



Trade in Services in the APEC Region

Challenges and Opportunities for Improvement

The University of Southern California Marshall School of Business | September 2012

Executive Summary

This report offers detailed analysis of the current environment of trade in services across the APEC region. Specifically, this study focuses on identifying and quantifying the most significant barriers and impediments to trade in services. This report attempts to offer a deeper understanding of the challenges facing trade in services by incorporating a business-executive view of the services supply chain. The objective is to highlight the areas where focused attention would have the greatest impact on enabling trade in services.

Current levels of trade in services within the APEC region are surprisingly low, and the associated benefits of trade are potentially being lost. However, domestic services markets are growing and becoming an increasingly important source of jobs and economic growth.

Why are current levels of trade in services so limited? Services are difficult to trade because of the inherent nature of services themselves. Services are not goods; they are “experience products” where their true value is only known during or after delivery. Additionally, and more importantly, services markets are characterized by potential market failure problems which compel governments to implement regulations to ensure fair and efficient markets. This regulation is one of the major challenges to trade in services; domestic standards and regulations become non-tariff barriers for foreign services firms. The cumulative impact of different regulations and standards across economies creates a level of heterogeneity which raises transaction costs to levels that discourage trade.

The challenge of enabling trade in services requires a holistic view of supply chains. Market access problems exist but our research indicates they are less important than impediments “behind the border,” such as efficient, effective and coherent regulation. Progress in services trade liberalization can be made but it will require domestic-level changes and a coordinated APEC-wide effort.

Our research included the following:

- In depth interviews with 231 business executives, government officials, academics and thought leaders knowledgeable about trade in services in APEC and throughout the world.
- Meta-analysis of regional trade patterns to identify how services chokepoints impact regional trade and investment.
- Targeted analysis of four critical service sectors – retail & distribution, transportation, financial, and business & professional services – to identify areas of relative success and transferrable best practices.
- An analysis and synthesis of the opportunities that could result from in an immediate and effective liberalization of services

Key Findings

1. Trade in services has significant potential for growth. A 10% reduction in trade costs could result in \$100 billion US dollars of additional services-related GDP within APEC.
2. Trade in services within APEC remains low. In 2010 only 6 percent of total services produced within APEC were exported, compared with 63 percent of total goods. By APEC economy, Singapore (75% of services produced), Hong Kong (51%) and Malaysia (31%) are the largest services exporters, while Peru (5%), Japan (4%) and Mexico (2%) currently export the least services.
3. Scarcity of data on trade in services has major implications for policy making. Differences in definitions, measurement and the lack of detailed service trade statistics for all economies make it difficult to identify trade pattern trends. Without reliable statistics, governments cannot assess the effectiveness of their policies.

Executive Summary, Cont.

4. APEC economies differ significantly in their openness to trade in services. Singapore, Hong Kong and New Zealand were found to be the most open while Indonesia, Viet Nam and The Philippines are currently relatively less open.
5. Services are not receiving adequate attention in trade negotiations given its percentage of total GDP and employment. In relative terms, there are far fewer preferential trade regulations focused on services compared to goods. This presents APEC with an opportunity to seek commitments from member economies to move forward in a collective and inclusive way by creating a region wide trade in services framework.
6. “Behind the border” barriers and impediments are the most significant problems for trade in services. Domestic regulations and efficiency of government agencies with services sector oversight have larger impacts on trade in services than do market access barriers.
7. Domestic service regulations, industry standards, and professional requirements act as non tariff barriers (NTBs) in trade in services. Economy-specific regulations discriminate against foreign services providers by either raising transaction costs or by requiring domestic presence.
8. Differences in service regulations across economies create regulatory heterogeneity which raises transaction costs for firms seeking to export to multiple markets. Regulatory heterogeneity is a disproportionately larger problem for service firms in developing economies and SMEs.
9. Service provisions within FTAs lack sufficient scope. Our analysis of APEC FTAs found that up to 80% of service provisions focus on market access barriers while only 20% focus on “behind the border” issues such as regulatory heterogeneity between economies.
10. Problematic factors consistently identified as the top barriers to trade in services are: Inconsistent Regulations, Recognition of Skills and Qualifications, Standards & Specifications, Regulatory Transparency, Inconsistent Monitoring and Enforcement, Coordination Among Government Agencies, Regulatory Instability, Dispute Resolution, Government Bureaucracy, Language and Culture, Access to Human Capital, Access to Skilled Talent.

Action Agenda

This report argues for a strong role by APEC in liberalizing trade in services to foster economic development. The alternative of continued isolated and independent approaches has proven ineffective and inefficient. Collective attention and focus is needed to break away from the inertia that embraces trade in services.

1. We urge APEC to re-declare its commitment to enabling trade in services.
 2. We urge APEC member economies to also make trade in services a priority, and to create mechanisms to ensure coordination of trade in services efforts across government agencies.
 3. We urge APEC to seek commitments from all APEC economies to adopt common definitions and measurement approaches and to collaborate in the collection of trade in services data. We recommend that APEC Secretariats assume a central role in service master data management for APEC.
 4. We urge APEC to take the lead in creating “model measures” for new regulations in services.
 5. We urge APEC to create “model measures” for FTA service provisions that include the service regulatory environment.
 6. In collaboration with service sector industry associations in member economies, we urge APEC to create a one-stop resource on accredited service providers in APEC.
 7. We urge APEC to expand and accelerate its efforts on regulatory coherence to include services to a greater extent.
 8. We urge APEC to establish a platform for economies to share best practices of government agencies.
 9. We urge APEC to continue focusing on talent mobility initiatives and expand its efforts to help all economies upgrade their educational capabilities.
 10. We urge APEC to continue raising awareness on the importance of the business environment and continue investing in initiatives that assist government leaders in strengthening their economies.
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Table of Contents

Trade in Services in APEC

2	Executive Summary
5	Thank you
6	Research Team
7	Introduction
20	Research Approach
31	Research Findings and Results
34	1 Conceptual Analytical Framework
48	2 Services Trade Patterns in the APEC Region
66	3 Quantification of Barriers
110	Opportunities and Risks
121	Conclusions and Recommendations
127	Report Appendix
	A. Interview Protocol
	B. Questionnaire Results
	C. Economy Snapshots
	D. Free Trade Agreements
	E. Bilateral Trade Agreements
	F. Participating Companies
	G. Services Mode Classification
	H. Novy's Trade Transaction Costs Model
	I. Research Publications and Sources
	J. Research Team Biographies

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Introduction

Introduction

While services dominate the economic landscape most all economies, trade in services is only a small fraction of trade in goods. This would simply be an interesting economic puzzle if not for the serious long-term economic implications. There are real tangible benefits from increased trade in services - increased job creation, higher paying jobs, enhanced trade in goods, and improved standards of living. One estimate made in this report suggests that a 10% reduction in trade costs could result in \$100 billion US dollars of additional services-related GDP within APEC. To understate the importance of liberalizing trade in services would be irresponsible.

It is obvious that if trade in services were not a complex problem then progress would already have been made. However, services are inherently difficult to trade and most service markets suffer severe information asymmetry problems. Governments, in order to ensure fair and efficient markets, have been compelled to regulate and monitor services markets at higher levels than goods markets. These domestic regulations, along with domestic industry standards and other economy-specific requirements often become non-tariff barriers to foreign firms. A key conclusion of this report is that these regulations and their enforcement by government agencies are the main source of impediments to trade in services.

Policy responses to improve trade in services have focused primarily on reducing market access barriers, assuming that services are like goods and that removal of market access barriers will liberalize trade in services. A review of free trade agreements (FTAs) in APEC found that approximately 80% of FTA provisions focus on liberalizing market access and only 20% on economy-specific regulations. Our research findings strongly suggest that a greater impact will come from a different approach, one that focuses on these “behind the border” economy-specific regulations.

Because most barriers and impediments to services trade are “behind the border,” improvement requires substantial domestic change. There is, unfortunately, much to discourage leaders from taking bold moves. Incumbent service sector firms will protest changing domestic standards. Fears of developed economies exploiting emerging economies will be raised. Services delivery typically involves people and moving people across borders. This generates fears that increase in trade in services will result in job losses.

Introduction Cont.

Collective courage and political will is needed to create and implement new regulations that will liberalize and facilitate trade in services; however, the challenge is a full magnitude greater than liberalizing trade in goods. There is real hope that what was learned in the process of liberalizing goods can be applied in an accelerated way to trade in services. Leaders must focus on the long-term economic benefits that increased trade in services can bring to their economies.

This report suggests that APEC has an important role in bringing trade in services to the trade agenda. APEC needs a region-wide trade in services framework within which individual member economies can work. Unilateral approaches are suboptimal and contribute to the plethora of different regulations, standards, and requirements that currently exist.

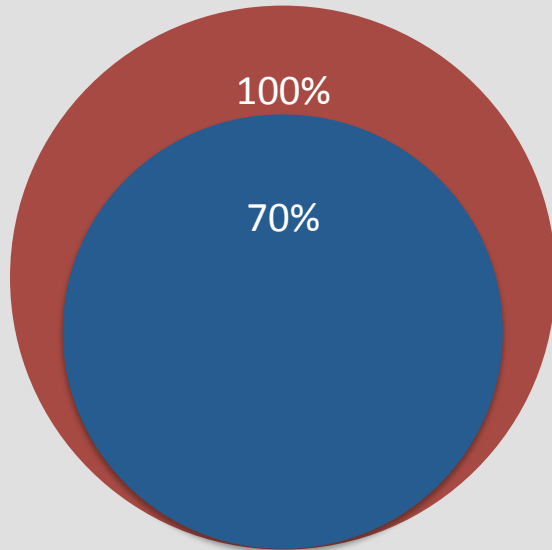
Our study focuses explicitly on identifying and quantifying barriers and impediments to trade in services within the APEC region. It seeks to make a contribution to the study of this issue by bringing in the APEC business perspective. The findings of this report are based on an extensive analysis of existing research and data on services in the APEC region, and in depth interviews with 231 executives, academics, government officials and thought leaders in 18 APEC economies.

This report begins with a brief introduction outlining the opportunities and challenges of trade in services within the APEC region. The next section describes the research objectives of the study and the research approach, followed by a presentation of our key findings and the results of our analyses. The report then examines the potential opportunities which may be gained from increased trade in services. This section also offers some cautionary advice about risks which would be detrimental to the future trade in services landscape. Recommendations for APEC conclude the report.

Services are a critical driver of economic growth and jobs creation

Services represent the majority of GDP and employment across the world. Due to services' contribution to overall economic development and their interrelatedness with goods, driving services growth is an incredibly powerful way to promote regional growth, development and jobs creation.

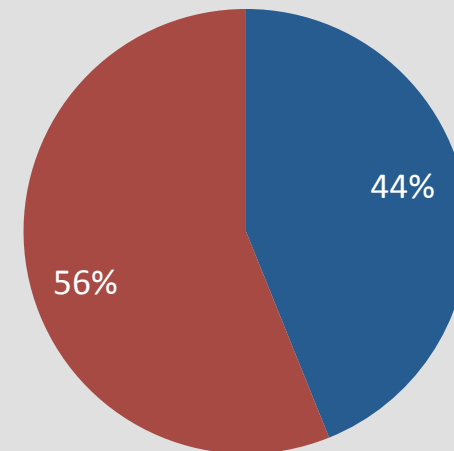
Services currently make up the majority of world GDP and growth in services will spur major economic development.



APEC Policy Support Unit. StatsAPEC. *Asia-Pacific Economic Cooperation*, n.d. Web.18 June 2012.<<http://statistics.apec.org/>>.

■ World Total ■ World Service Sector Size

Service sectors are an increasing source of world employment and will be the largest driver of jobs creation over the next decade.



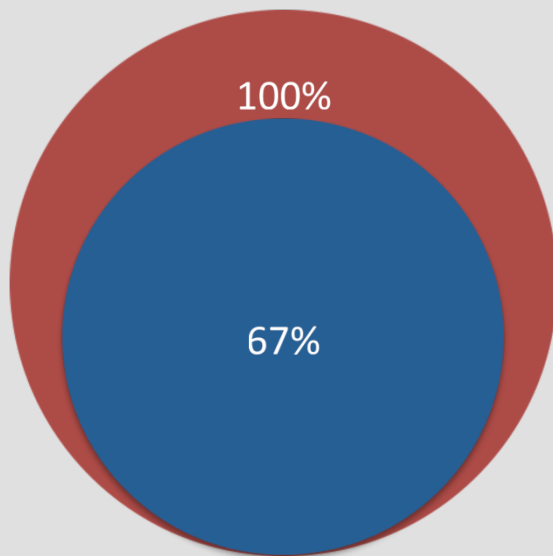
International Labour Office. *Global Employment Trends 2012 Preventing a deeper job crisis*. Geneva: International Labor Organization, 2012. Print.

■ Services ■ Other

The APEC story mirrors the global trend

Similarly, services constitute the majority of GDP in APEC and account for 52% of employment. These data show that APEC is very similar to the world in services' percentage of GDP and employment.

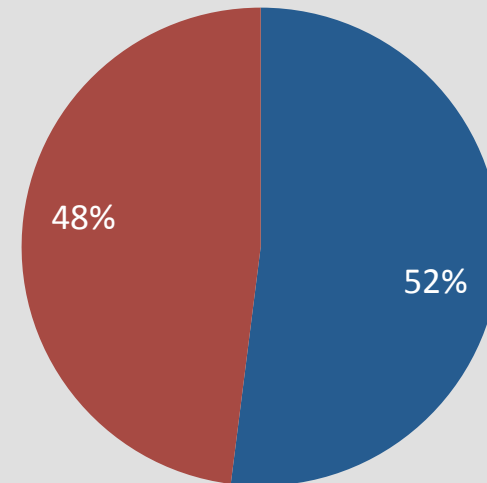
Services make up 67 percent of APEC GDP. This is nearly identical to that of the world economy.



APEC Policy Support Unit. StatsAPEC. *Asia-Pacific Economic Cooperation*, n.d. Web.18 June 2012.<<http://statistics.apec.org/>>.

■ APEC Total ■ APEC Service Sector Size

Service sectors are APEC's largest source of employment and will be the largest driver of jobs creation over the next decade.



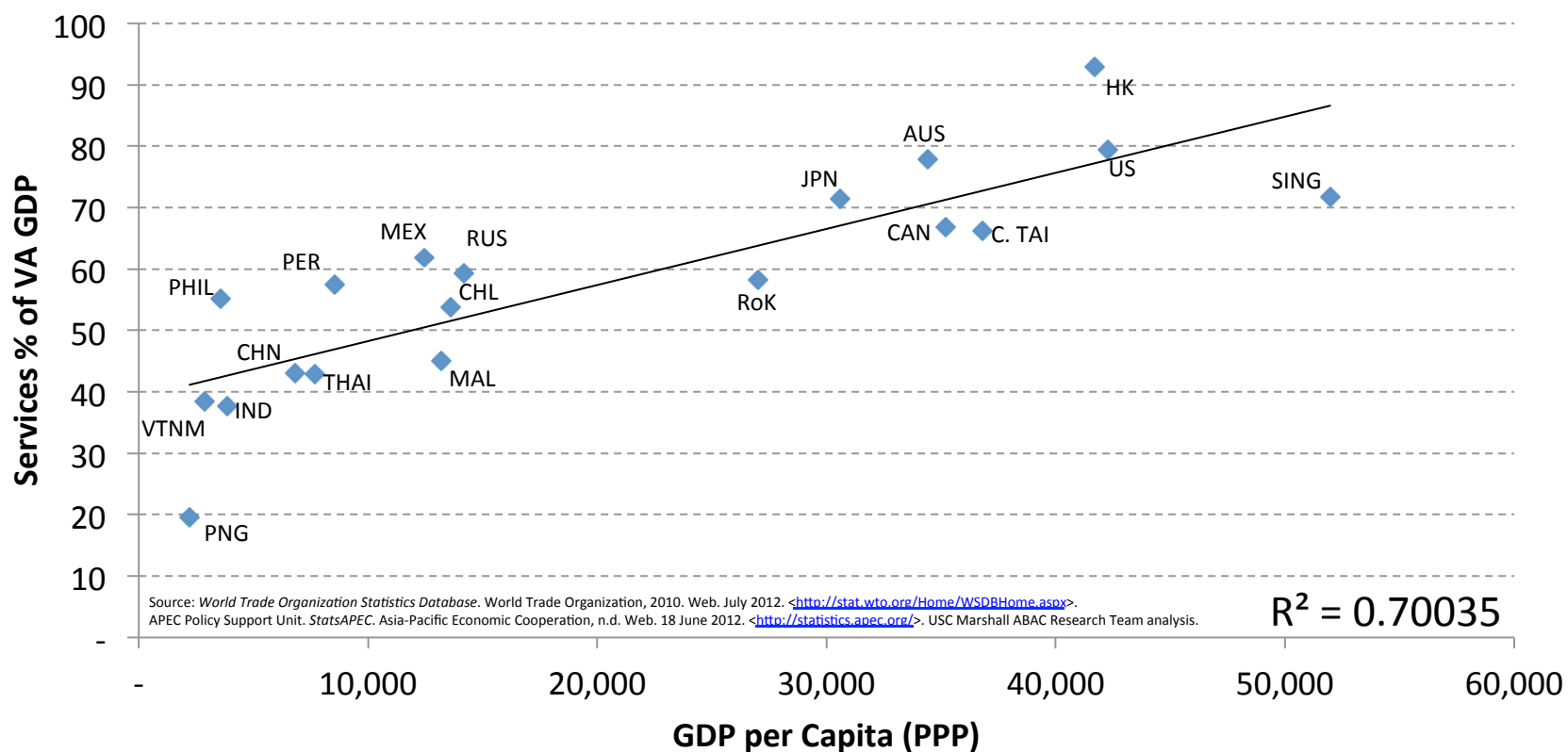
International Labour Office. *Global Employment Trends 2012 Preventing a deeper job crisis*. Geneva: International Labor Organization, 2012. Print.

■ Services ■ Other

Services development is highly correlated to national and personal wealth

As per capita income increases, most economies witness a rising share of services in total output. Developed services sectors therefore strongly predict higher GDP per capita.

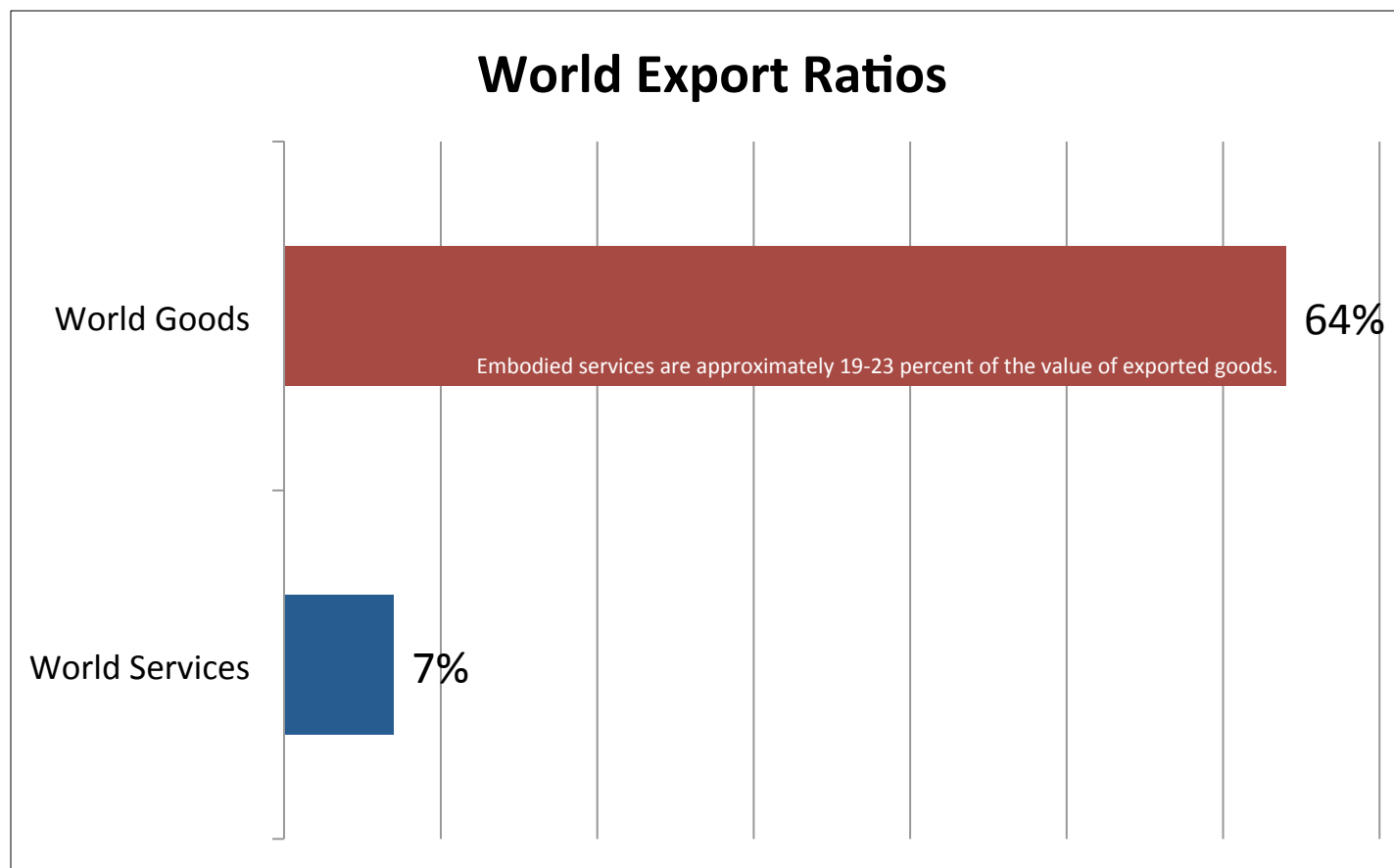
GDP/Capita and Services % of GDP



In addition to driving economic growth, strong services sectors are also an attribute of APEC's most developed economies. This indicates that services contribute to both overall economic growth and individual wealth growth. Based on this stimuli, both the public and private sectors should be placing a high priority on developing efficient services sectors.

