional quality** including: transparency in laws, regulation and administrative procedures; consistency in the administration of laws and regulations; and avoiding discriminatory regulations on qualifications and licensing requirements.
  - **Openness of services markets**, including: non-discrimination between service suppliers; not overly restricting and limiting the number of service suppliers; access for service suppliers; minimising foreign equity limitations, local presence requirements and legal entity/joint venture requirements; minimising economic needs tests; minimising limitations on the number of suppliers or branches; ensuring market bound open access including for new services unless indicated otherwise; not regressing openness once liberalized; and maintaining competition policies/laws which safeguard the competitive process.
  - Meeting the **workforce needs** of the services industry, including by: ensuring workforce needs are factored into education, training and health policies; and boosting labour productivity through upgrading skills and the use of technology.
  - Fostering dynamic, competitive and effective **telecommunications, innovation and ICT policies**, including enabling the free flow of data across borders.
  - An effective regime of **Intellectual Property Rights (IPR)**, that promotes knowledge and technology diffusion, provides sufficient protection and respect for IPR and spurs innovation.
  - Facilitating effective **financial markets** that provide services firms with access to finance, including: ensuring MSMEs, particularly women-owned MSMEs and start-ups, can access financing and insurance services without collateral; and improving access to specialised financing.
  - Improved physical and institutional **connectivity**, including: facilitating temporary stay of business visitors, intra-corporate transferees, students and consumers; improving mutual recognition of qualifications systems; promoting efficient transport logistics and energy sectors; promoting smart, high quality urban development; improving the resilience of, access to and quality of critical physical and ICT infrastructure; and addressing the gap in the ability of existing institutions to promote connectivity due to regulatory constraints or lack of capacity, including through structural and regulatory reforms and regulatory cooperation.
- The enabling factors will guide the work of relevant fora on APEC-wide initiatives and will inform action at the individual economy level.

## **APEC-Wide Action**

*[This section will describe the collective actions on services competitiveness that will be pursued by APEC economies over the period to 2025. This section of the Roadmap will be drafted by the Committee on Trade and Investment in consultation with relevant APEC fora including the SOM Steering Committee on ECOTECH, the Economic Committee and the Group on Services.]*

- Action at the APEC-wide level can help spur the trade and investment necessary to improve the competitiveness of the services sector across APEC economies. APEC, as a strategic regional body, is well placed to drive much of this work by building on ongoing existing or planned work in services (such as the initiatives listed in Annex A). An early priority could be work on ‘backbone services’ such as financial services, telecommunication services, and transportation services.
- The following are potential APEC-wide actions to improve services competitiveness that will be considered for inclusion in the Roadmap:
  - Enhancing **global value chains**, including increased participation of MSMEs and women, under the agreed Strategic Blueprint for Promoting Global Value Chains Development and Cooperation.
  - Supporting **cross-border mobility for professionals**, building on initiatives such as the APEC Architects and Engineers Registers to facilitate mutual recognition arrangements.
  - Enhancing **flexibility for business visitors and intra-corporate transferees**, building on initiatives such as the APEC Business Travel Card.
  - Developing a set of good practice principles on **domestic regulations** in the services sector, subject to further consideration by CTI.
  - Implementation of the Renewed APEC Agenda on Structural Reform (**RAASR**), including progressing the 2016 APEC Economic Policy Report (AEPR) on Structural Reforms.
  - Supporting liberalisation, facilitation and cooperation of **environmental services**, under the agreed Environmental Services Action Plan.
  - Progressive liberalization and facilitation of **manufacturing-related services**, under the agreed Manufacturing Related Services Action Plan.
  - Supporting **cooperation in the education sector**, including promoting internship schemes, overseas student exchange programmes, and measures that harmonise quality standards and qualifications (learning from measures such as the ASEAN Qualifications Reference Framework).
  - Collaboration in responding to the rapid developments in **internet-based technology**, including cloud computing, to promote a regulatory approach that

helps businesses take advantage of the opportunities the digital economy provides while appropriately protecting consumers.

- Supporting **cross-border provision of financial services**, building on the Asian Region Funds Passport initiative.
- Supporting APEC's work on developing **air, sea and land transportation** in line with the APEC Connectivity Blueprint 2015-2025.
- Supporting APEC's work on developing the **travel and tourism** sector for sustainable and inclusive growth, building on the work of the APEC Tourism Strategic Plan.
- Development of **services data and statistics** to measure and support implementation of the Roadmap and improve tracking of services trade and investment more broadly.
- Progressive liberalization and facilitation of services to improve the regional **food system** to ensure access to safe, high quality food supplies across the Asia-Pacific.

