

SECOND MEETING OF THE ASIA PACIFIC SERVICES COALITION (APSC)

29 May 2016
China National Convention Center
Beijing, China



Representatives	Organization
Jane Drake-Brockman Vivianne Arnold	Australian Services Roundtable
Gu Wenzhong	China Trade in Services Association
Watson Chan	Hong Kong Coalition of Services Industries
Taufikurrahman	Indonesia Services Dialogues
Sylvia Grant	Lima Chamber of Commerce
Tan Yoke Sing	Malaysian Services Providers Confederation
CheyScovell	Papua New Guinea Manufacturing Council
CrisFrianeza Patrick Chua Fleur Nadua	Philippine Services Coalition
Joanne Guo Ho Wen Yiing	Singapore Business Federation
Louisa Su	Taiwan Coalition of Services Industries
Christine Bliss	United States Coalition of Service Industries

Special Guests	Organization
Joanna Velarde	Latin American Services Exporters Association (ALES)
Janos Ferencz	Organization for Economic Cooperation and Development (OECD)
Deborah Biber	Pacific Basin Economic Cooperation Council (PBEC)
Guillermo Valles Galmes	United Nations Conference on Trade and Development (UNCTAD)
Ruosi Zhang	World Trade Organization (WTO)
Chen	Former CCPIIT and consultant to International Trade Centre (ITC)