Yet trade in services is significantly lower than trade in goods

Exports of services are severely lacking when compared to the exports of goods, despite the fact that services are a central driver of economic growth and development. Macro data alone cannot explain the deficiency in services trade. 64 percent of all goods made in the world are exported whereas only 7 percent services are exported.



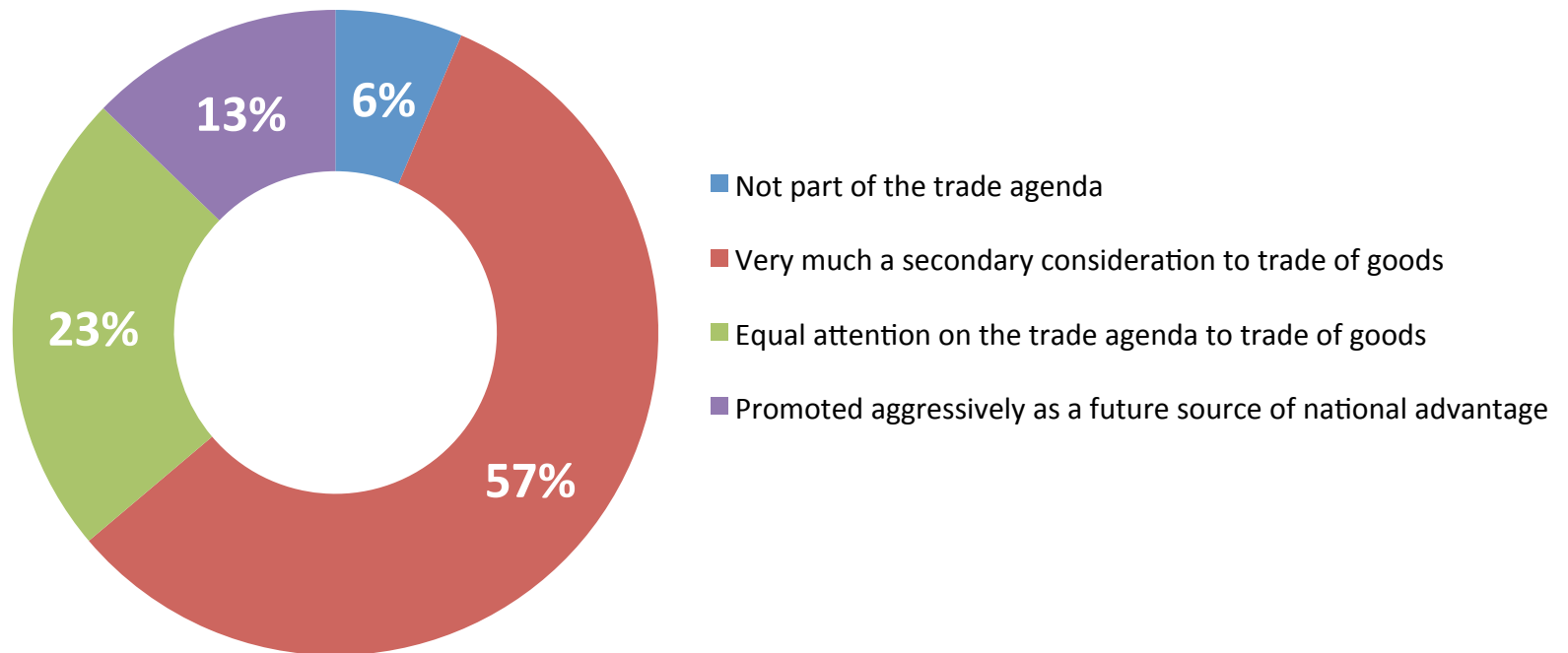
Westcott, Thomas. *The importance of embodied services for trade and investment in the APEC region: Issues, conclusions and next steps*. ITS Global. December 2011. Print.

Unexpectedly, services trade is considerably underdeveloped when compared to trade in goods. Numerous factors contribute to the immature state of services trade in the world.

Business executives across APEC do not believe trade in services is receiving adequate attention

Business Opinion on Trade in Services: The graph below represents responses to the questionnaire The questions asked “Which of the following statements best describes your economy’s focus on developing the global trade potential of your service sectors?”

Opinion on Economy’s Focus on Trade in Services



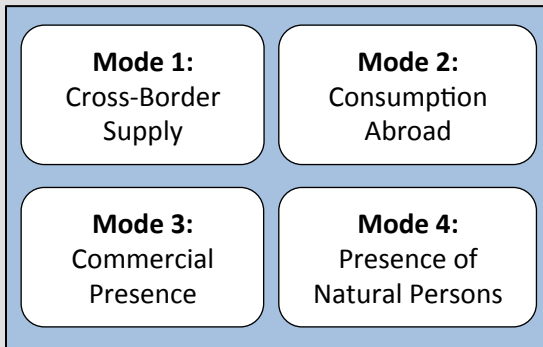
Although services constitute the majority of GDP among most APEC economies, the majority of the interviewees identified services trade as a secondary matter to goods trade in the trade agenda.

Why is trade in services not reaching its potential?

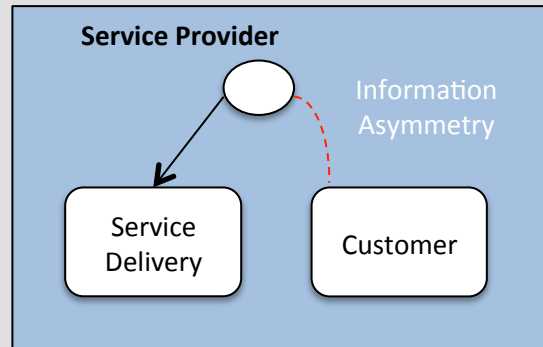
Research to date on trade in services has focused on the types of impediments found in goods trade - namely market access barriers. Examining services trade through a lens commonly associated with goods trade does not do justice to the differences between goods and services. New ways of looking at services are required for effective liberalization. As of today, too little attention is being paid to investigating and developing services trade liberalization.



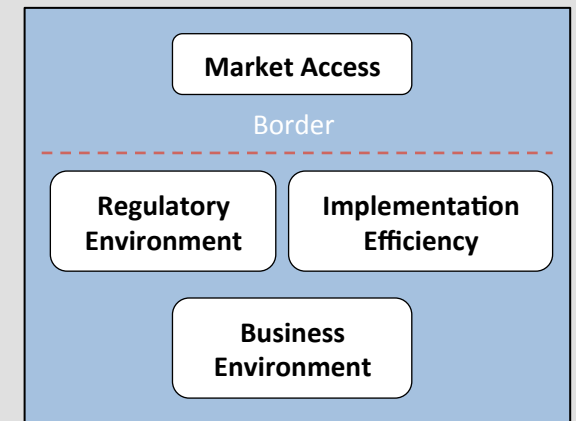
Delivery of services is inherently different from the delivery of goods.



Services are *experience* products which create information asymmetry and potential market failures. The quality of a service is often not known until the service is delivered.



Many services impediments occur behind the border.



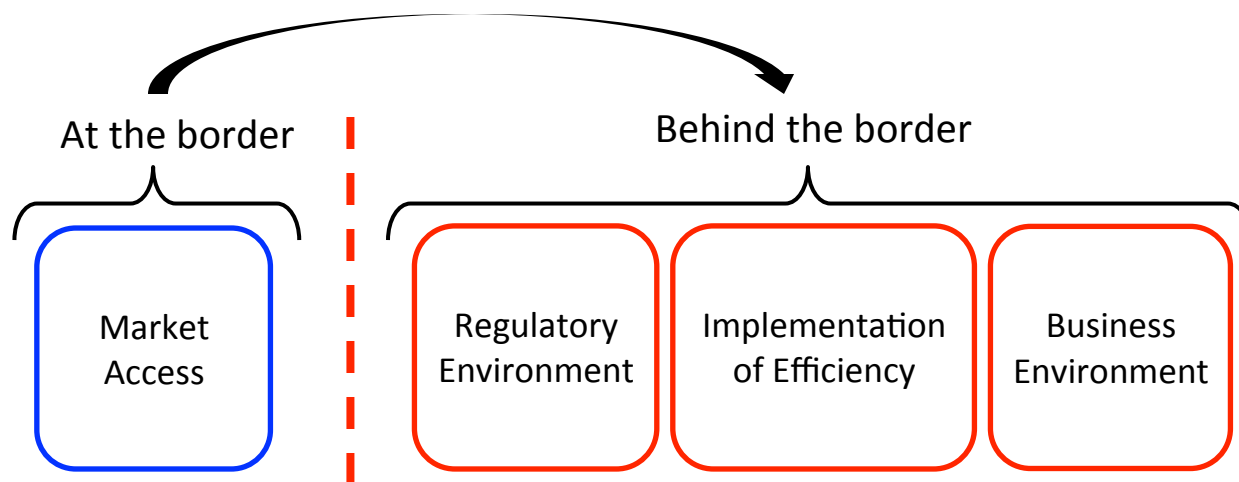
Barriers and impediments exist along the *entire services supply chain*

In upcoming sections of this report, we conduct an analysis of the entire supply chain for trade in services. In this analysis, we provide recommendations for facilitating economic development of the APEC region through a better understanding of the issues facing services trade.

Key Contributions:

- Raising the voice of business in the academic and government debate on services trade
- Analysis of the APEC Supply Chain framework as a tool to understand services trade
- Identification of all key barriers and impediments to trade in services along the entire services supply chain
- Estimation of the relative importance of barriers and impediments

Barrier Classifications



There are opportunities for development, but challenges exist

The nature of services presents opportunities for growth and coordination, but is tempered by regulatory pitfalls.

Opportunities

- ✓ Liberalization of trade in services brings increased growth, productivity, wages, and employment
- ✓ Enhanced goods supply chains and manufacturing sector productivity
- ✓ Innovation is breaking traditional service supply chains in imaginative ways not possible until recently
- ✓ Regulations in some services sectors are relatively immature, implying there is opportunity for economies to come to multilateral agreements.

Potential Challenges

- ✓ Enacting regulations that require proximity to perform a service adds unnecessary cost and can act as a market access barrier
- ✓ Adopting regulations or standards in isolation impedes economies from trading services with economies with differing standards
- ✓ Over-regulating information and communication technology (ITC) services is especially harmful as negative effects are compounded into other sectors
- ✓ Not reporting or measuring services data according to a global standard will keep the status quo in data deficiency

Key Findings

1. Trade in services has significant potential for growth. A 10% reduction in trade costs could result in \$100 billion US dollars of additional services-related GDP within APEC.
2. Trade in services within APEC remains low. In 2010 only 6 percent of total services produced within APEC were exported, compared with 63 percent of total goods. By APEC economy, Singapore (75% of services produced), Hong Kong (51%) and Malaysia (31%) are the largest services exporters, while Peru (5%), Japan (4%) and Mexico (2%) currently export the least services.
3. Scarcity of data on trade in services has major implications for policy making. Differences in definitions, measurement and the lack of detailed service trade statistics for all economies make it difficult to identify trade pattern trends. Without reliable statistics, governments cannot assess the effectiveness of their policies.
4. APEC economies differ significantly in their openness to trade in services. Singapore, Hong Kong and New Zealand were found to be the most open while Indonesia, Viet Nam and The Philippines are currently relatively less open.
5. Services are not receiving adequate attention in trade negotiations given its percentage of total GDP and employment. In relative terms, there are far fewer preferential trade regulations in services than in goods. This presents APEC with an opportunity to seek commitments from member economies to move forward in a collective and inclusive way in creating a region wide trade in services framework.
6. “Behind the border” barriers and impediments are the most significant problems for trade in services. Domestic regulations and efficiency of its implementation have larger impacts on trade in services than do market access barriers.

Key Findings, Cont.

7. Domestic service regulations, industry standards, and professional requirements act as NTBs in trade in services. Economy-specific regulations discriminate against foreign service providers by either raising transaction costs or by requiring domestic presence.
8. Differences in service regulations across economies create regulatory heterogeneity which raises transaction costs for firms seeking to export to multiple markets. Regulatory heterogeneity is a disproportionately larger problem for service firms in developing economies and SMEs.
9. Service provisions within FTAs lack sufficient scope. Our analysis of APEC FTAs found that up to 80% of service provisions focus on market access barriers while only 20% focused on “behind the border” issues such as regulatory heterogeneity between economies.
10. Problematic factors consistently identified as the top barriers to trade in services are:
 - Standards & Specifications
 - Recognition of Skills and Qualifications
 - Inconsistent Regulations
 - Regulatory Transparency
 - Inconsistent Monitoring and Enforcement
 - Coordination Among Government Agencies
 - Regulatory Instability
 - Dispute Resolution
 - Government Bureaucracy
 - Language and Culture
 - Access to Human Capital
 - Access to Skilled Talent



Research Approach

Research Approach

Identifying and Quantifying Barriers and Impediments to Trade in Services

This research project extends a stream of work initiated by ABAC aimed at developing a deeper and more comprehensive understanding of the barriers, chokepoints and impediments to trade and investment in goods and services. ABAC created an Integrated Supply Chain Conceptual Framework premised on the belief that understanding challenges in trade and investment was best done by examining the entire supply chain for goods and services, the interconnectedness of goods and service supply chains, and the institutions that support and facilitate trade. In November 2011, The University of Southern California Marshall School of Business (USC Marshall) presented a report on Evaluating the APEC Regional Supply Chains which examined and quantified barriers and chokepoints in the trade of goods in the APEC region. This research project is similar to the 2011 USC Marshall research project in that it takes a comprehensive supply chain approach but focuses specifically on identifying and quantifying barriers and impediments in trade in services within the APEC region.

As with previous USC Marshall ABAC research studies, this report's distinguishing contribution is that it reports the specific concerns of leading business executives, industry specialists, and government officials within APEC. While a major component of this research project involved a detailed examination of existing research on trade in services, and a careful analysis of data on service trade patterns within the APEC region, its real intended contribution was to bring back to ABAC a business perspective on challenges and opportunities on trade in service in APEC.

This section of the report describes the research approach adopted. It covers the projects' specific research objectives, our analysis of existing research and secondary sources, and our interview protocol and questionnaires used to collect the business voice. It also describes an index which we created to assess the relative openness of APEC economies to trade in services. We attempted to collect information on the actual additional costs services firms faced in operating in different economies. However, such data was not readily available. Most business executives could only give very broad estimates. This section concludes with a discussion of the scope and limitations of the research report.

The objective of this research was to identify and quantify barriers and impediments to trade in services

The purpose of this research project was to gather and examine meta-data, analyze current research and frameworks, and consolidate the voice of business executives of different service sectors. Furthermore, we identified the impediments and barriers encountered in trading services, developed an index to quantify the specific barriers, and provided recommendations on how to reduce these barriers and improve services trade in the APEC region.

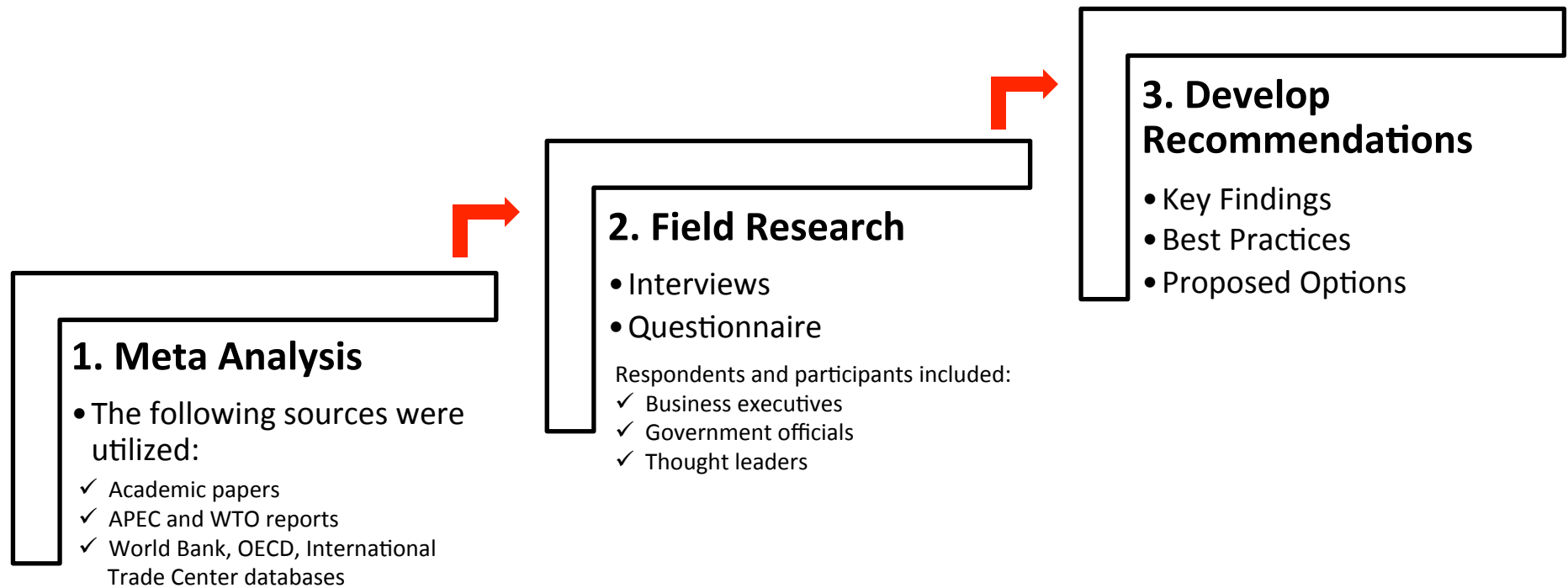
Specifically, our goals were to:

- **Examine available research reports and data on services trade across APEC economies.**
- **Determine barriers and impediments encountered in international trade in services from the perspective of business executives.**
- **Determine which barriers, if addressed, can make the most significant impact on services trade in the APEC region.**
- **Highlight best practices and recommendations discovered in discussions with business leaders and subject matter experts.**
- **Make recommendations to address key barriers for improving trade in services.**

A three phased approach was used to develop the final report

Our approach was to gather information from existing reports in addition to interviews with business executives, thought leaders, academics, and government officials with expertise in services sectors within APEC. We developed the below three phased approach:

USC Marshall ABAC Research Team Project Approach



A selection of sources used in the first phase of research

The first phase of the research examined existing work on trade in services. The research included gathering empirical data on trade in services between APEC economies and examining prior reports and articles on the subject.

Key Academic Sources



For the full list of research reports and articles examined please see Appendix I

A selection of data sources for quantitative analysis



The STRI Index was used for developing a Market Access Restrictiveness Index. Country Statistics was used to develop individual economy statistics and look at disparate economies within APEC.



The Global Competitiveness Report, Financial Development Report, and Enabling Trade Index were used to classify economies and fill voids in data from other sources.



The OECD formed the basis for gathering information on trade in services for APEC and EU economies as a percentage of their GDP.



Regional Services Trade Flows and Regional FDI and ODI Investment Flows were used to identify bilateral trade volumes in services as well as identify trade patterns.