### **Individual Economy Action**

*[This section will describe how individual economies will take action under the Roadmap to progress unilateral reforms to improve the competitiveness of their services sector. This section of the Roadmap will be drafted by the Economic Committee in consultation with relevant APEC fora.]*

- Under the Roadmap interested individual economies will be supported to identify and progress domestic reform actions to improve the competitiveness of their services sector.
- Action by individual economies should:
  - be consistent with the enabling factors of services competitiveness;
  - identify action(s) that will have a high positive impact on services competitiveness both within their economy and more broadly across APEC; and
  - include clear and measurable targets to gauge progress.

### **Implementation of the Roadmap**

*[This section will describe how APEC will implement the Roadmap, including the role of relevant APEC fora, capacity building, peer support and monitoring and evaluation processes. This section of the Roadmap will be drafted by the Committee on Trade and Investment in consultation with relevant APEC fora.]*

- Implementation of each APEC-wide action under the Roadmap will be led by the relevant APEC fora.

- The fora responsible for each action will be identified in the Roadmap.
- Each APEC-wide action will include a clear plan for implementation and measurable targets against which progress can be tracked.
- In addition to APEC-wide action, individual economies may choose to focus on specific action to increase the openness and competitiveness of their services sectors.
  - To support action at an individual economy level APEC will facilitate a process of **peer learning**.
  - Economies with successful experience in implementing a particular reform will be encouraged to share their experiences with other interested economies.
  - Economies interested in implementing a particular reform will be able to seek ‘peer support’ from other economies with relevant successful experience. Economies which have successfully undertaken reform in relevant sectors may lead work in these sectors or sectoral clusters.
  - Peer learning will be coordinated by the APEC Secretariat.
  - Economies will be encouraged to collaborate in areas of mutual interest.
- APEC will manage a program of **capacity building** to support interested developing economies on a demand-driven basis with implementation of action, towards achieving the outcomes of the Roadmap at both the APEC-wide and individual economy level.
  - Funding for capacity building will be drawn from relevant existing APEC funds (including the sub-fund on services and structural reform).
  - Additional funding from economies for capacity building will be welcomed.
  - Capacity building assistance will be overseen by the SOM Steering Committee on ECOTECH and the APEC Secretariat.

## **Monitoring and Evaluation**

- Senior Officials, with the support of the APEC Secretariat, will have overall responsibility for monitoring and evaluating progress with the Roadmap. Senior Officials will report periodically to Ministers on progress.
- Responsibility for monitoring progress on each APEC-wide initiative under the Roadmap will rest with the relevant fora, who will be required to report annually to Senior Officials.
- Reporting of progress on action at an individual economy level will be incorporated into existing reporting processes (eg reporting on progress against the Bogor Goals).

- APEC will facilitate improved measurement to both support implementation of the Roadmap and improve tracking of services trade and investment more broadly.
  - Lack of adequate services statistics and cross-APEC indices are currently hampering the supply of analytical data necessary to inform policy-makers.
  - APEC, through the CTI and relevant fora, will rapidly progress consideration of how best to implement the Leader's level commitment to institute an APEC-wide index to measure services trade restrictions, drawing on results of the Capacity Building Workshop on Measuring the Regulatory Environment in Services Trade of APEC being held at SOM2.
  - Consideration will be given to the potential role of the private sector in collaborating with APEC on the monitoring and evaluation of the Roadmap.

**Existing APEC Work on Services Relevant to the Roadmap**

[To be updated in consultation with relevant committees and the PSU]

1995 Osaka Action Agenda

2000 Policy Framework for Work on Services

2009 APEC Principles for Cross-Border Trade in Services

2016 AEPR on Structural Reform and Services

APEC Action Plan for Reducing Food Loss and Waste and the Action Plan to Enhance Connectivity of APEC Food Standards and Safety Assurance

APEC Architects and Engineers Registers to facilitate mutual recognition arrangements

APEC Business Travel Card

APEC Connectivity Blueprint 2015-2025

APEC Food Security Business Plan (2014-2020)

APEC Food Security Roadmap toward 2020

APEC Global Supply Chain Resilience Initiative

APEC Principles for Cross-Border Trade in Services

APEC Services Action Plan

Asian Region Funds Passport initiative

APEC Services Cooperation Framework

APEC Tourism Strategic Plan 2012-2015

APEC's work on developing aviation routes to improve connectivity

Bogor Goals Individual Action Plans

CTI Workshop on Measuring Regulatory Environment in Services Trade of APEC

Compendium and good practice principles arising from the Group on Services' nine workshops on services and regulation reform

Environmental Services Action Plan

GoS Menu of Options

Manufacturing Related Services Action Plan

Menu of Options for Voluntary Liberalization, Facilitation and Promotion of Economic and Technical Cooperation in Services Trade and Investment

Strategic Blueprint for Promoting Global Value Chains Development and Cooperation

Renewed APEC Agenda on Structural Reform (RAASR)