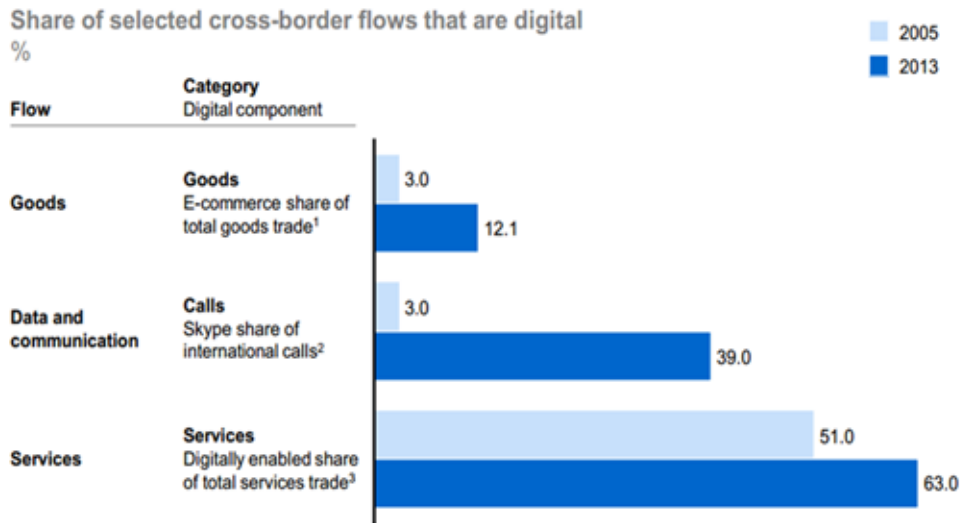
HIGHLIGHTS OF THE MEETING

APSC Priorities for 2016 and Next Steps

- Ms. Guo, at the outset said that the Asia Pacific Services Coalition itself was born out of the realization that the services sector is very important and that it can no longer be seen in isolation. The APEC Business Advisory Council (ABAC) supports the coalition as ABAC will help provide a pathway for APSC to provide inputs into APEC. To this end, Ms. Brockman was invited to the third ABAC meeting in Shenzhen in August 2016 to provide updates regarding the coalition.
- On Mr. Scovell's inquiry if there was a repository of reporting from the members in terms of the checklist of different issues on services, measuring the progress, and identifying the impediments and corresponding recommendations, the group was apprised of current APEC initiatives – Virtual Knowledge Center on Services by the Asian Institute of Management (AIM), APEC Services Trade Access Requirements (STAR) Database. The APSC, as informal as it may be, is also a very good venue for information exchange.
- On the question whether the APSC is a venue for negotiations, Ms. Brockman explained that as services has rapidly grown to the top of APEC priorities, there was a need for a more formal mechanism for getting together. She also noted how other similar business organizations have successfully contributed in moving to get the discussion for example on the Trade in Services Agreement (TISA) up and running.
- On steps moving forward, Ms. Guo advised the group to start small, be nimble as she challenged participants in identifying the joint objectives and agenda to pursue, to focus on the initiatives that really matter considering the wide spectrum of services issues. She further expressed ABAC's openness to pursue joint initiatives, and encouraged APSC to use the platform to exchange experiences, best practices, and advocacies.
- Ms. Brockman pointed out that since APEC has taken on the APEC Services Cooperation Framework (ASCF), the services industry has an opportunity to push on a number of fronts. APSC would help in complementing the business voice alongside ABAC and PECC to the APEC discussion on services. The agenda for APSC then is to provide inputs to the ASCF, to advocate for the collective aspiration of the coalition, as well as individual local initiatives in the respective economies.
- In the medium-term, the coalition likewise has to have its own institution building - more defined objectives and vision - and a sustainable way of carrying out activities and advocacies. There should be a system of communication via a more regular and mobile method. In line with this, PECC has offered to the APSC an extension of their email account.
- The experience of the Malaysian Service Providers' Federation offered a good model for developing a structure for the APSC. As a strategy, Mr. Tan mentioned that rallying around common issues and tapping like-minded groups and associations, such as how they were working with the ASEAN Service Providers' Confederation, would create greater awareness for the coalition and its advocacies.
- In this regard, the coalition would reach out to the Confederation's member group, the Vietnamese Engineers Association to collaborate with APSC, especially since Vietnam would be the APEC host in 2017. The Latin American Service Exporters Association has similarly joined as a participating observer of the coalition.
- In terms of specific agenda, there was a consensus by the group to engage with different stakeholders through various fora and provide priority inputs to areas involving digital trade or e-commerce, free flow of data and regulatory principles, including the greater mobility of services providers.

APEC Digital Trade Agenda

- According to the McKinsey Global Institute, the global flows of goods, foreign direct investment, and data have increased global GDP by roughly 10% as compared to a global GDP without flows. This value was estimated at \$7.8 trillion in 2014. About 36% of this value or \$2.8 trillion was accounted for by data flows.
- Digital platforms change the economics of doing business across borders by bringing down the cost of international transactions and interactions. Small businesses around the world are becoming "micro-multinationals" by using digital platforms, like eBay, Alibaba, Facebook, and Amazon. Another McKinsey study found that 86% of tech-based start-ups surveyed reported some type of cross-border activity, connecting them to more customers and suppliers for a lower-cost. The share of digital cross-border flows has significantly increased since 2005.



Source: McKinsey(2014) Global Flows in a Digital Age

- Ms. Bliss therefore stressed that economies could not afford to shut themselves off from global data flows. Digital globalization provides opportunities for countries that build the infrastructure, institutions, and business environments that their companies and citizens need to participate in the global economy.
- These opportunities are not without challenges, and there are concerning trends in digital trade barriers:
 - Digital localization
 - Cross-border trade
 - Foreign equity restrictions
 - Services classification
 - Policies favouring local software, technology, and services
 - Duties on e-commerce and restrictions on internet distribution of goods
- APEC Committee on Trade and Investment (CTI) has laid out its digital trade agenda:
 - Digital trade as next generation trade and investment issue
 - Principles or best practices to facilitate digital trade
 - Capacity building projects especially for developing economies
 - Formal dialogue under CTI structure
- Trade agreements, like the Trans-Pacific Partnership, have included digital trade obligations and rules to ensure the free flow of data and digital trade. TPP outlined this agenda through its Digital 2 Dozen principles.
- Against the backdrop of the very successful Global Trade in Services Summit organized by CATIS, during CIFTIS 2016, Ms. Su emphasized the importance of advancing electronic commerce in the region. According to e-Marketer, global business-to-consumer e-commerce sales reached \$1.6 trillion in 2015, and were projected to grow 20% this year. In the Asia-Pacific alone, retail e-commerce sales hit \$877.61 trillion, and it accounted for 52.5% of the digital spend of the world market.
- In APEC where the economy is overwhelmingly constructed by small and medium-sized enterprises (SMEs), it is therefore imperative to promote free flow of data to facilitate business and investment, and to scale up digital and online platforms for SMEs access to global markets.
- Concrete measures were taken up by member economies to carry out policies and implement infrastructure related to digital trade. In Chinese Taipei, a plan was adopted to reduce the digital gap for women and rural areas. A white paper was likewise conducted focusing on innovative business, e-commerce and internet finance. The role of big data as a business enabler was encouraged not only for the private sector or SMEs, but also in the public sector.
- Ms. Su however, stressed that the seemingly boundless scope of digital economy should be handled responsibly, as such is the role of data protection. She called for a collective effort of all member economies to protect personal data and manage private information, as we address the issue of cybercrimes and cyber attacks.
- Mr. Chan noted that digital platforms would make trading cheaper and more efficient, as they paved the way for a higher volume of transactions. Mr. Frianeza added that policies related to data flows should also be seen through the lens of enhancing competition, i.e. more than providing access, but also enhancing capability especially of SMEs.