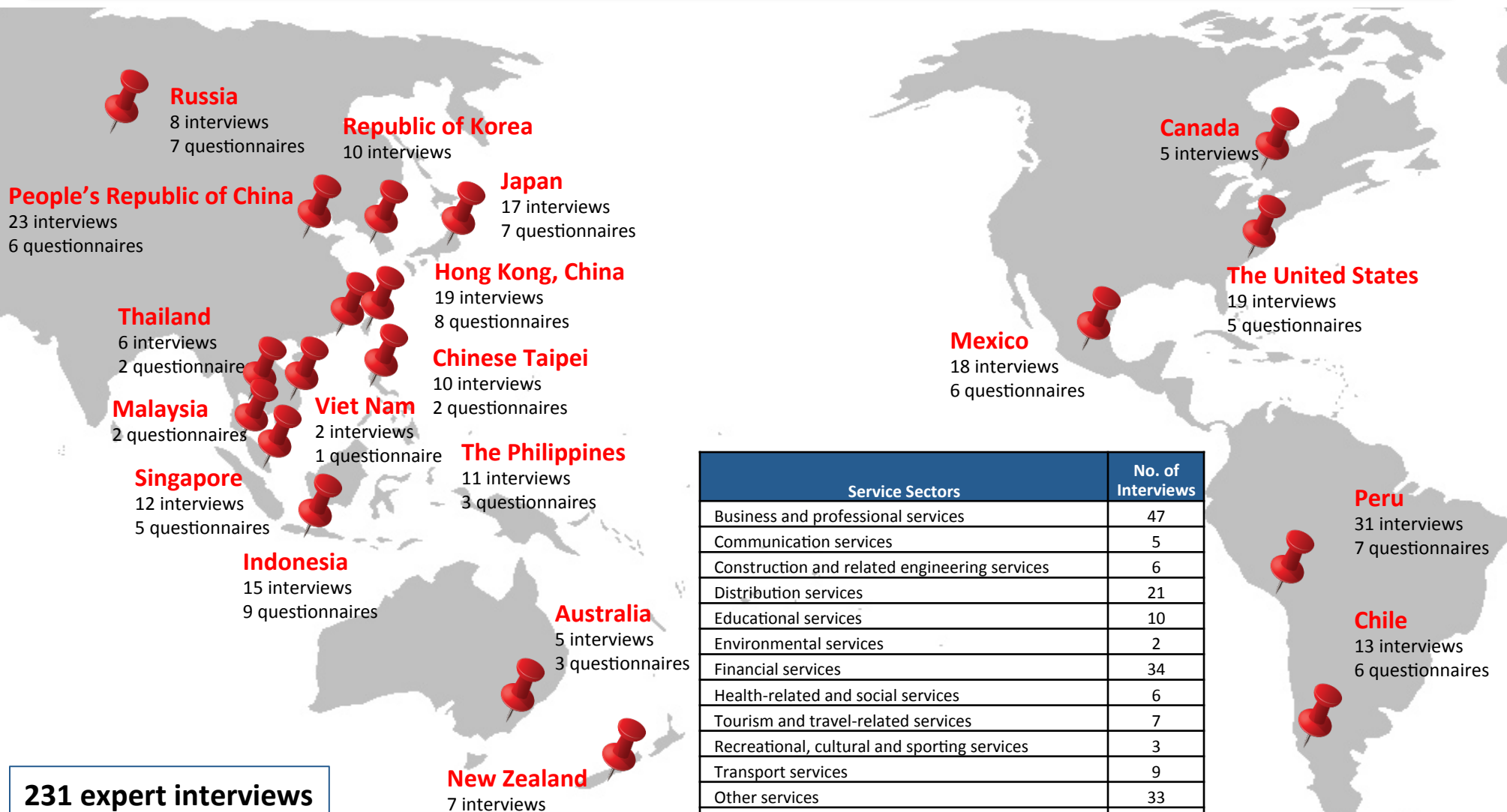


The General Agreement on Trade in Services (GATS) was used to gather service trade information.



Research issued by APEC Policy Support Unit (PSU) were used for generic data on economies, such as GDP and growth rates of services trade.

Capturing the Voice of Business in 19 APEC Economies



Service Sectors	No. of Interviews
Business and professional services	47
Communication services	5
Construction and related engineering services	6
Distribution services	21
Educational services	10
Environmental services	2
Financial services	34
Health-related and social services	6
Tourism and travel-related services	7
Recreational, cultural and sporting services	3
Transport services	9
Other services	33
Government	8
Industry experts and associations	23
User of services (mining, manufacturing and others)	17
TOTAL	231

231 expert interviews

79 questionnaire respondents

A questionnaire was used to quantify barriers and impediments to trade in services

79 respondents covering 16 APEC economies completed questionnaires: The inputs of field research and interviews were compiled and a questionnaire was developed. The objective of the questionnaire was to confirm the findings and rank the key barriers and impediments identified in the field research.

Key Sections of the Questionnaire

Quantifying the impact of major barriers and impediments across four categories:

- Market Access
- Regulatory Environment
- Efficiency of Implementation
- Business Environment

Estimating the time and cost impact of barriers in services trade.

Identifying the most open and most restrictive economies with regard to international trade in services.

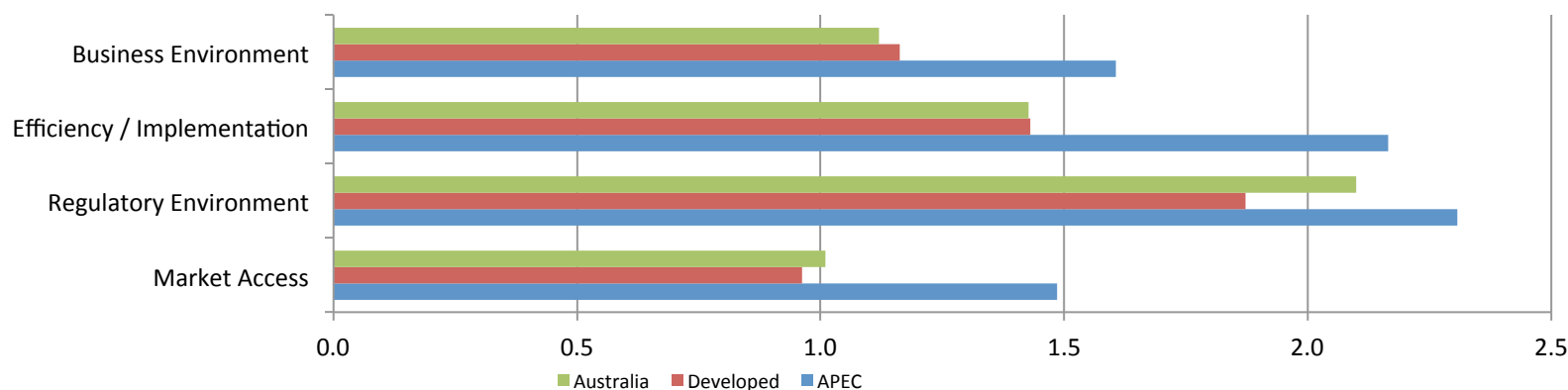
Recommendations for APEC

Service Sector	Questionnaire responses
Business and professional services	20
Communication services	0
Construction and related engineering services	7
Distribution services	9
Educational services	0
Environmental services	0
Financial services	24
Health-related and social services	0
Tourism and travel-related services	0
Recreational, cultural and sporting services	0
Transport services	9
Other services	10

79 questionnaire respondents

Quantifying barriers to trade in services

Development of service trade indices: Following the approach adopted by the WEF Enabling Trade Report, a set of Trade Services Indices were created. The chart below is an example of the indices for Australia.



The Market Access Index for APEC economies draws from the **World Bank Services Trade Restrictions Database**. For those economies where World Bank data was not available, interview findings and questionnaire data was used to estimate the Market Access Index. The Regulatory Environment, Efficiency of Implementation, and Business Environment Indices were created by combining data from interview findings, questionnaire responses, data from:

- **Global Competitiveness Report**
- **WEF Enabling Trade Report**
- **World Bank Doing Business Report**

Examples of indices used include: *GCR 2011-2012 Strength of Investor Protection*, *GETR 2010 Restriction on International Capital Flow*, *GETR 2012 Ease of Hiring Foreign Labor*, *GCR 2011-2012 Number of Days to Start a Business*, and *GETR 2012 Government Efficiency*. The individual factors in each index were weighed based on the interview and questionnaire findings. Each index was then scaled from 0 to 5 with 0 being the most open and 5 being the most restrictive for services trade.

One of our objectives was to collect cost and time loss estimates for all major barriers to services trade. However, few business executives were able to give these estimates. More information on these indices can be found in the Appendix.

Scope and limitations of our research

Scope

- Our scope was limited to APEC economies and specifically to trade in services within the APEC region.
- We adopted a clear quantitative approach to developing our results.
- Our research was primarily focused on capturing the voice of the business in APEC.
- We focused on the following service sectors: financial, professional, retail and distribution, and transportation.
- Our analysis concentrated on barriers and impediments to trade in services within the APEC region.
- Our study refrained from a detailed analysis of embedded and embodied services due to data insufficiencies and lack of existing research.

Limitations on Data Availability

- The public disclosure of bilateral services trade flows data is limited.
- Specific trade flow patterns could not be fully identified between all APEC economies.
- Data regarding Brunei Darussalam and Papua New Guinea was limited in research utilized. Conclusions for these economies are based on generalizations from larger groups of economies.

Scope and limitations of our research

Limitations from Generalizations of APEC Economies

- Barriers and regulations for trade in services vary widely by economy and by service sector.
- Volume of trade depends on market demand; economic feasibility for different services is not similar across economies.
- Corporate strategies and directions differ.

Limitations of Interviews and Questionnaire

- Given limited time and resources, we were only able to interview and a questionnaire sampling of representatives from the services sector of APEC economies.

Limitation of trade barrier indices

- Estimations of indices for Market Access, Regulatory Environment, Efficiency of Implementation and Business Environment were created using data from World Bank STRI index, World Economic Forum Global Competitiveness Report, World Economic Forum Global Enabling Trade Report, USC Marshall Research Team interviews, and USC Marshall Research Team questionnaire responses.



Research Findings and Results

Research Findings & Results

Identifying and Quantifying Barriers and Impediments to Trade in Services

This section of the report presents our research findings and results.

- The first section presents our analysis of services trade patterns in the APEC region. The conclusions drawn from our services trade patterns analysis are clear. While services sectors dominate the economic landscape in most APEC economies, trade in services volumes are much lower than trade in goods volumes. The disappointing conclusion also drawn from this section is that there is little data available on trade in services, and hence, it is difficult to build a complete picture of services trade flows.
- The second section presents a detailed analysis of the major barriers and impediments to trade in services within the APEC region. This section applies our ***Impediments to Trade in Services Index*** to compare and contrast APEC economies. Economies are examined with a conceptual analytical framework which separate the barriers and impediments into four categories:
 - i. market access barriers,
 - ii. regulatory environment barriers,
 - iii. the efficiency of government and other responsible agencies in implementing regulations, and
 - iv. the quality of the domestic business environment supporting trade in services.

However, this section begins with a discussion of the four category conceptual framework designed to identify and quantify major barriers and impediments to trade in services. It attempts to make the case for taking a more comprehensive approach towards impediments to services trade. ABAC's supply chain framework is important to understand the complementarities between goods supply chains and services supply chains, particularly with respect to embodied and embedded services. Our interviews confirmed ABAC's position that a holistic and comprehensive framework of supply chains, and their supporting institutions, is essential to fully understand where and how barriers, chokepoints, and impediments can develop and limit trade.

Our logic for creating the four category conceptual analytical framework was based on a number of important observations about services, services markets, and services supply chains.

- *First*, services are not like goods. It is inappropriate and misleading to assume trade in services is similar to trade in goods. They differ in very important ways which has real implications for how research on trade in services should be conducted.
- *Second*, the focus of most existing research is misdirected. While there is an emerging body of research on the determinants of trade in services, studies have primarily focused on barriers "at the border." There is an implicit assumption in this research that services are like goods and that market access restrictiveness is the chief barrier to increased levels of services trade. To be fair, much of this research has been commissioned by policy makers involved in trade negotiations. Our analysis of APEC FTAs concluded that as much as 80 percent of FTA provisions were designed to eliminate market access restrictions and only 20 percent were directed at "behind the border" issues.

Identifying and Quantifying Barriers and Impediments to Trade in Services, Cont.

- *Third*, services are much more difficult to trade than goods and therefore demand a careful understanding to create policies that will enable trade in services. Because of the nature of service delivery and consumption, in many situations determining the quality and value of a potential service is not possible until it is “consumed.” Severe information asymmetry problems can develop in services markets, and market forces are often not capable of ensuring fair and efficient outcomes. Hence, services markets present greater opportunities for unscrupulous and opportunistic behavior than goods markets. Consequently, services markets need the guidance of the “visible hand” in the form of standards and regulations. However, here lies the critical challenge for trade in services. Though intended to ensure fair and efficient domestic markets, domestic regulations, standards, and requirements effectively become non-tariff barriers (NTBs). Additionally, when domestic regulations and requirements are different from those established in other economies to address similar issues, the heterogeneity created introduces additional costs for services firms. Together the NTB and heterogeneity problems found in services markets can be severe enough to discourage trade.
- *Fourth*, when services markets must be “guided” by regulations, standards, and requirements, there is a need for monitoring of compliance. This creates a need for governance agencies. The capability of those agencies to quickly and efficiently do their jobs directly impacts services markets. This makes the inefficiency of government implementation a critical impediment to trade in services.

This section of the report concludes with an in depth examination of the most problematic factors in trade in services. While interviews with executives produced very extensive lists of barriers and chokepoints in different industries and in different economies, for brevity, we focus on the top problematic factors. These factors tend to have underlying drivers: problems with heterogeneity across economies with regulations, industry standards, and specific industry requirements; problems with the efficiency, capability, and transparency of government agencies and other oversight agencies; and challenges in accessing and moving human capital. Several other problems including dispute resolution, and language and cultural barriers are also important. The key conclusion to be gained from our list of the most problematic factors in trade in services is that they are all “behind the border” challenges. Market access problems, while significant, are much less important to service businesses.



Research Findings

1 | **Conceptual Analytical Framework**

Conceptual Analytical Framework

Conceptual Analytical Framework: Identifying Barriers and Impediments to Trade in Services

Very early into this research project it became clear that the issues raised by business executives and the issues trade negotiators focus on are different. Most of the existing research effort has focused on linking market access barriers to patterns of low levels of trade in services. Business executives quickly dismissed market access barriers and moved the discussion to “behind the border” barriers and impediments.

Because of this finding we brought together the insights provided in the ABAC Integrated Supply Chain Framework with our interview data. A careful sorting and clustering of our interview findings led us to separate the barriers and impediments into four broad categories:

- i. market access restrictiveness,
- ii. regulatory environment barriers,
- iii. the efficiency of government and other responsible agencies in implementing regulations, and
- iv. the quality the domestic business environment to support trade in services.

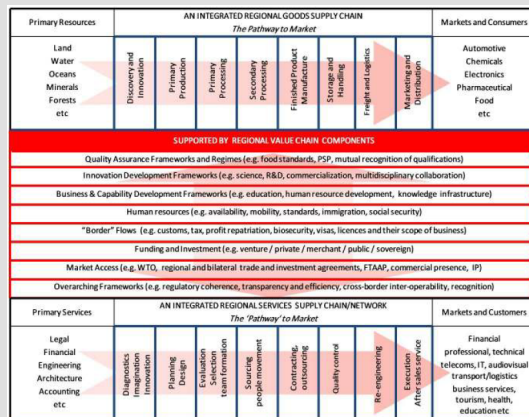
This analytical framework directed our analysis of interview findings, our questionnaire, and our examination of existing research.

While our research project focuses on identifying and quantifying barriers and impediments to trade in services, this section makes the point that there are other very important reasons why we see such low current levels of services trade. It begins by describing how services are inherently difficult to trade, and how trade in services takes many forms. It then describes why services markets are problematic and require higher levels of regulation and oversight. Both reasons are important in understanding and explaining current low levels of services trade. The final part of this section describes in detail the main factors in each of the four broad categories of barriers and impediments.

ABAC initiatives for trade in services: addressing the problem from a business perspective

In pursuit of enhanced trade and cross border investment within APEC, ABAC has launched two new initiatives. First, motivated by a belief that policy makers would be better informed if a more comprehensive understanding of goods and services supply chains was adopted, it introduced the “ABAC Integrated Supply Chain Framework.” Second, ABAC commissioned a study of services and service trade in APEC: “Understanding Services at the heart of a competitive economy.”

A more comprehensive view of goods and services supply chains can enhance policy initiatives...



APEC Business Advisory Council. ABAC Hong Kong China and Philippines. *Understanding Services at the heart of a competitive economy*. October 2011. 34. Print.

The ABAC Integrated Supply Chain Framework identifies the nature of the components of value chains for both goods and services. It also highlights the complementarity between goods and services in supply chains for merchandise trade, stressing the importance of embodied and embedded services.

ABAC commissioned a study on services in APEC to stress the need for an inclusive and comprehensive analysis on service trade...

Understanding Services at the heart of a competitive economy

An ABAC Initiative

Champions: ABAC Hong Kong China and ABAC Philippines
October 2011

- Trade in services is low
- Services exports are poorly understood and largely ignored
- There is no reliable source to gather service related data
- Services should not be thought of as goods when developing trade policy

The overwhelming conclusion of these initiatives is that trade in services is not reaching its potential.

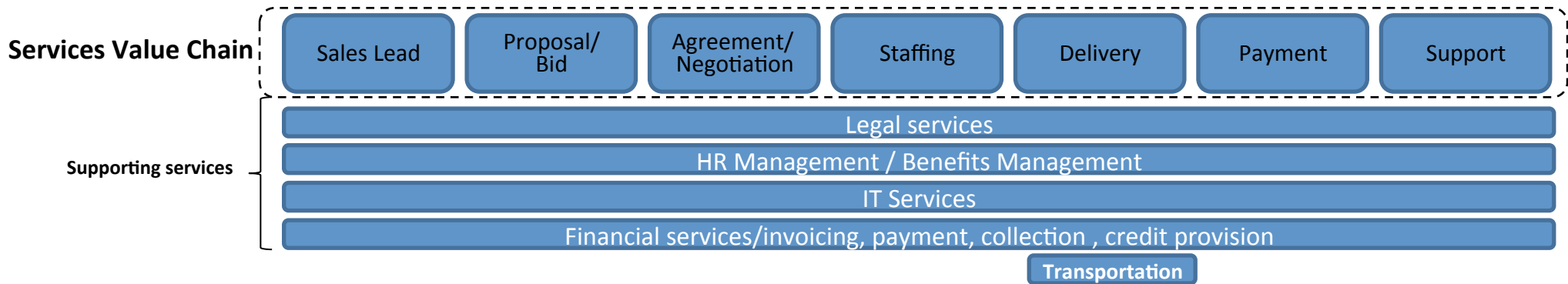
Trade in services is substantially different from trade in goods

Comparing goods and services: There are fundamental differences between goods and services, and thinking that both of these behave the same way when they are traded is a common practice. Policy initiatives must take these differences into consideration.

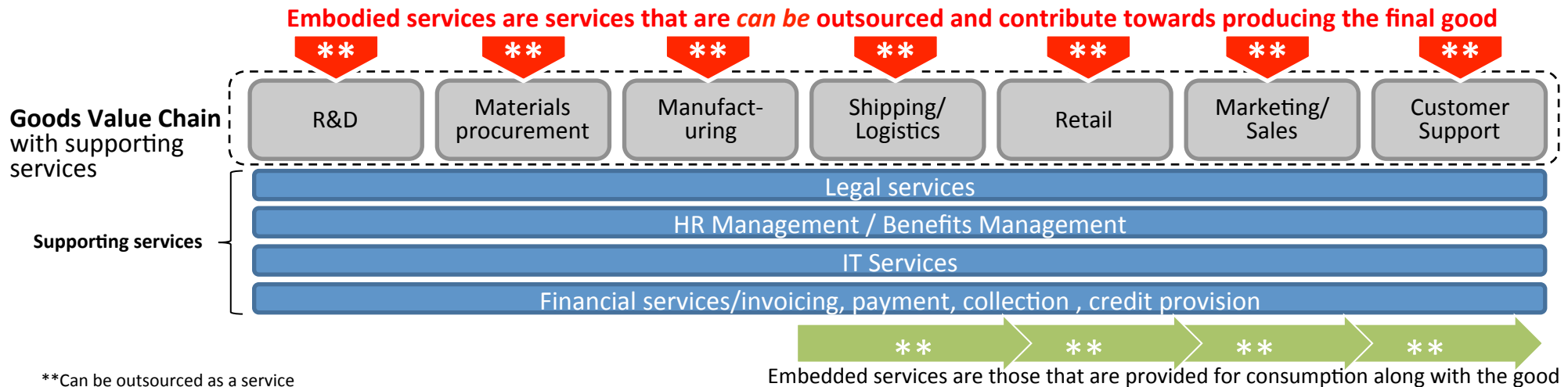
	Characteristics	Supply Chain	Markets	Trade Barriers
GOODS	<ul style="list-style-type: none"> ▪ Tangible ▪ Proximity agnostic ▪ Inventoriable 	<ul style="list-style-type: none"> ▪ Need physical transport (air, land, sea) for delivery 	<ul style="list-style-type: none"> ▪ Mature well developed market ▪ Commodity markets ▪ Arms-length contracting ▪ Market failure where specialized investments are required 	<ul style="list-style-type: none"> ▪ Tariffs ▪ Non-tariff barriers
SERVICES	<ul style="list-style-type: none"> ▪ Primarily intangible ▪ Can't be inventoried ▪ Consumed during production ▪ Language and cultural context ▪ Reputation and trust play a large role in choosing service providers 	<ul style="list-style-type: none"> ▪ 4 Modes of service trade (see Appendix) ▪ Synchronous vs. asynchronous delivery ▪ May require physical proximity or may be delivered remotely via technology 	<ul style="list-style-type: none"> ▪ The “experience product” nature is a large element of a service transaction ▪ Immature markets ▪ Markets fail due to information asymmetry ▪ Governance and monitoring are essential to ensure market efficiency 	<ul style="list-style-type: none"> ▪ More restrictive market access barriers (vs. goods) ▪ Domestic regulations may become non-tariff barriers for foreign service providers

Services can also support goods supply chains

Different types of services value chains: The diagram below depicts two types of generic service value chains. Companies can deliver services to customers (e.g. financial services, management consulting, tourism) or to producers.



This second value chain is illustrative of service providers that facilitate the production of goods. These services can be at distinct parts of the value chain or may support the entire value chain.

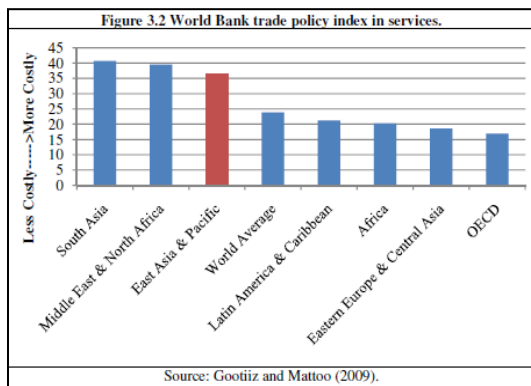


- Despite the importance of embodied and embedded services, the scope and complexity of such analysis is outside of the extent of this report
- Services may also be underreported versus goods due to the attribution of embodied and embedded services as an intermediate input

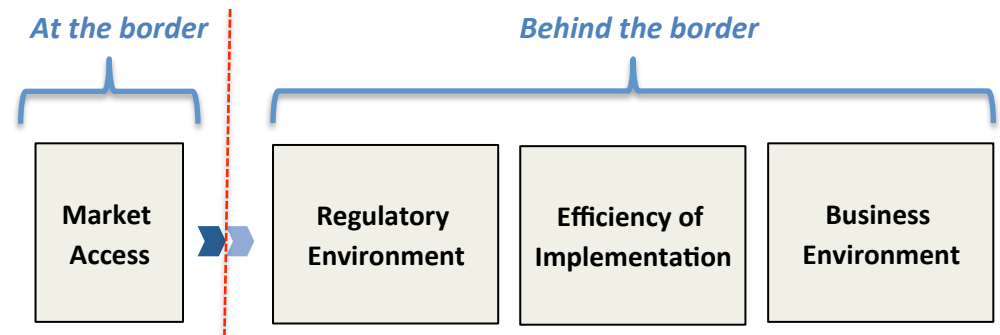
ABAC initiatives for trade in services: a more comprehensive approach

Research on trade in services is accumulating. Efforts by the World Bank, OECD, APEC PSU, and academic institutions have focused mainly on measuring the impact of Market Access barriers on service trade. In part, this research has focused on restrictiveness in response to requests from trade negotiators. In contrast, ABAC has taken a more comprehensive view of the problem by extending analysis from barriers “at the border” to include challenges businesses face “behind the border.”

Past research has concentrated on restrictive “at the border” barriers.



ABAC research extends analysis to “behind the border” barriers.



The focus on Market Access barriers implies that trade in services is the same as trade in goods. Governments need to focus more on the other aspects of trade facilitation in addition to market access liberalization.

While past research has been very helpful in identifying restrictive barriers, it has taken a limited perspective on the challenges of services trade. ABAC research extends the focus beyond the cost of barriers to a full analysis of the business costs of trade in services.

Why do we see so little trade in services?

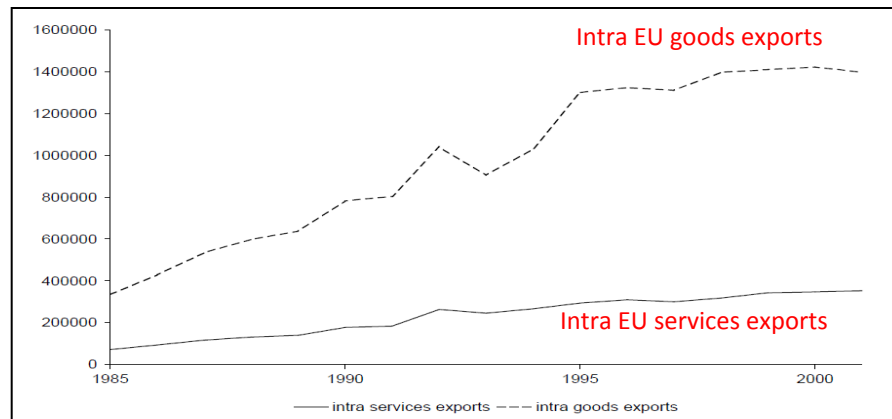
While speaking with executives throughout the APEC region, we discovered that the biggest problems are the “behind the border” impediments. We also acknowledged, however, that resolving these impediments alone will not pacify all the problems of trade in services. Additionally, there are market failure challenges and tradability issues. We created the framework described on the proceeding pages to address these matters and draw attention to the opportunities for ABAC to substantially improve services trade.

EU: An Illustrative Case Study

The EU Offers a natural experiment for analysis

- Market integration removed market access barriers
- Commitments to free mobility of workers have created open talent markets
- Cross-border acceptance of industry standards has been encouraged

However, EU trade in services did not experience a profound growth as did trade in goods.



Kox, Henk, Arjan Lejour and Raymond Montizaan. "CPB Memorandum: Intra-EU trade and investment in service sectors, and regulation patterns." CPB Netherlands Bureau for Economic Policy Analysis, 19 November 2004. 6. Print.

Potential Explanations for Low Levels of Trade in Services

Services are inherently difficult to trade

Market failure challenges

At the border and behind the border barriers

Services are inherently more difficult to trade

The characteristics of services make them more difficult to trade than goods. In fact, GATS recognizes four modes (see Appendix for mode definitions) of service delivery, each with unique requirements.

Why do some firms not trade internationally?

Language and cultural barriers

Trade in services typically involves substantial personal interaction, which limits opportunities to trade with markets containing different language and/or cultural contexts. The relationship nature of many services discourage firms from seeking trade partners with whom they cannot have a close connection.

Movement of people is difficult

Service delivery or consumption often requires movement of people for physical proximity. National barriers to worker mobility remain problematic for service providers.

Domestic market size is relatively large

Few service firms face the *need* to cross borders in order to be profitable. This is especially true for economies with a large domestic market.

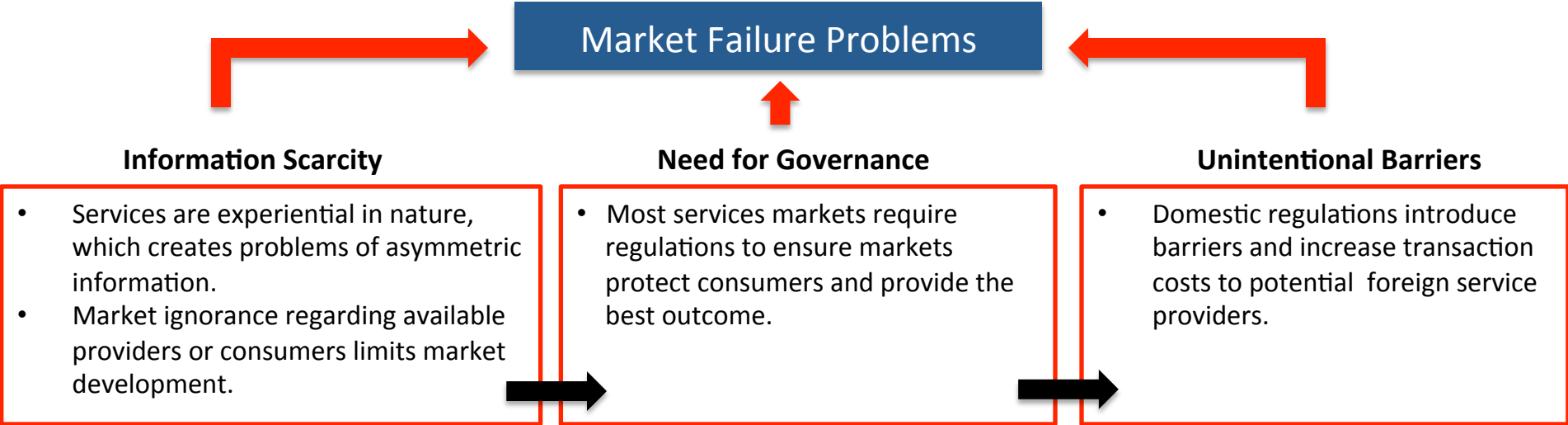
		Service Consumer	
		Immobile	Mobile
Service Provider	Immobile	<ul style="list-style-type: none"> Services must be synchronous Provider and consumer must be in the same place 	Mode 2 Certain mode 4 transactions
	Mobile	Mode 3 Mode 4	Mode 1 <ul style="list-style-type: none"> The goal is to move services trade to this box. A service transaction that can occur at any time and any geography will be more likely to occur.

Despite the difficulties in trading services, domestic service markets are growing. If services can be traded within economies there must be a potential to trade them across borders.

Markets for services are intrinsically problematic and can cause failures

Another reason service trade levels remain low is that the problematic nature of service markets can discourage trading across large distances, particularly across borders. The experiential nature of services means they may encounter severe market failure problems. Regulation and contestability are critical to ensure well functioning markets. Unfortunately, well-intentioned domestic regulations can become non-tariff barriers. Additionally, since most services require human interaction, challenges of worker mobility discourage firms from engaging in cross-border trade. Our research also found that services market connectedness among economies is relatively low. Market ignorance problems exist, specifically regarding information about the availability of services providers and users. This limits the development of cross-border markets.

Robust markets will develop where good governance (e.g. global standards), appropriate regulations, efficient dispute resolution mechanisms, contestability of the market, trust and reputation exist. Examples include financial services, air travel, and transportation services.



Appropriate regulations, standards, and legal recourse can create robust services markets. When such markets exist, cross-border services trade can and should be possible. It is important to note, however, that domestic regulations and standards can become discriminatory NTBs.

Challenging “at the border” and “behind the border” barriers and impediments

The diagram below presents the conceptual analytical framework which provided direction to analysis of our interview and questionnaire data. The framework emerged during our research and data analysis. A careful analysis and sorting of the main challenges and impediments to trade in services raised by business executives lead us to group the most problematic factors into four main categories. Executives report two types of barriers: market access barriers, and barriers encountered when meeting the regulations, requirements, and industry standards imposed by different economies. Though intended for domestic service providers these within-economy regulations and requirements are essentially non-tariff barriers to foreign firms. The efficiency of agencies with responsibility for ensuring compliance with those regulations was repeatedly raised as a major source of transaction costs. Executives noted that in many cases local regulations and requirements were not onerous, but actually obtaining approval (i.e. the screening, licensing, and visa approval processes) could be so time consuming and costly that it discouraged entry. Other general business environment issues were raised such as the overall competitiveness of local markets and physical safety for foreign employees. Finally, executives reported that language and cultural differences typically constrained their cross-border activities to closely similar economies.

Market Access Barriers

Types of local regulations that limit, hinder, or stop foreign service firms from starting or expanding operations in the domestic economy.

Limits on Foreign Personnel

- Number of employees, etc.

Limits on Mode of Entry of Firm

- Joint Ventures
- Physical Presence

Limits on Foreign Ownership

- Ex. Maximum percentage limits

Quotas on Foreign Service Providers

- Ex. Limitations on number of foreign service providers allowed.

Quality of Regulatory Environment

Broadly, the extent to which an economy’s regulatory environment is conducive and supportive of both domestic and foreign service firms.

Examples: -Inconsistent Regulations -Poor Regulations -National Favoritism

Efficiency of Implementation of Regulation

The impact of efficiency (cost and time) and consistency of government agencies with governance responsibility on both domestic and foreign service firms.

Examples: -Gov. Bureaucracy -Inconsistent Monitoring -Transparency

Business Environment

The quality and availability of resources, including human capital, information and communication technology (ICT), physical infrastructure, and other supporting institutions on which service firms depend.

Examples: -Access to Human Capital -Skilled Talent -Quality of ICT

Market Access Barriers

In the table below, we list the market access barriers that we included in our questionnaire. These “at the border” restrictions affect foreign companies far more drastically than domestic companies.

Type of Restriction	Description
Limits on Foreign Personnel	Restrictions on the number of foreign persons and/or compensation to foreign labor (including employees, management, and Board of Directors).
Limits on Mode of Entry	Restrictions or requirements regarding type of legal entity (for example, joint ventures or physical presence).
Limits on Foreign Ownership	Limits on foreign ownership and investment (for example, maximum percentage limits).
Quotas on Foreign Service Providers	Limits on the number of foreign services providers (including numerical quotas) permitted within service sector.
Limits on Scope of Operation	Limits on the type of services foreign firms may provide and/or on the number of operations (for example, services a foreign logistics firms may offer, or number of branches a bank may have).
Size Limits	Limits on the market share and/or assets that may be controlled by foreign services providers relative to domestic service providers (value quota).

Regulatory Environment

The table below refers to “behind the border” impediments to trade. These provisions according to our interviewees determine the extent to which an economy’s regulatory environment is conducive and supportive of services firms.

Type of Restriction	Description
Inconsistent Regulations	Inconsistencies and differences (lack of alignment) in regulations made and applied at the national, provincial/ state, and local levels.
Poor Regulations	Regulations are inappropriate, old, or unnecessarily restrictive for the current services sectors environment.
National Favoritism	Separate from regulations targeting foreign firms, regulations and policies are based in favor of domestic firms.
Investment Protection	Lack of institutional protection for services firms.
IP Protection	Lack of relevant legislation defining and/or protecting intellectual property.
Repatriation of Profits	Limits and/or prohibitive tax rates on repatriation of profits.
Visa, Work, and Travel Restrictions	Quotas and/or other limitations on obtaining work authorization for workers or visas for foreign travel.
Recognition of Skills and Qualifications	Lack of mutual recognition for academic and professional qualifications, credentials and certifications.
Standards and Specifications	Domestic standards and specifications differ from, and/or are not harmonized with, internationally agreed upon standards (for example, Accounting Reporting standards).
Double Taxation	Levying of tax by two or more jurisdictions on the same declared income, asset or financial transaction.
Excessive Tax Burden	Tax environment is highly restrictive and reduces incentive for conducting services trade.
Domestic Only Focused Regulations	Regulations on services sectors are made by separate government ministries and are focused on domestic concerns; without regard for their impact on trade in services (for example, domestic labor, health, education regulations).

Efficiency of Implementation

This table refers to the actual implementation of the regulations that exist in an economy. Separate from the quality and relevance of existing laws, these factors refer to the enforcement of those laws.

Type of Impediment	Description
Government Bureaucracy	Burden (amount and complexity) of governmental administrative requirements to enter and operate in service sectors.
Inconsistent Monitoring and Enforcement	Inconsistency within and across government agencies in the application of policies in service sectors.
Regulatory Transparency	Complexity of regulations; lack of availability of information about regulations to public.
Corruption	Explicit or implicit requests for undocumented extra payments and/or bribes.
Inefficiency of Visa Application Process	Unnecessarily slow and complex procedures for obtaining visas.
Dispute Resolution	Inefficiencies of legal system and lack of judicial independence.
Regulatory Instability	Unexpected, quick, or poorly communicated changes in regulations.
Coordination Among Government Agencies	Absence of a single government agency responsible for services, and the lack of coordination among governmental agencies places costly conflicting demands on service firms.

Business Environment

The factors below refer to the environment in which businesses operate in each economy. These factors were identified by the interviewees as essential in either deciding whether to invest in an economy or increasing the costs of business.

Type of Impediment	Description
Access to Human Capital (General)	Lack of availability, lack of quality, and high cost of personnel at all skill levels.
Access to Skilled Talent	Lack of availability and quality of specialists, senior management, and board-level personnel.
Information and Communication Technology (ICT)	Lack of availability and quality of information and communication technology, including telecommunications, internet penetration, and e-commerce readiness.
Transportation Infrastructure	Lack of quality and availability of competitive transportation infrastructure.
Domestic Market Competitiveness	Monopolization or lack of competitiveness on the services market due to government policies or other reasons.
Access to Financing	Lack of availability and high cost of financing for service firms.
Educational Institutions	Lack of availability and quality of education and training institutions.
Language Differences	Difference in language impedes/increases cost of offering services in foreign markets (for example, access to multilingual personnel).
Cultural Differences	Difference in business culture impedes/increases cost of offering services in foreign markets.
Information on Service Providers	Lack of information on services firms (providers and users) in foreign markets.
Services Industry Associations	Absence of or ineffective national service sector business associations.
Independent Validation Agencies	Absence or lack of independent agencies that verify and validate service firm claims (auditors, ranking agencies, ISO certifications, etc.).
Macroeconomic Environment	Instability and poor conditions of general economic environment.
Business Cost of Crime and Violence	Concerns for personal safety and property protection.



Research Findings 2 | Services Trade Patterns in the APEC Region

Services Trade Patterns in the APEC Region

A major objective of this research project was to undertake a meta-analysis of all existing data on services and trade in services in the APEC region. Specifically, the purpose of this analysis was to map patterns and identify anomalies in the data. It was hoped that this analysis would help uncover barriers or impediments inhibiting trade in services, and also guide new trade policies and initiatives. Unfortunately, problems with data availability and data comparability were encountered. If real progress is to be made in the area of trade in services this data scarcity problem must be solved. The absence of reliable economy-level data has real consequences for policy making. Without reliable data governments cannot assess the impact of existing and new policy initiatives.

This section offers an analysis of patterns in APEC service sectors, analyses of sector export and imports growth areas, patterns of services foreign direct investment (FDI) for four economies, and bilateral trade among a select number of APEC economies.

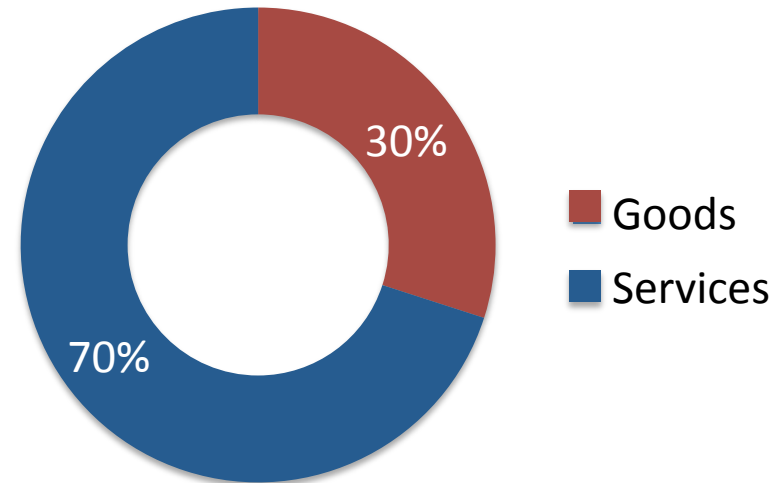
It is very important to note when drawing conclusions about the level of services activity within an economy, and services trade among economies that several types of service activity are not typically included in services statistics. For example, embodied services are typically reported as goods trade. Additionally, services FDI (mode three services) would not be reported as trade in services.

Services constitute the majority of world GDP

World GDP: The following graph shows the composition of total world GDP. All data is taken from the year 2010. “Goods” represent total GDP of manufacturing, agriculture, and other economic activities that do not fall under services. “Services” represent the part of GDP coming from services industries.

Composition of World GDP

Year	2010
World GDP	\$74.4 trillion
Goods	\$22.3 trillion
Services	\$52.1 trillion



Gresser, Edward. "Services Trade Liberalization as a Foundation of Global Recovery." *The Coalition of Service Industries*. 24 February 2012: 8. Web. <<http://uscsci.org/>>.