Impact of New Technologies on Services MSMEs

- Stressing the role of digital economy in enabling small players to take on big ones, she cited three cases of innovative business models by micro services providers using disruptive technology:
 - World Coin – creates a market place of people who accept these loose coins and sends them back to the origin of the respective denomination
 - Rent the Runway – a site offering designer clothes and accessories for rent for four to eight days
 - Franklin Philips – microservice firm offering reliable and speedy internet-based services
- Mr. Taufik also shared how Indonesia and other developing economies benefit from e-commerce and from sharing of best practices. As such, an enabling environment would be critical as there should be a balance with introducing new regulations such as on intellectual property and data privacy. By balancing means regulation should carefully consider both the supply (less regulation) and the demand (more regulation) side.

Insights from guests

- Mr. Valles underscored the value of services trade, which led UNCTAD to become a permanent support for the China International Fair for Trade In Services (CIFTIS). He added that the importance of having coalitions is that it presents a different perspective unlike the usual hard rules-based negotiating positions often seen among governments. In line with this, ASPC participation and inputs will be secured in future UNCTAD activities and meetings. He also said that through their research, they hope they could provide more imperative for further liberalization of trade in services.
- Ms. Peluffo expressed her appreciation and excitement that ALES was invited as a participating observer as she likewise committed the organization's continued engagement to promoting services in the region.
- Mr. Ferencz highlighted the importance of the coalition from the OECD perspective. He also discussed OECD work on the Services Trade Restrictiveness Index (STRI) having a regulatory data base (laws and regulations), across various services sectors of 76,000 different measures. He likewise encouraged the group to use their toolbox which showed how restrictive countries are. The platform stimulates reforms in laws and impact of policy change across countries.
- Ms. Zhang said it is crucial for governments to hear the voice of business especially with the emerging challenge to the WTO on how to stay relevant. On regulatory principles, she shared WTO's general criteria for content and for transparency in procedures. For content, it should pass the following tests:
 - Objectivity – non-discriminatory and national treatment
 - Necessity – regulations should not be more burdensome than necessary
 - Least trade restrictiveness was another concept under discussionFor procedure, there should be public consultation before rules were brought into effect, and there should be a mechanism for governments to assess regulations then to make the necessary changes.

NOTES

- Action Points
 - Establish a more permanent mechanism for information and best practices exchange and communication.
 - Review relevant services-related literature and identify key focus areas for collaboration and engagement.
 - Provide collective and individual inputs to various fora and dialogues regarding the APEC Services Cooperation Framework and APEC Services Competitiveness Roadmap.
- Related meetings
 - Upon invitation by Mr. Tan, the Malaysian Service Providers' Confederation offered to work on hosting the 3rd APSC meeting in Kuala Lumpur in 2017.
 - ABAC 3 Meeting on August 1-4 in Shenzhen, China where APSC will present updates to the ABAC Regional Integration Working Group.
 - Global Services Summit on October 19 in Washington. Another day of meetings on October 20 will be for a series of technical workshops – services regulation, databases. In the afternoon, a meeting would be scheduled for the APSC for further collaborative work leading to next year's work plan.
 - 14th UNCTAD ministerial conference on July 17-23 in Nairobi, Kenya, with a forum on services.