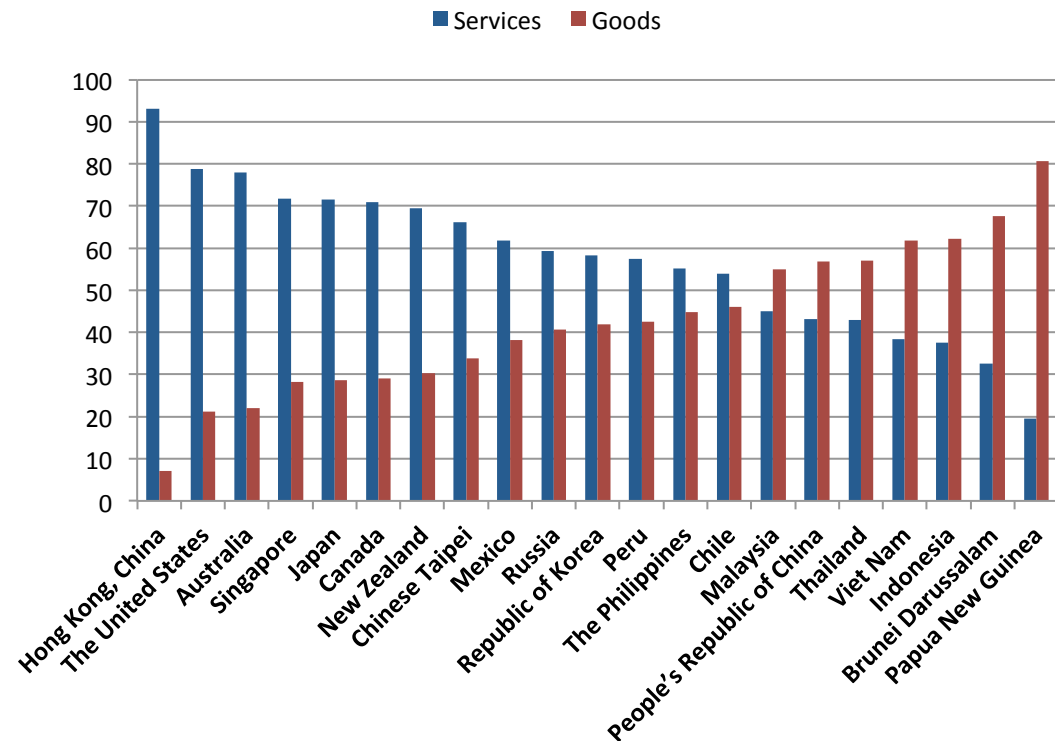
The world GDP consists of 30% goods and 70% services. Trade in services make up a much larger part of the world economy than does trade in goods. There is a need to understand what fraction of this statistic is traded internationally.

Services constitute the majority of APEC GDP

APEC Economic Structure: The table and chart below presents the economic structure of APEC member economies for goods and services as a percent of GDP in 2010.

Economy	Value Added as % GDP	
	Services	Goods
Australia	77.9	22.1
Brunei Darussalam	32.5	67.6
Canada	70.9	29.1
Chile	53.9	46.1
People's Republic of China	43.1	56.9
Hong Kong, China	93	7.2
Indonesia	37.6	62.3
Japan	71.5	28.6
Republic of Korea	58.2	41.9
Malaysia	45	55
Mexico	61.8	38.2
New Zealand ¹	69.5	30.4
Papua New Guinea	19.5	80.6
Peru	57.5	42.6
The Philippines	55.1	44.9
Russia	59.3	40.7
Singapore	71.7	28.3
Chinese Taipei	66.2	33.8
Thailand	43	57.1
The United States	78.8	21.2
Viet Nam	38.3	61.7

Economic Structures of APEC Economies



APEC Policy Support Unit. StatsAPEC. Asia-Pacific Economic Cooperation, n.d. Web.18 June 2012. <<http://statistics.apec.org/>>.

Services constitute 67 percent of APEC GDP. Services are the majority of GDP for all but 7 economies.

Services exports as a percentage of GDP are significantly less when compared to goods exports as a percentage of GDP

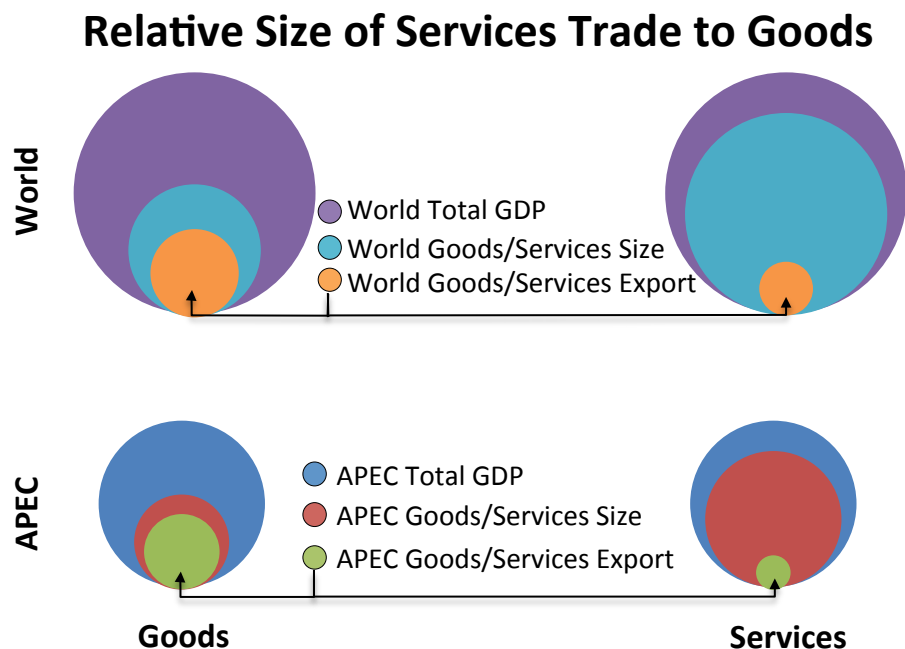
World and APEC data: The following table shows world and APEC data respectively for trade in 2010. The export ratio is calculated as the percentage of goods/services being exported. The relative bubble sizes show the difference in value added as a percent of GDP from exports in goods and services for the world and APEC respectively.

Sector	GDP2010 (Trillion)	Exports 2010 (Trillion)	Export Ratio
World GDP	\$74.4	\$18.1	24%
Goods	\$22.3	\$14.4	64%
Services	\$52.1	\$3.7	7%

Gresser, Edward. "Services Trade Liberalization as a Foundation of Global Recovery." *The Coalition of Service Industries*. 24 February 2012: 8. Web. <<http://uscisi.org/>>.

	GDP2010	Export 2010	Export Ratio
APEC GDP	\$35.2	\$8.7	25%
Goods	\$11.5	\$7.2	63%
Services	\$23.7	\$1.5	6%

APEC Policy Support Unit. *StatsAPEC*. Asia-Pacific Economic Cooperation, n.d. Web. 18 June 2012. <<http://statistics.apec.org/>>.



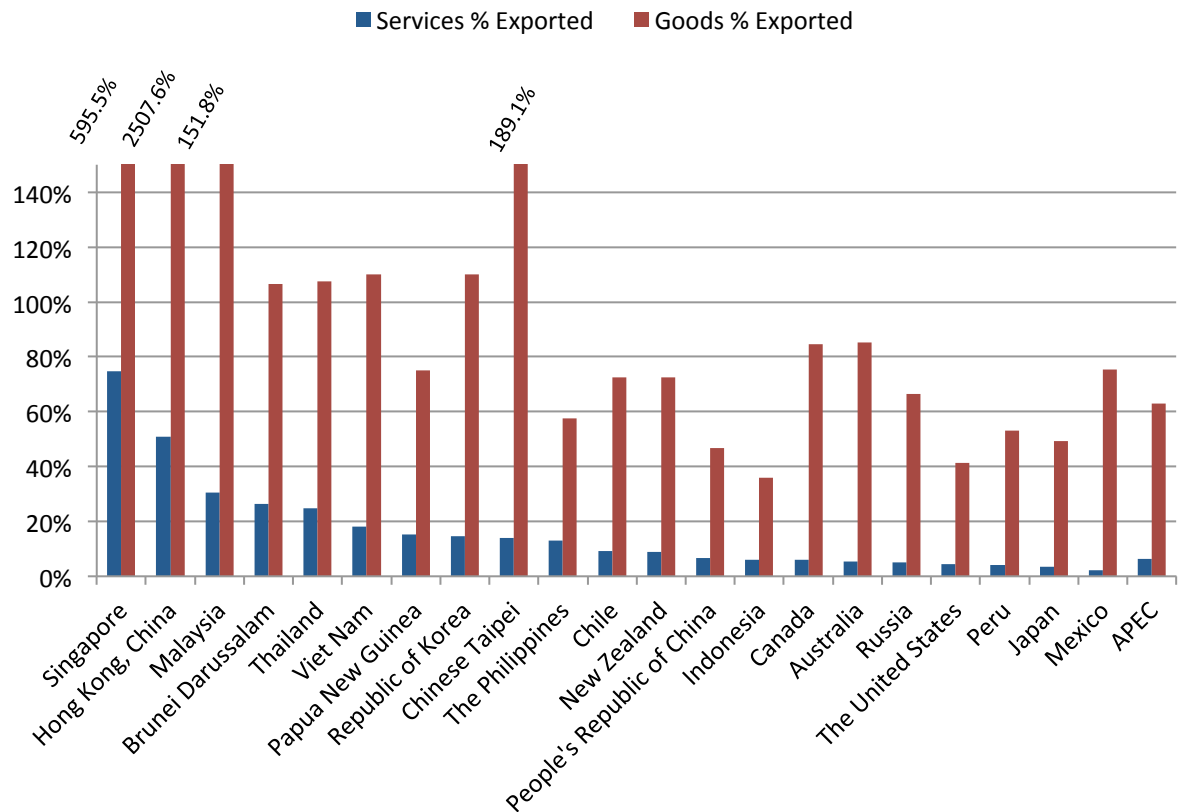
Of the total goods/services sector, 63 percent of goods are exported in APEC, while only 6 percent of services are exported. Why are services not exported more often when they constitute a bigger part of the GDP?

The percentage of services exported is significantly less than the percentage of goods exported for all APEC economies

Comparison of Goods and Services Exports by Economy: The following table shows the percent of services exported and the percent of goods exported in 2010. The percent of services exported is the fraction of services exports over total services produced by the economy. The percent of goods exported is calculated as the fraction of goods exports over total goods produced by the economy.

Economy	% of Service exported	% of Goods exported
Australia	5.3	85.1
Brunei Darussalam	26.2	106.6
Canada	6.0	84.5
Chile	9.3	72.4
People's Republic of China	6.7	46.8
Hong Kong, China	50.8	2507.6
Indonesia	6.1	35.9
Japan	3.6	49.4
Republic of Korea	14.6	109.9
Malaysia	30.6	151.8
Mexico	2.3	75.3
New Zealand	9.0	72.4
Papua New Guinea	15.1	75.1
Peru	4.2	53.2
The Philippines	13.1	57.5
Russia	5.1	66.5
Singapore	74.9	595.5
Chinese Taipei	14.1	189.1
Thailand	24.9	107.5
The United States	4.5	41.4
Viet Nam	18.0	110.1
APEC	6.2	63.0

Comparison of Percent of Services Exported and Goods Exported



APEC Policy Support Unit. StatsAPEC. *Asia-Pacific Economic Cooperation*, n.d. Web. 18 June 2012. <<http://statistics.apec.org/>>.

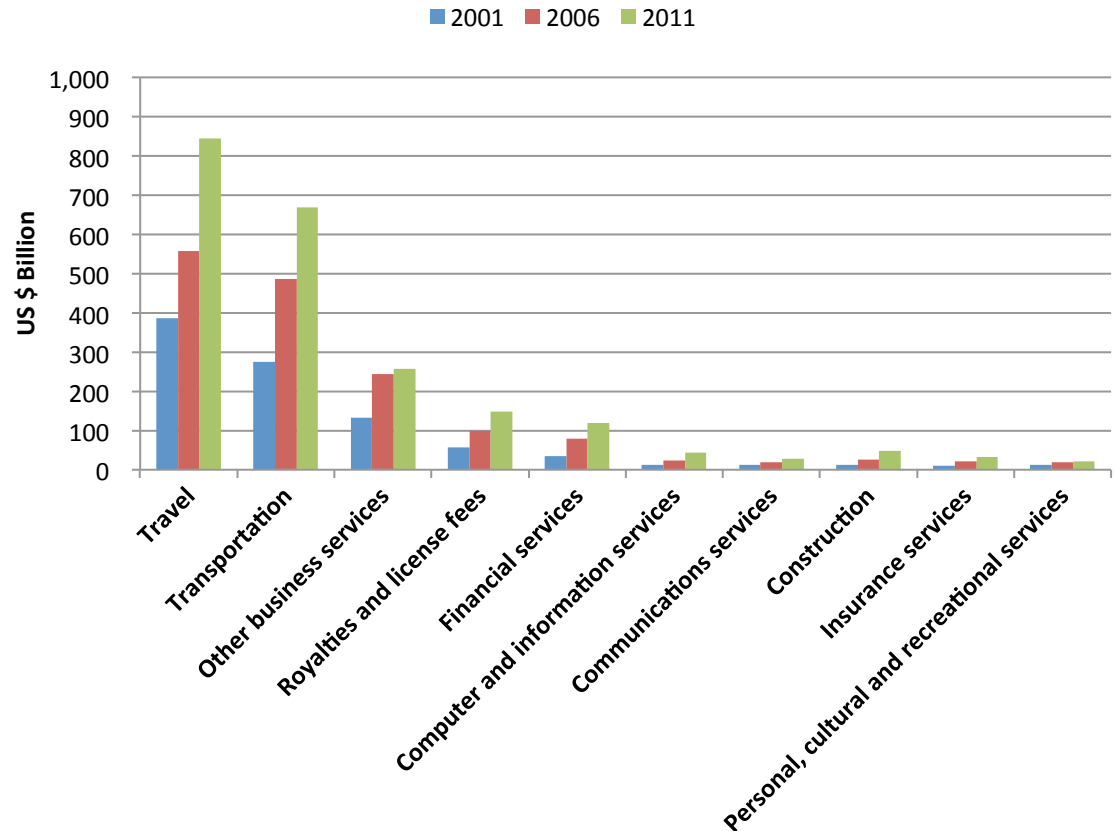
Economies export a far lower percentage of services than percentage of goods.

APEC services exports have grown over the past 10 years

Growth Trend of Service Trade by Sector: The following table presents services exports value per service sector for 2001, 2006, and 2011.

	2001	2006	2011
	Service Exports (US \$ Billion)		
Communications services	12	18	27
Computer and information services	13	23	43
Construction	12	27	47
Financial services	34	78	119
Insurance services	10	20	32
Other business services	133	243	258
Personal, cultural and recreational services	12	18	22
Royalties and license fees	56	99	147
Transportation	275	486	669
Travel	386	557	845

Service Export Growth Trend by Service Sector



WTO . N.p.:n.p., n.d. *Statistics Database*. Web. 10 Jul. 2012
<http://stat.wto.org/Home/WSDHome.aspx>

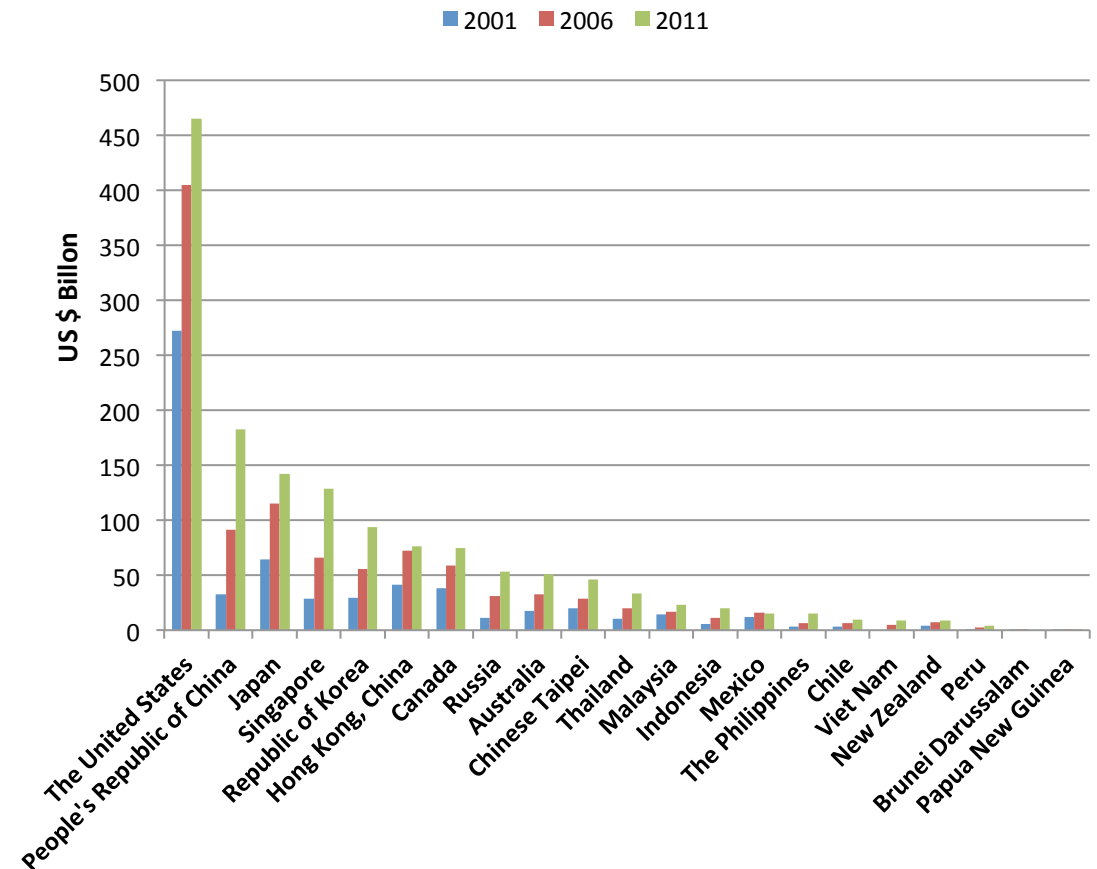
All service sectors exports in APEC have been growing for the past 10 years.

Total services exports have grown for all APEC economies over the past ten years

Growth Trend of Service Trade by Economy: The following table represents services exports value per economy for 2001, 2006, and 2011.

Economy	2001	2006	2011
	Service exports (US \$ Billion)		
Australia	18	32	51
Brunei Darussalam	0	1	0
Canada	38	59	75
Chile	3	6	10
People's Republic of China	33	91	182
Hong Kong, China	41	73	76
Indonesia	5	11	20
Japan	65	115	142
Republic of Korea	29	55	94
Malaysia	14	17	23
Mexico	12	16	15
New Zealand	4	7	9
Papua New Guinea	0	0	0
Peru	1	2	4
The Philippines	3	6	15
Russia	11	31	53
Singapore	29	66	129
Chinese Taipei	20	29	46
Thailand	11	20	34
The United States	272	405	465
Viet Nam	0	5	9

Service Exports Growth Trend by Economy



WTO . N.p.:n.p., n.d. *Statistics Satabase*. Web. 10 Jul. 2012
 < <http://stat.wto.org/Home/WSDBHome.aspx> >

Exports for most APEC economies have increased over the past 10 years.

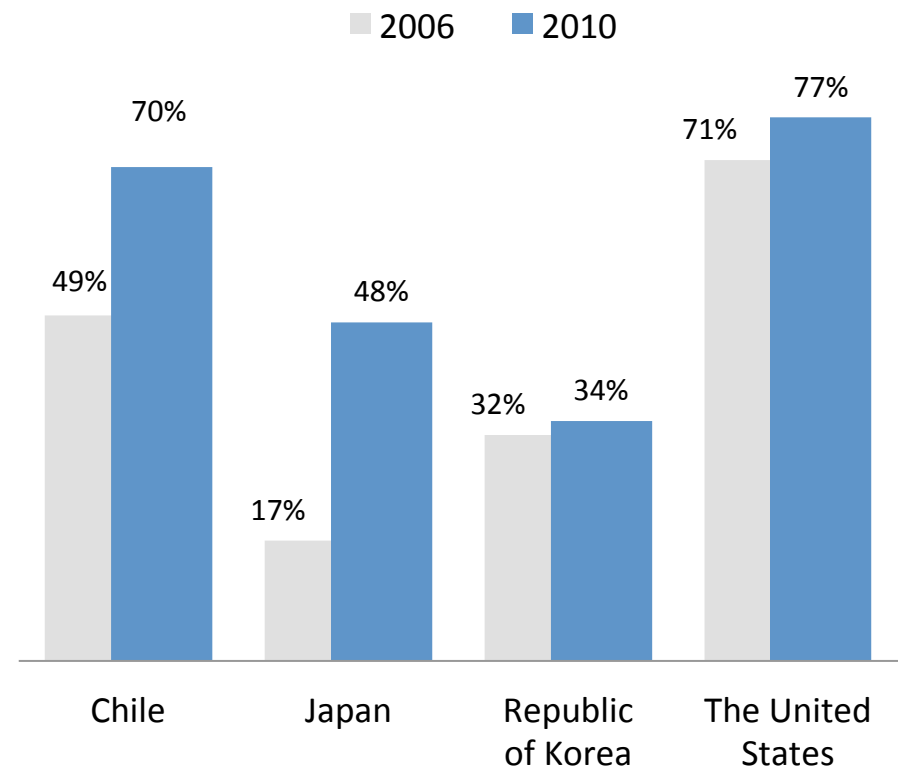
Outward services foreign direct investment is a substantial amount of total FDI

FDI in Services: The following chart shows the FDI in services for available APEC economies from 2006 to 2010.

		2006	2007	2008	2009	2010
Chile	Total FDI	2171	2573	8041	8061	8744
	Service FDI	1073	890	5207	4601	6152
	Service/Total	49%	35%	65%	57%	70%
Japan	Total FDI	50244	73546	127981	74699	56276
	Service FDI	8583	27510	70005	33340	27016
	Service/Total	17%	37%	55%	45%	48%
Republic of Korea	Total FDI	9942	18903	17304	20260	26821
	Service FDI	3187	8672	7505	7321	9115
	Service/Total	32%	46%	43%	36%	34%
The United States	Total FDI	224220	393518	308296	282686	328905
	Service FDI	159161	306112	246051	216268	252444
	Service/Total	71%	78%	80%	77%	77%

OECD.StatExtracts. Organisation for Economic Co-Operation and Development. n.d.Web. 10 August 2012 < http://stats.oecd.org/>.

Percentage of Outward FDI Flows in Services



Services FDI represents more than a third of total outward FDI and has increased from 2006 to 2010.

Trade in services as a percent of APEC GDP has not significantly increased and lags behind that of the EU

Comparison of service exports in the EU and APEC: The following table represents services exports to the world from the EU as a percent of EU GDP and services exports to the world from APEC as a percent of APEC GDP.

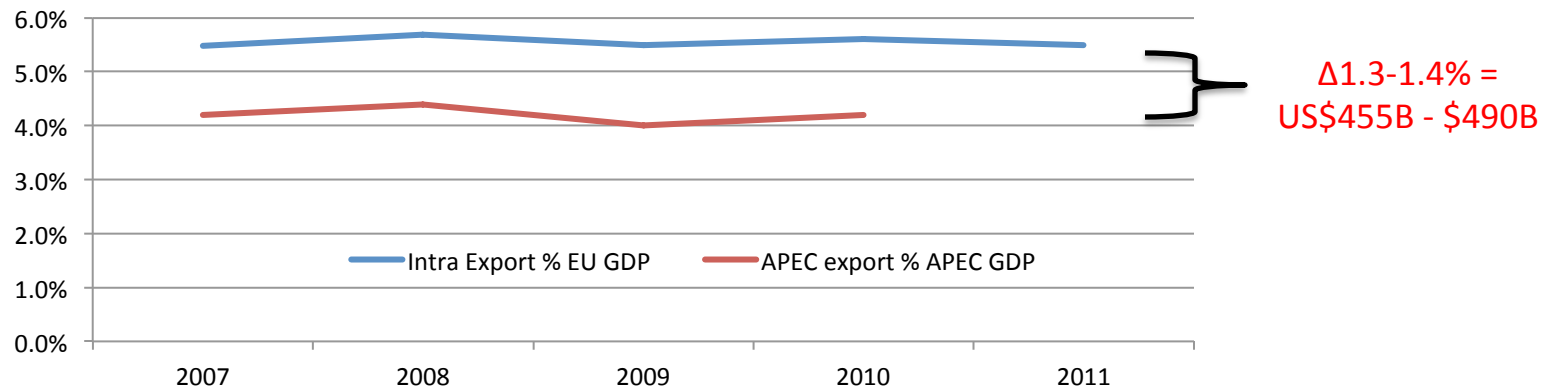
	Services Exports Intra Export % of EU GDP
2007	5.5%
2008	5.7%
2009	5.5%
2010	5.6%
2011	5.5%

OECD.StatExtracts. Organisation for Economic Co-Operation and Development. n.d.Web. 10 August 2012 < <http://stats.oecd.org/>>.

	Services Exports APEC to World as % of APEC GDP
2007	4.0%
2008	4.1%
2009	3.8%
2010	3.9%
2011	NA

OECD.StatExtracts. Organisation for Economic Co-Operation and Development. n.d.Web. 10 August 2012 < <http://stats.oecd.org/>>.

Comparison of services exports for the EU and APEC



The possibility of APEC trade in services being able to increase up to that of the EU standards poses a significant growth opportunity.

Bilateral trade flows analysis helps to better understand services trade in the APEC region

Heat Map Generation

Methodology

- Certain trade flows are facilitated through any number of factors including FTAs, shared language, common certifications/standards, close geographic proximity, and minimal FDI requirements
- Other trade flows are restricted and [where possible] should be quantified to understand the openness of the economy
- The relative ratio of imports into a market over domestic production should indicate a relative measure of openness

Approach

- Capture imported services and economy of origin relative to domestic industry size

$$\% \text{ Imported} = \frac{\text{US\$ Imported for Industry}}{\text{Domestic Production of Industry}}$$

Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>.

Limited data availability only allowed analysis for the following economies.

Data Available:

Hong Kong, China
Japan
Russia
Singapore
The United States

Data Unavailable:

Australia	Indonesia	Papua New Guinea	Viet Nam
Brunei Darussalam	Republic of Korea	Peru	
Canada	Malaysia	The Philippines	
Chile	Mexico	Chinese Taipei	
People's Republic of China	New Zealand	Thailand	

Data for these economies may be available on an individual basis, however it is aggregated using different methodologies, or in different languages, or simply incomplete. There is not one universal database comparing services data for APEC economies.

Hong Kong, China – Bilateral Trade Data

This table represents all available bilateral trade data for Hong Kong, China with all APEC economies in 2009.

Hong Kong, China Imports (% imported/domestic production of industry)

	World	Non		CHN	USA	AUS	JPN	SNG	TAI	CAN	RoK	THA	MAL
		APEC	APEC										
Services	21.1%	5.4%	15.6%	5.6%	3.1%	1.0%	1.6%	1.2%	0.9%	0.5%	0.4%	0.4%	0.3%
Transportation	71.2%	21.4%	49.8%	17.2%	7.9%	3.0%	5.4%	6.0%	2.9%	2.0%	1.2%	1.3%	0.8%
Travel	170.8%	32.4%	138.3%	55.9%	19.3%	13.8%	12.5%	3.7%	10.4%	7.6%	3.4%	5.0%	2.0%
Communication services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Construction services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Insurance and Financial	11.8%	4.9%	6.9%	0.7%	2.2%	0.2%	0.6%	2.0%	0.4%	0.0%	0.2%	0.2%	0.2%
Computer and information services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Royalties and license fees	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Other business services	31.1%	17.3%	13.8%	10.5%	0.0%	0.8%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal, cultural and recreational services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Government services, n.ie.	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-

※ For services where data was not available, bilateral trade data was indicated as “-”

Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>.

Highlights

- Hong Kong, China imports 74% of its total services from the APEC region.
- Almost 60% of the insurance and financial services imports come from the APEC region.
- After People’s Republic of China, 11% of the transportation imports are attributed to The United States.

Japan – Bilateral Trade Data

This table represents all available bilateral trade data for Japan with all APEC economies in 2009.

Japan Imports (% imported/domestic production of industry)

	Total	Non		USA	CHN	RoK	SNG	HK	TAI	AUS	THA	PHL	IND	MAL	CAN	RUS
		APEC	APEC													
Services	4.0%	1.6%	2.4%	1.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Transportation	17.6%	9.2%	8.4%	2.1%	0.8%	1.0%	1.3%	1.1%	0.7%	0.4%	0.2%	0.2%	0.0%	0.2%	0.1%	0.1%
Travel	9.7%	2.6%	7.1%	2.3%	1.3%	0.8%	0.2%	0.3%	0.5%	0.3%	0.5%	0.1%	0.2%	0.1%	0.1%	0.1%
Communication services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	2.6%	1.8%	0.9%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%
Ins. And Fin	3.7%	2.4%	1.4%	1.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Computer and IT	1.2%	0.4%	0.9%	0.4%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Royalties and license fees	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-
Other business services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal, cultural and recreational services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-
Gov. Serv	0.4%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

※ For services where data was not available, bilateral trade data was indicated as “-”

Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>.

Highlights:

- 60% of total services imports comes from APEC economies.
- Except for The United States, Japan mainly trades with economies that are in close geographic proximity.
- Transportation services imports from APEC are evenly distributed across its trading partners.

Russia – Bilateral Trade Data

This table represents all available bilateral trade data for Russia with all APEC economies in 2009.

Russia Imports (% imported/domestic production of industry)

		Non														
	World	APEC	APEC	USA	CHN	RoK	THA	CAN	JPN	MAL	VTN	TAI	HK	IND	MEX	NZ
Services	7.8%	6.9%	0.9%	0.5%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transportation	5.2%	4.8%	0.3%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Travel	21.6%	19.3%	2.3%	0.6%	0.7%	0.2%	0.5%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Communication	3.1%	2.9%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Construction	6.3%	5.9%	0.4%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ins. And Fin	4.3%	3.8%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Computer and IT	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalties and license fees	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Business	6.2%	5.1%	1.0%	0.8%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal, cultural	0.6%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gov. Serv	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

✂ For services where data was not available, bilateral trade data was indicated as “-”

Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>.

Highlights:

- Russia has the most bilateral trade data available among the APEC economies.
- 89% of services imports for Russia come from non-APEC economies.
- Of services imports coming from APEC, trade seems to occur mostly with economies that are in close geographic proximity.

Singapore – Bilateral Trade Data

This table represents all available bilateral trade data for Singapore with all APEC economies in 2009.

Singapore Imports (% imported/domestic production of industry)

	World	Non APEC	APEC	USA	JPN	CHN	HK	AUS	RoK	BRU	CAN	TAI	ND
Services	49.9%	30.0%	19.8%	9.2%	2.2%	1.8%	1.5%	1.2%	0.8%	0.0%	0.2%	0.6%	0.6%
Transportation	103.6%	72.0%	31.7%	11.4%	6.4%	5.2%	3.6%	2.6%	2.4%	0.0%	0.0%	0.0%	0.0%
Travel	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Communication services	12.6%	12.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Construction services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Insurance and Financial	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Computer and information services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Royalties and license fees	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Other business services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Personal, cultural and recreational services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-
Government services, n.i.e.	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-

✘ For services where data was not available, bilateral trade data was indicated as “-”

Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>.

Highlights:

- 40% of total services imports come from the APEC region.
- 30% of transportation is imported from the APEC region.
- Lack of data does not allow for in-depth analysis of an economy’s trade in services.

The United States – Bilateral Trade Data

This table represents all available bilateral trade data for The United States with all APEC economies in 2009.

The United States Imports (% imported/domestic production of industry)

		Non															
	World	APEC	APEC	JPN	CAN	MEX	RoK	CHN	HK	AUS	TAI	SNG	PHI	NZ	CHI	MAL	
Services	5.5%	4.0%	1.5%	0.3%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	
Transportation	23.5%	13.9%	9.6%	2.0%	1.4%	0.5%	1.4%	0.9%	1.0%	0.3%	1.2%	0.3%	0.2%	0.2%	0.2%	0.1%	
Travel	20.3%	12.6%	7.7%	1.0%	1.6%	2.4%	0.4%	0.6%	0.3%	0.4%	0.2%	0.1%	0.2%	0.2%	0.1%	0.0%	
Communication services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	
Construction services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	
Insurance and Financial	9.5%	8.7%	0.9%	0.2%	0.2%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	
Computer and information services	N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Royalties and license fees	2.8%	2.0%	0.8%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Other business services	N/A	N/A	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	
Personal, cultural and recreational services	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Government services, n.ie.	1.2%	1.0%	0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

※ For services where data was not available, bilateral trade data was indicated as “-” Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>

Highlights:

- 27% of total services imports comes from APEC economies.
- Approximately 1/3 of services imports for The United States comes from Mexico and Canada suggesting the importance of close geographical proximity in services trade.
- 90% of insurance and financial services trade is done with non-APEC economies suggesting opportunity for APEC economies to export insurance and financial services to The United States.

Availability of centralized bilateral trade in services data limits the scope of analysis

Bilateral Trade Data: This table represents data available on bilateral trade in services for APEC in 2009.

	Service Importing Economy																				
	AUS	BRU	CAN	CHI	CHN	HKG	INA	JPN	KOR	MAS	MEX	NZL	PNG	PER	PHI	RUS	SIN	TPE	THA	USA	VIE
Total services	Red	Red	Blue	Red	Light Blue	Blue	Red	Blue	Red	Red	Red	Red	Red	Red	Red	Blue	Blue	Red	Red	Light Blue	Red
Transportation	Red	Red	Yellow	Blue	Red	Blue	Red	Blue	Red	Red	Red	Red	Red	Red	Red	Blue	Yellow	Red	Red	Blue	Red
Travel	Red	Red	Blue	Yellow	Red	Blue	Red	Blue	Red	Red	Yellow	Red	Red	Red	Red	Blue	Red	Red	Red	Blue	Red
Communication services	Red	Red	Yellow	Red	Red	Blue	Red	Blue	Red	Red	Red	Yellow	Red	Red	Red	Blue	Red	Red	Red	Red	Red
Construction services	Red	Red	Yellow	Red	Red	Red	Red	Blue	Red	Red	Red	Red	Yellow	Red	Red	Blue	Red	Red	Red	Red	Red
Insurance and Financial	Red	Red	Yellow	Red	Red	Blue	Red	Blue	Red	Red	Red	Yellow	Red	Red	Red	Blue	Light Blue	Red	Red	Blue	Red
Computer and information services	Red	Red	Yellow	Red	Red	Blue	Red	Blue	Red	Red	Red	Yellow	Red	Red	Red	Blue	Light Blue	Red	Red	Blue	Red
Royalties and license fees	Red	Red	Yellow	Red	Red	Blue	Red	Blue	Red	Red	Red	Yellow	Red	Red	Red	Blue	Light Blue	Red	Red	Blue	Red
Other business services	Red	Red	Red	Red	Red	Yellow	Red	Blue	Red	Red	Red	Light Blue	Red	Red	Red	Blue	Red	Red	Red	Red	Red
Personal, cultural and recreational services	Red	Red	Red	Red	Red	Light Blue	Red	Light Blue	Red	Red	Red	Yellow	Red	Red	Red	Blue	Yellow	Red	Red	Red	Red
Government services, n. ie.	Red	Red	Blue	Red	Red	Red	Red	Blue	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Light Blue	Red

Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>.

Red	No data
Yellow	Data Available for less than 6 economies
Light Blue	Data Available for 6 to 9 economies
Blue	Data available for more than 10 economies

This map indicates significant gaps in published bilateral services trade data.

Findings and further direction for research

The Need For Data: Significant lack of data does not allow for a comprehensive regional data analysis. If data were available, a bilateral comparison could be done to examine the openness and restrictiveness of markets over time including the measured impact of policy change. It is strongly recommended that comprehensive data be shared and collected for services trade for APEC economies so that research can be done to highlight future opportunity areas.

- **Services make up almost 70% of world GDP, but the percentage of services exported only reaches an average of 7%. By comparison, over 60% of goods produced are exported. This gap represents an opportunity for all economies to increase trade in services.**
- **The heat map analysis indicates that there is a close correlation between services trade and close geographic proximity.**
- **Transportation and travel sectors dominate the regional services trade. Transportation usually requires cross border trade in services because of the large initial capital requirements and economies of scale needed.**
- **Data for the “Other Business Services” category shows high growth but further breakdown is required to pinpoint the sector growing.**



Quantification of Barriers

Quantification of Barriers and Impediments to Trade in Services

This section uses the interviews, questionnaire results, and secondary research to present the trade in services indices for market access, quality of regulatory environment, and efficiency of implementation of regulations and business environment. In cases where there is a lack of available data or inability to source accurate data, proxies from relevant research reports have been utilized to obtain the value.

Most Problematic Factors in Trade in Services

This section presents a more detailed analysis of the most problematic factors impacting trade in services. Our interviews with executives in different services sectors and economies uncovered a number of challenges and impediments to trade in services. We present here only the most important ones across sectors and across economies. It is important to note that different factors are more or less important in different services sectors, in different economies, and in economies with different levels of economic development. Of immediate note, and of real importance to policy makers, is that this list of the most problematic factors impacting trade in services does not contain any market access barriers. All the critical barriers and impediments are “behind the border.”

Most Problematic Factors: (not listed in order of importance)

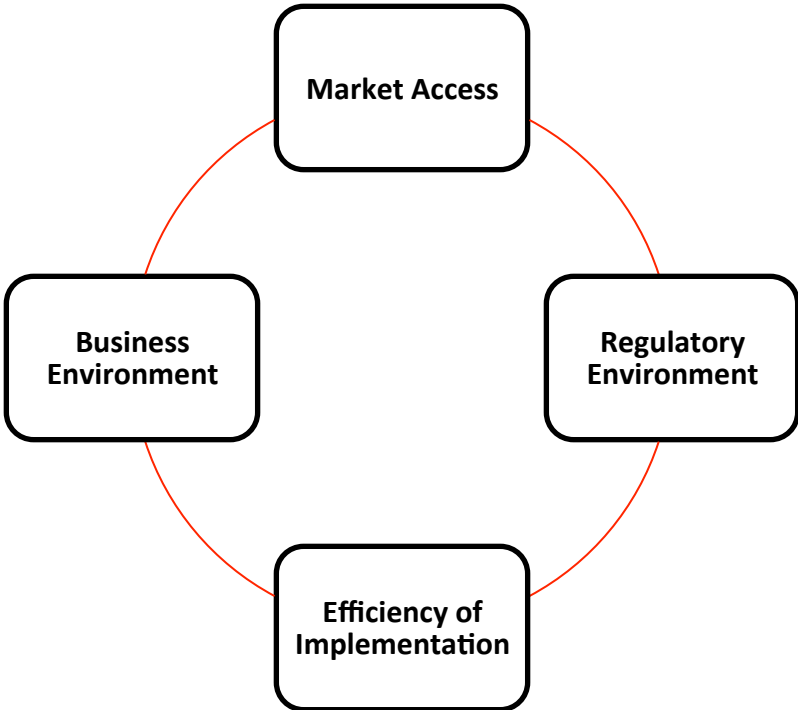
- Standards & Specifications
- Recognition of Skills and Qualifications
- Regulatory Transparency
- Inconsistent Monitoring and Enforcement
- Dispute Resolution
- Access to Human Capital
- Inconsistent Regulations
- Regulatory Instability
- Coordination among Government Agencies
- Government Bureaucracy
- Language and Culture
- Access to Skilled Talent

It becomes clear by examining these factors that heterogeneity, whether because of differences in government regulations or industry standards, or qualification requirements, is an important deterrent to trade in services. A continued and expanded effort on regulatory coherence and the setting of global standards is clearly needed. Human capital, both quality and availability, is obviously a chief concern in most economies. The efficiency and capability of government agencies and other oversight bodies is a critical concern and strengthens the need for continued attention to capacity building within APEC.

Our research looks at four general categories that impact trade in services

There are four categories of impediments that impact trade in services. Previous studies have primarily been focused on market access restrictions. Further, bilateral and multilateral free-trade agreements have been focused on the reduction of market access restrictions and, to a lesser extent, barriers in the regulatory environment. While significant progress has been made in reducing the impediments of those two areas, research now shows that other categories are rising in importance when considering trade in services. Business leaders across APEC corroborated that the restrictions that occur “behind the border,” such as efficiency of implementation of regulations, quality of regulations, and business environment are in many cases more detrimental to trade than market access restrictions

Four Categories of the Impediments to Services Trade Index



Each service sector is affected by different factors:

Services sectors in APEC have different restrictiveness levels, though the main disparity is in the Market Access Index. The other categories have similar levels across sectors, though the contributing factor to each category differ by sector.

Top Common Factors of Impediments Across Sectors		
Government bureaucracy	Inconsistent monitoring & enforcement of regulations	Coordination among government agencies

Different impediments are impactful for high and low income economies:

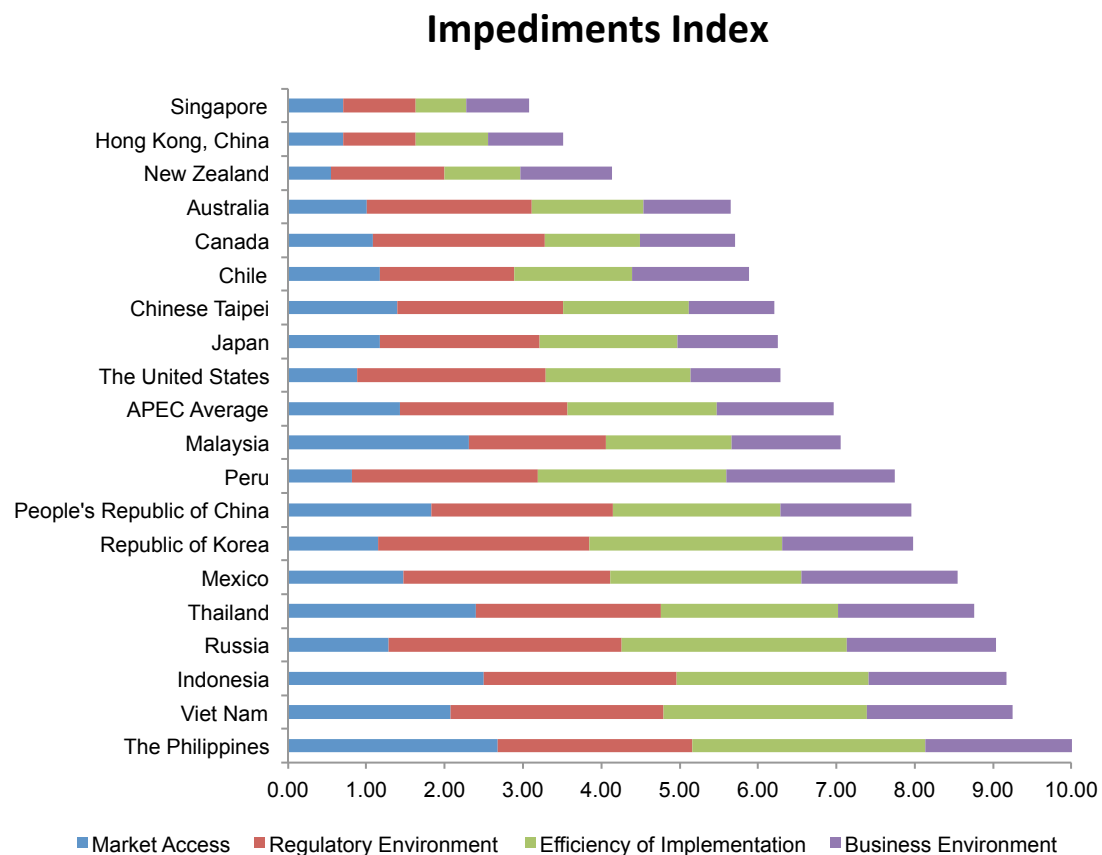
With Lower-middle Income economies, the impediments are equal in weight. In Upper-middle Income economies, efficiency of implementation and regulatory environments were identified as the main issues. With High Income economies, regulatory environment stood out. The key categorical difference between Upper-middle economies and High Income economies is in the business environment.

A comparison of the impediments to trade in services index across APEC shows wide disparity across the region

Impediments to Trade in Services Index: The chart below shows overall impediments to trade in services index by APEC economy gathered from primary and secondary research sources.

Economy	Impediments Index
Australia	5.66
Canada	5.71
Chile	5.89
People's Republic of China	7.96
Chinese Taipei	6.21
Hong Kong, China	3.51
Indonesia	9.17
Japan	6.26
Malaysia	7.06
Mexico	8.55
New Zealand	4.13
Peru	7.75
Republic of Korea	7.98
Russia	9.04
Singapore	3.08
Thailand	8.76
The Philippines	10.01
The United States	6.29
Viet Nam	9.25
APEC Average	6.96

Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.; Lawrence, Robert Z., Margareta Drzeniek Hanouz, and Sean Doherty. *The Global Enabling Trade Report 2012 Reducing Supply Chain Barriers*. Geneva: World Economic Forum, 2012. Print.; USC Marshall ABAC Research Team analysis.



It is crucial to take a comprehensive view of services trade and identify impediments that are not just associated with at the border issues. Also note that the indices that comprise the impediments to trade in services index are not additive, but rather have different importance depending on sector or economy.

A comparison of impediments to trade in services index within APEC was conducted by World Bank income classifications

Income Distribution of APEC Economies: The chart below shows the World Bank Income Classification of economies. This was utilized to group economies in order to better understand the differences in restrictiveness between economic classifications in the APEC region.

Economy	World Bank Classification by Income
Australia	High Income
Brunei Darussalam*	High Income
Canada	High Income
Hong Kong, China	High Income
Japan	High Income
Republic of Korea	High Income
New Zealand	High Income
Singapore	High Income
Chinese Taipei	High Income
The United States	High Income
Chile	Upper-Middle Income
People's Republic of China	Upper-Middle Income
Malaysia	Upper-Middle Income
Mexico	Upper-Middle Income
Peru	Upper-Middle Income
Russia	Upper-Middle Income
Thailand	Upper-Middle Income
Indonesia	Lower-Middle Income
Papua New Guinea*	Lower-Middle Income
The Philippines	Lower-Middle Income
Viet Nam	Lower-Middle Income

A **High Income** economy is defined by the World Bank as a economy with a gross national income per capita of **US\$12,476 or more** in 2011, calculated using the Atlas method.

An **Upper-middle Income** economy is defined by the World Bank as a economy with a gross national income per capita between **US\$4,036 to US\$12,475** in 2011, calculated using the Atlas method.

A **Lower-middle Income** economy is defined by the World Bank as a economy with a gross national income per capita between **US\$1,026 to US\$4,035** in 2011, calculated using the Atlas method.

*No data available

Source: World Bank. *World Trade Indicators*. 20 August 2012. <data.worldbank.org>;

The majority of APEC economies fall into high income, then the upper-middle income and finally the lower-middle income classifications. These income classifications help to distinguish the impediments to trade in services index between lower-middle, upper-middle, and high income economies.

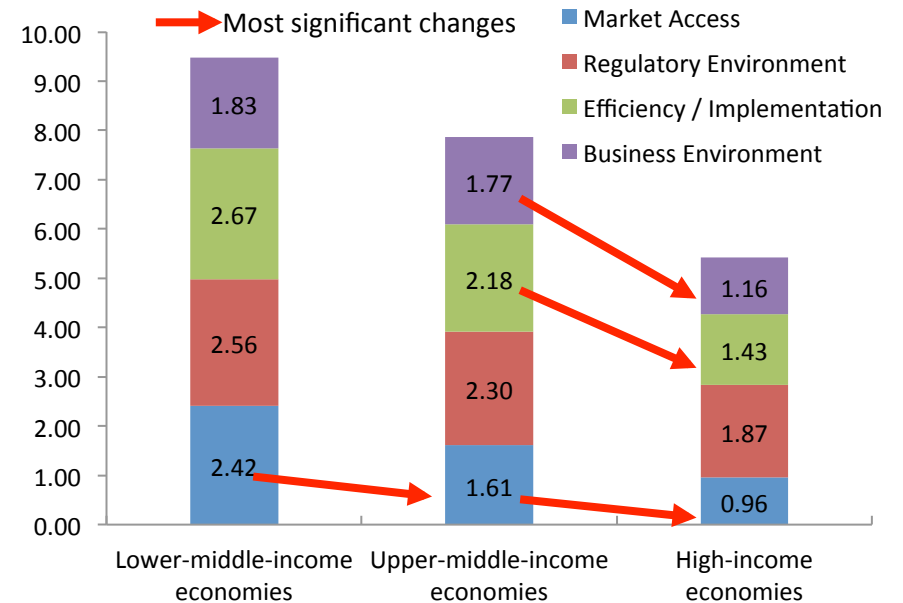
Overall impediments indices reveal that high-income economies have lower constraints for trade in services

Impediments to Trade in Services Indices Changes by Income: The chart below shows the impediments to trade in services index of APEC economies classified by the World Bank income groups as well as the difference between incomes.

Impediments Indices	Lower-middle Income (LMI) economies		Upper-middle Income (UMI) economies		High Income (HI) economies	
	Index	%	Index	%	Index	%
Market Access	2.42	26%	1.61	21%	0.96	18%
Regulatory Environment	2.56	27%	2.30	29%	1.87	35%
Efficiency of Implementation	2.67	28%	2.18	28%	1.43	26%
Business Environment	1.83	19%	1.77	22%	1.16	21%

Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.; Lawrence, Robert Z., Margareta Drzeniek Hanouz, and Sean Doherty. *The Global Enabling Trade Report 2012 Reducing Supply Chain Barriers*. Geneva: World Economic Forum, 2012. Print.; USC Marshall ABAC Research Team analysis.

Impediments Index



- The difference in Market Access Restriction index contributes the most to the total disparity between LMI and UMI, as well as between UMI and HI.
- However, HI economies can be also characterized by substantially improved Efficiency of Implementation and Business Environment in comparison to UMI economies.

High income economies experience lower impediments in the trade in services index. While market access restrictions contribute to difficulties in trade in services, the other indices are significant especially when considering the shift from upper-middle income to high-income economy.

Top Impediments by Income Classification

Top Contributing Factors to the Impediments to Trade in Services Index by Income Classification: The table below contains data on the most impactful impediments to trade for the different income levels in APEC: High Income Economies (HI), Upper-middle Income Economies (UMI), and Lower-middle Income Economies (LMI). The impact of specific impediments was assessed in the questionnaire.

Impediments	HI	UMI	LMI	Shared Impediments
(EI) Inconsistent Monitoring and Enforcement	X	X	X	3
(EI) Coordination Among Government Agencies	X	X		2
(EI) Dispute Resolution		X	X	2
(EI) Government Bureaucracy		X	X	2
(RE) Recognition of Skills and Qualifications		X	X	2
(RE) Inconsistent Regulations	X			1
(RE) Repatriation of Profits	X			1
(RE) Regulatory Transparency	X			1
(BE) Cultural Differences	X			1
(EI) Regulatory Instability			X	1

APEC Business Advisory Council Cross-Border Trade in Services. Questionnaire. August 2012.

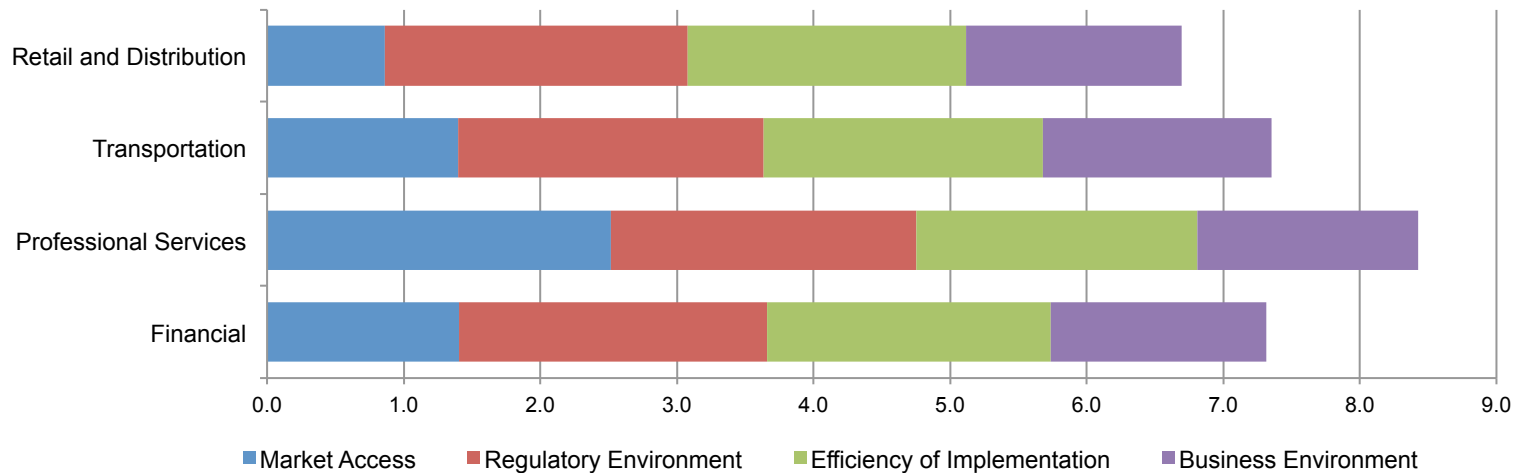
Inconsistent Monitoring and Enforcement is equally detrimental for trade in services in every type of economy. The questionnaire data revealed certain similarities across adjacent types: Upper-middle Income and Lower-middle Income economies experience problems with bureaucracy and dispute resolution and are concerned with impediments to movement of people. On the other hand, the main concern for High Income economies lies in the sphere of regulatory inefficiencies.

Service sectors are adversely affected by impediments to varying degrees

APEC Impediments to Trade in Services Index by Sector: The chart below shows overall impediments indices by four major service sectors gathered from primary and secondary research sources.

Impediments to Trade in Services Index Category	Financial	Professional Services	Transportation	Retail and Distribution
Market Access	1.4	2.5	1.4	0.9
Regulatory Environment	2.3	2.2	2.2	2.2
Efficiency of Implementation	2.1	2.1	2.0	2.0
Business Environment	1.6	1.6	1.7	1.6
Total	7.3	8.4	7.4	6.7

Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.; Lawrence, Robert Z., Margareta Drzeniek Hanouz, and Sean Doherty. *The Global Enabling Trade Report 2012 Reducing Supply Chain Barriers*. Geneva: World Economic Forum, 2012. Print.; USC Marshall ABAC Research Team analysis.



While Market Access index varies in importance across services sectors the other category-level impediments are comparable. Within these comparable categories though, the services sectors experience different individual impediments.

Top Impediments by Services Sector

Top Contributing Factors to Impediments to Service Trade Impediments by Selected Service Sectors: The table below contains data on the most impactful impediments to trade for the services sectors: Financial, Business Professional, Retail & Distribution and Transportation. The impact of specific impediments was assessed in the questionnaire by the services sectors' representatives.

Impediments	Financial	Professional Services	Retail & Distribution	Transportation	Shared Impediments
(EI) Inconsistent Monitoring and Enforcement	X	X	X	X	4
(EI) Government Bureaucracy	X		X	X	3
(BE) Access to Human Capital	X		X	X	3
(RE) Inconsistent Regulations	X			X	2
(EI) Dispute Resolution	X	X			2
(EI) Coordination Among Government Agencies	X	X			2
(EI) Regulatory Transparency		X	X		2
(RE) Recognition of Skills and Qualifications		X			1
(BE) Transportation Infrastructure				X	1
(RE) Standards and Specifications				X	1

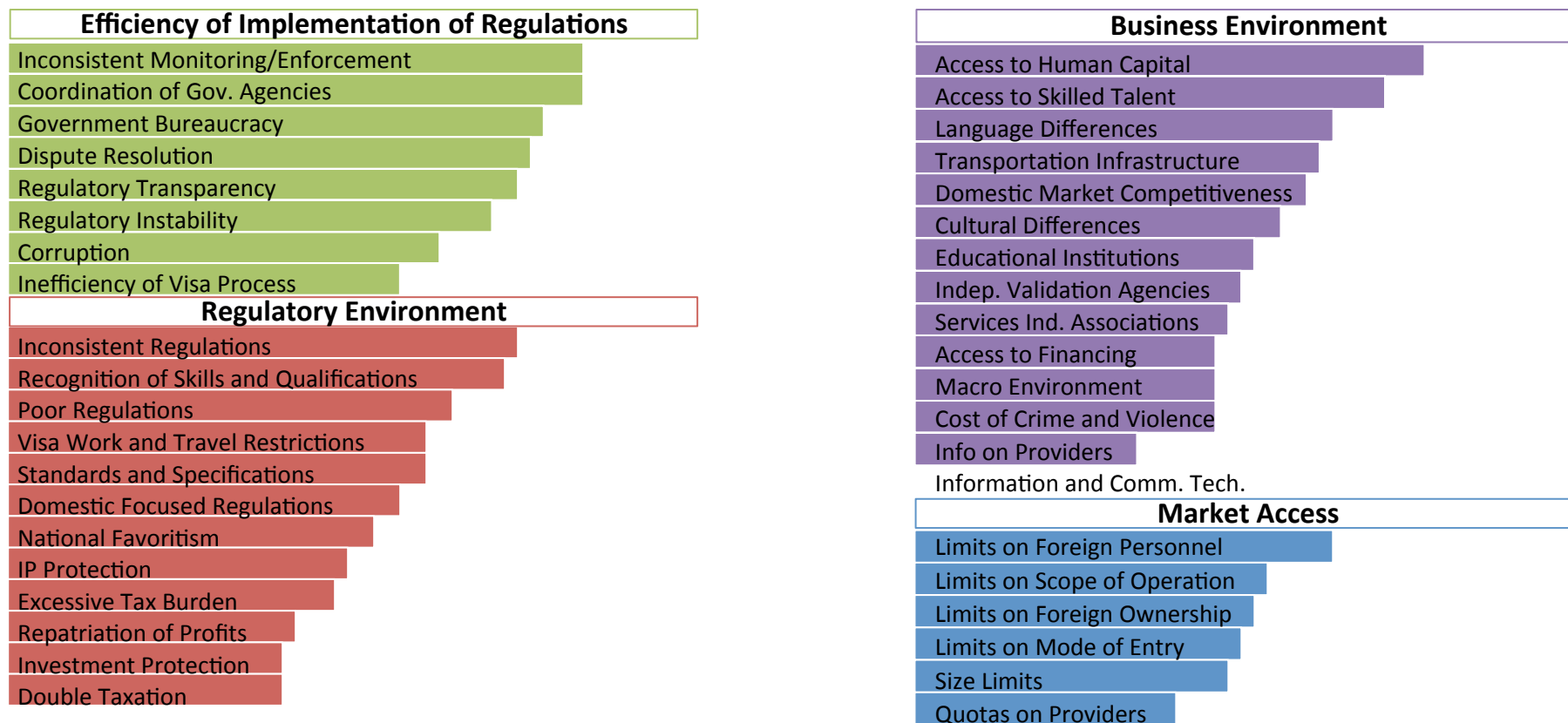
APEC Business Advisory Council Cross-Border Trade in Services. Questionnaire. August 2012.

Inconsistency in monitoring and enforcement of regulation is detrimental for every service sector under review. The most impactful impediments faced by the services sectors participants are in the Efficiency of Implementation category.

Economy leaders most often identified efficiency of implementation and regulation as the most important barrier

Barriers Identified in Questionnaires: The chart below shows the rankings of the different factors that make up each of the categories of impediments to trade in services.

Barriers Identified in Questionnaires Number Identifying as Modest to Extreme Impact



APEC Business Advisory Council Cross-Border Trade in Services. Questionnaire. August 2012.

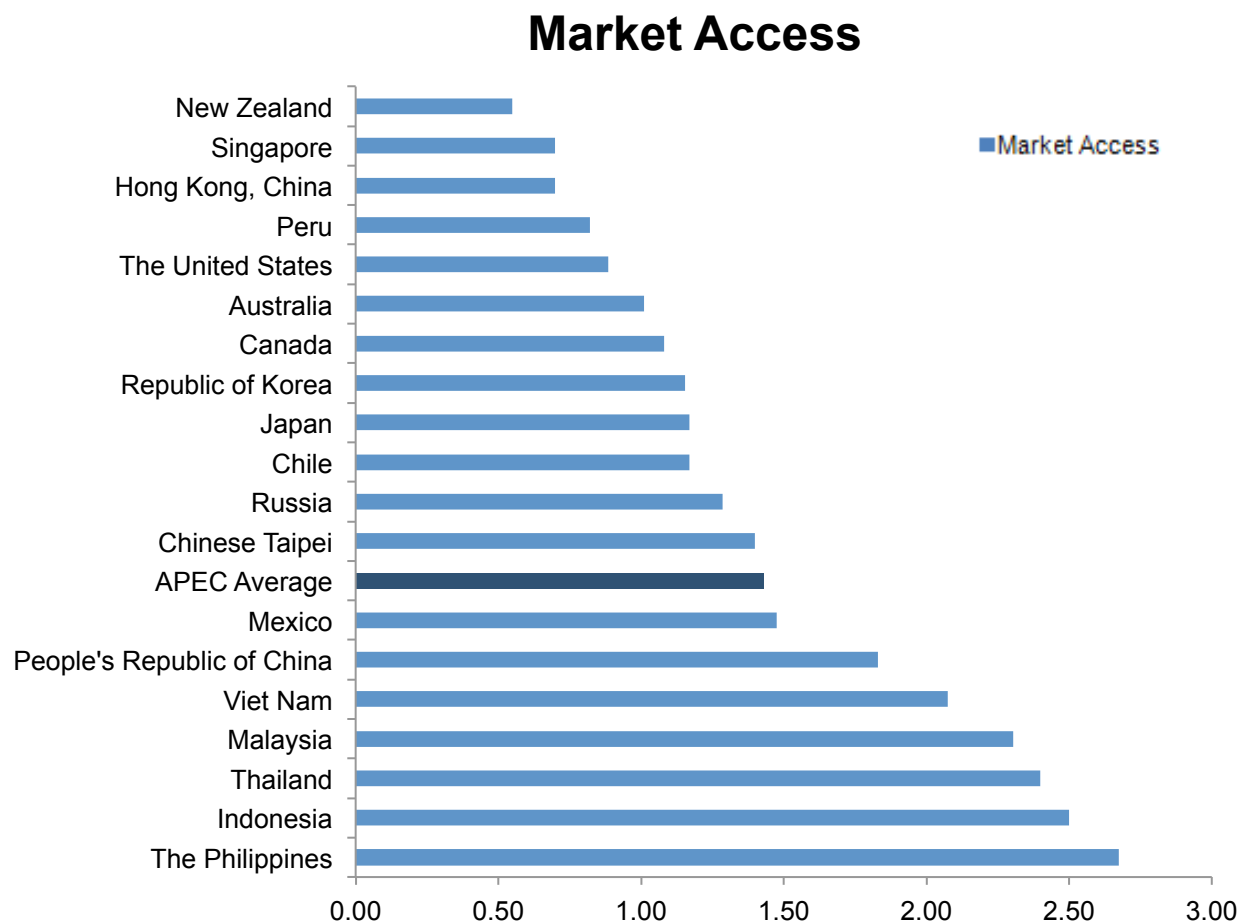
The largest identified factors to trade in services fall within implementation and quality of regulations.

Market access barriers have been the primary area of focus, but the effects have been limited

Market Access Index Across APEC: The chart below shows the impediments to market access by APEC economy.

Economy	Market Access
Australia	1.01
Canada	1.08
Chile	1.17
People's Republic of China	1.83
Hong Kong, China	0.7
Indonesia	2.5
Japan	1.17
Republic of Korea	1.16
Malaysia	2.31
Mexico	1.48
New Zealand	0.55
Peru	0.82
The Philippines	2.68
Russia	1.29
Singapore	0.7
Chinese Taipei	1.4
Thailand	2.4
The United States	0.89
Viet Nam	2.08
APEC Average	1.43

Source: Development Economics Research Group. Services Trade Restrictions Database. World Bank. n.d. Web. 20 August 2012. <data.worldbank.org>; USC Marshall ABAC Research Team analysis.



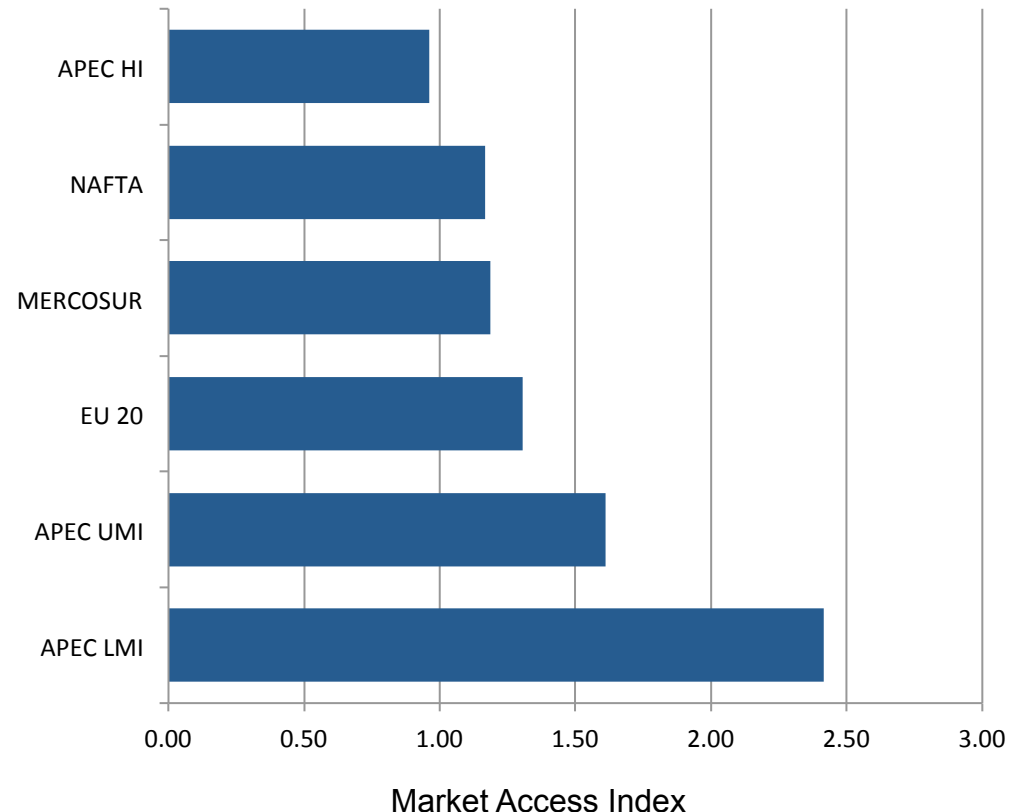
Despite the focus that has been placed on market access barriers and border issues through multilateral and bilateral trade agreements, there are still significant problems that persist across the APEC economies.

A comparison of market access indices shows APEC lagging behind comparable regional trade groups

Regional Comparison of Market Access Index: The chart below shows a comparison of the market access index for APEC and comparable regional trade groups.

Region	Market Access Index
APEC Lower-middle Income	2.42
APEC Upper-middle Income	1.61
APEC High Income	1.43
EU 20	1.31
MERCOSUR	1.19
NAFTA	1.17

Source: Development Economics Research Group. Services Trade Restrictions Database. World Bank. n.d. Web. 20 August 2012. <data.worldbank.org>; USC Marshall ABAC Research Team analysis.



Key insights:

- Lower market access restrictions is an achievable goal
- Higher income APEC economies have lower market access restrictiveness when compared with other regional trade groups
- APEC laggards are increasing restrictiveness across the board

Other regional trade bodies' work on reducing market access restrictiveness has contributed to increasing trade in services, providing an aspirational target for APEC. However, there is more work to be done beyond market access.

Most Problematic Factors to Market Access

Service Sector Market Access Restrictiveness: The following chart shows the impediments to services sector trade index for each economy for Retail & Distribution, Financial, Transportation and Professional services sector. Restrictions vary across economies and services sectors.

Economy*	Retail & Distribution	Financial	Transportation	Professional Services
Australia	0.0	1.8	0.6	1.6
Canada	0.0	1.0	0.8	2.1
Chile	1.3	1.1	1.0	1.4
People's Republic of China	1.3	1.7	1.0	3.3
Indonesia	2.5	1.2	3.3	3.8
Japan	1.3	0.1	0.8	2.8
Republic of Korea	0.0	0.1	1.0	3.3
Malaysia	1.3	2.2	2.8	3.7
Mexico	0.0	0.8	3.1	2.1
New Zealand	0.0	0.2	0.3	1.4
Peru	0.0	2.1	0.2	1.4
Russia	0.0	2.3	0.7	1.6
Thailand	1.3	2.5	2.4	3.7
The Philippines	2.5	2.3	2.2	4.0
The United States	0.0	1.1	0.4	2.7
Viet Nam	2.5	2.0	1.9	1.6
APEC Average	0.8	1.1	1.2	2.2

Source: APEC Business Advisory Council Cross-Border Trade in Services. Questionnaire. August 2012.

*No data exists for Hong Kong, Chinese Taipei, and Singapore

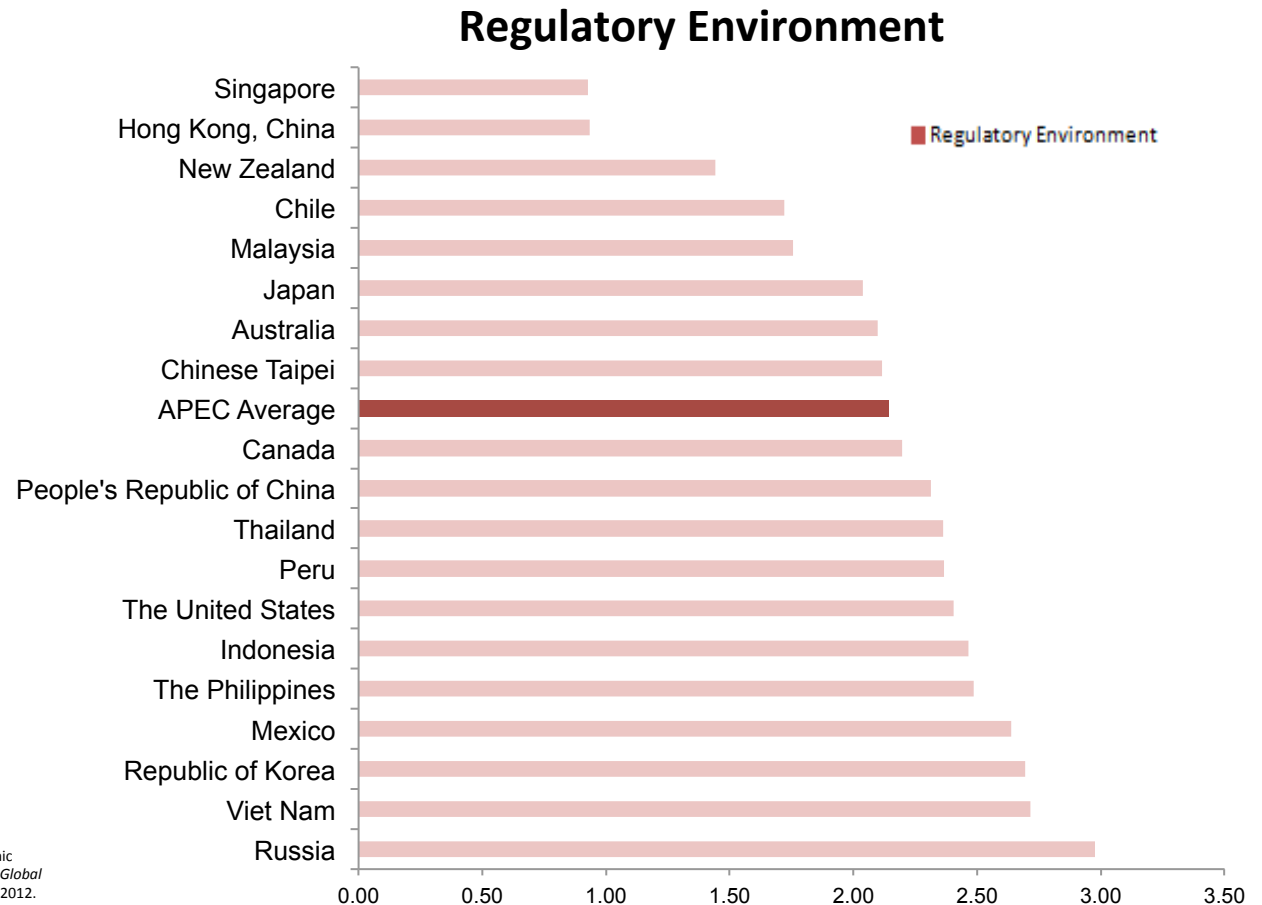
Professional services appear to be the most restrictive sector. Beyond that, there are wide disparities in market access restrictiveness depending on sector and economy, thus making generalizations for factors affecting market access restrictions difficult.

Regulatory environment barriers were identified as a significant issue that affects services trade across APEC

Regulatory Environment Index Across APEC: The chart below shows the regulatory environment index by APEC.

Economy	Regulatory Environment
Australia	2.10
Canada	2.20
Chile	1.72
People's Republic of China	2.31
Hong Kong, China	0.93
Indonesia	2.47
Japan	2.04
Republic of Korea	2.70
Malaysia	1.76
Mexico	2.64
New Zealand	1.44
Peru	2.37
Russia	2.98
Singapore	0.93
Chinese Taipei	2.11
Thailand	2.36
The Philippines	2.49
The United States	2.40
Viet Nam	2.72
APEC Average	2.14

Source: Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.; Lawrence, Robert Z., Margareta Drzeniek Hanouz, and Sean Doherty. *The Global Enabling Trade Report 2012 Reducing Supply Chain Barriers*. Geneva: World Economic Forum, 2012. Print.; USC Marshall ABAC Research Team analysis.

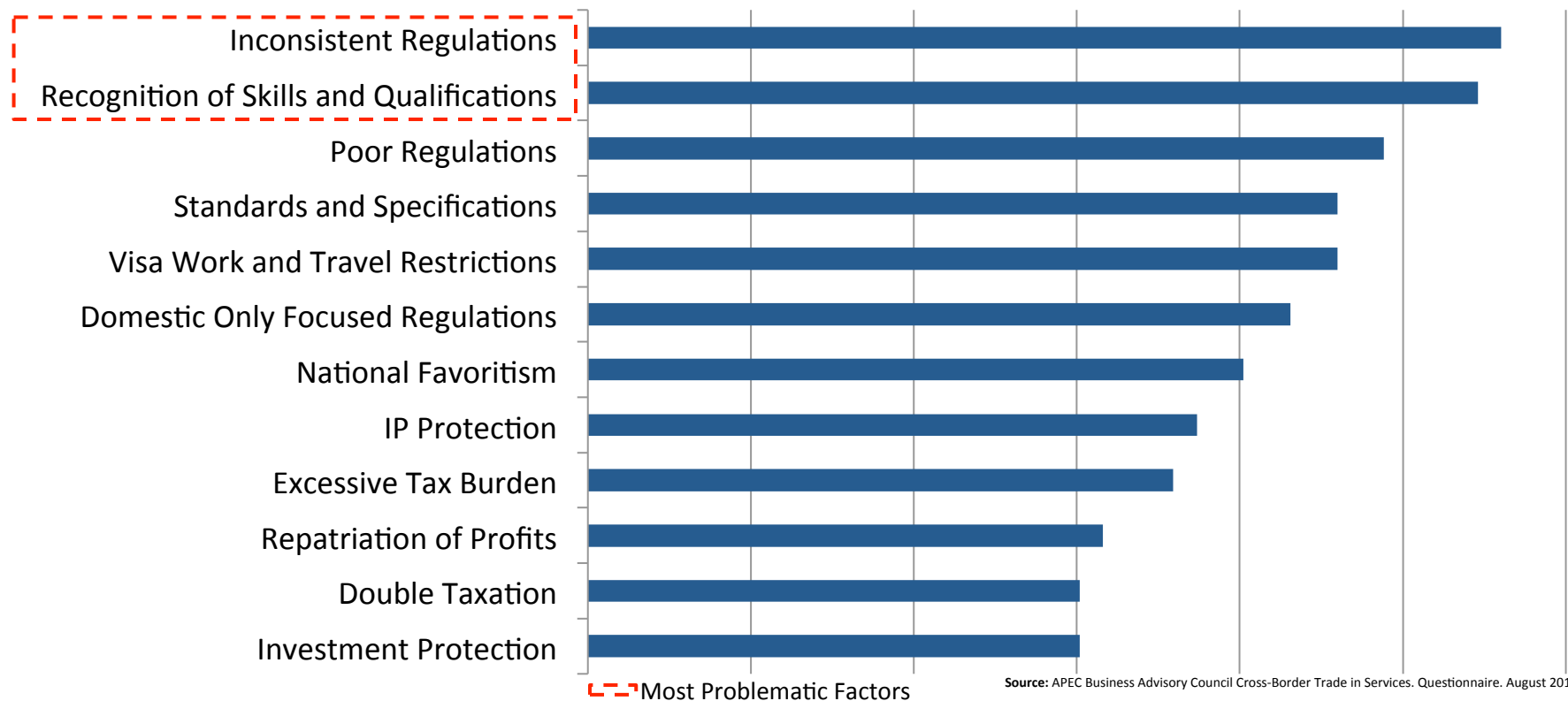


The *Regulatory Environment* index reveals that barriers exist across the board when companies do business in the APEC economies. Tackling these issues presents a significant opportunity to increase trade in services.

Most Problematic Factors for Regulatory Environment

Most Problematic Factors Impacting Regulatory Environment: The most problematic factors to quality of regulation impediments is determined via interviews, questionnaires, and secondary research. The list below identifies the factors that contribute to quality of regulation impediments in rank order.

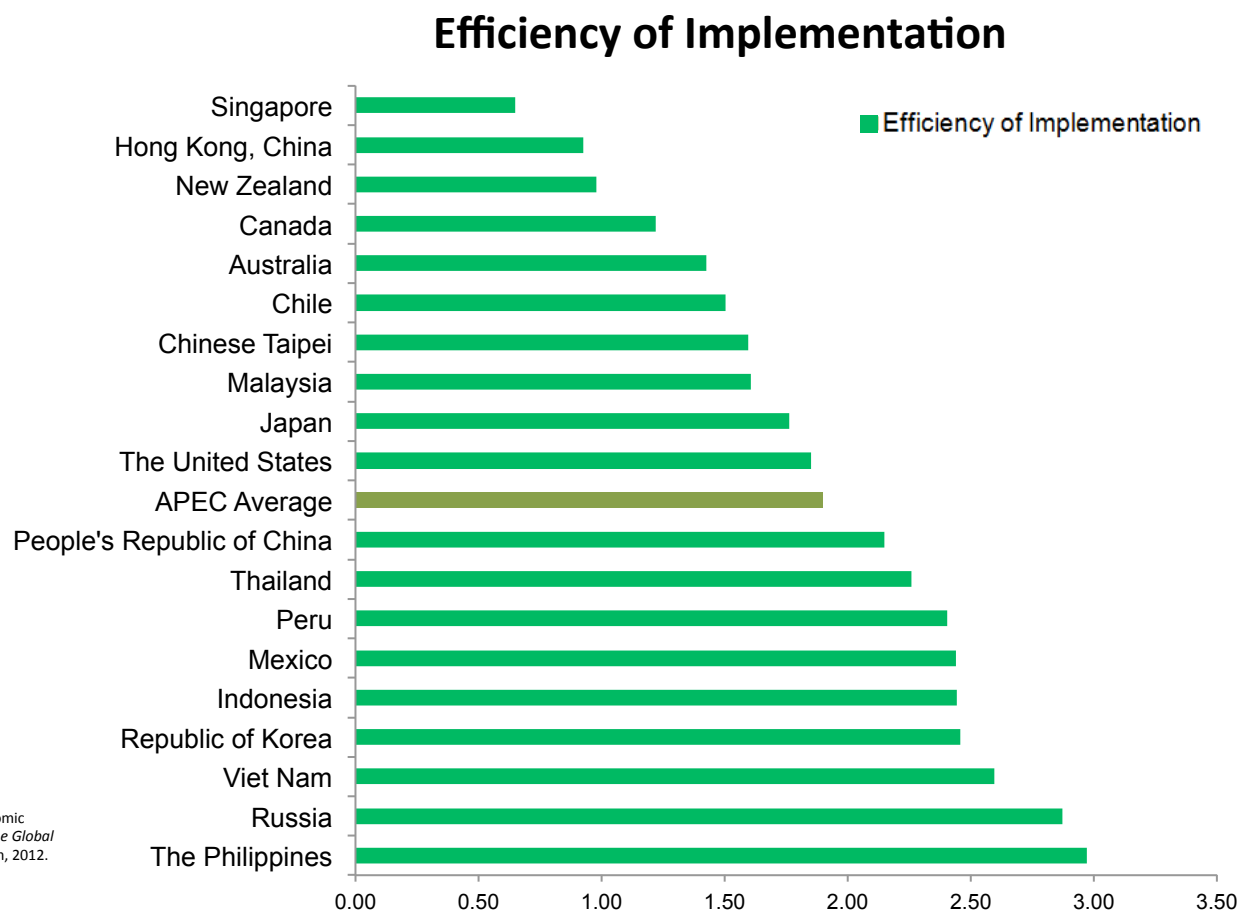
Factors Affecting Quality of Regulatory Environment



The APEC region varies greatly in its efficiency of implementation index

Efficiency of Implementation Index Across APEC: The chart below shows the efficiency of implementation index by APEC economy.

Economy	Efficiency of Implementation
Australia	1.43
Canada	1.22
Chile	1.50
People's Republic of China	2.15
Hong Kong, China	0.92
Indonesia	2.44
Japan	1.76
Republic of Korea	2.46
Malaysia	1.61
Mexico	2.44
New Zealand	0.98
Peru	2.40
Russia	2.87
Singapore	0.65
Chinese Taipei	1.60
Thailand	2.26
The Philippines	2.97
The United States	1.85
Viet Nam	2.60
APEC Average	1.93



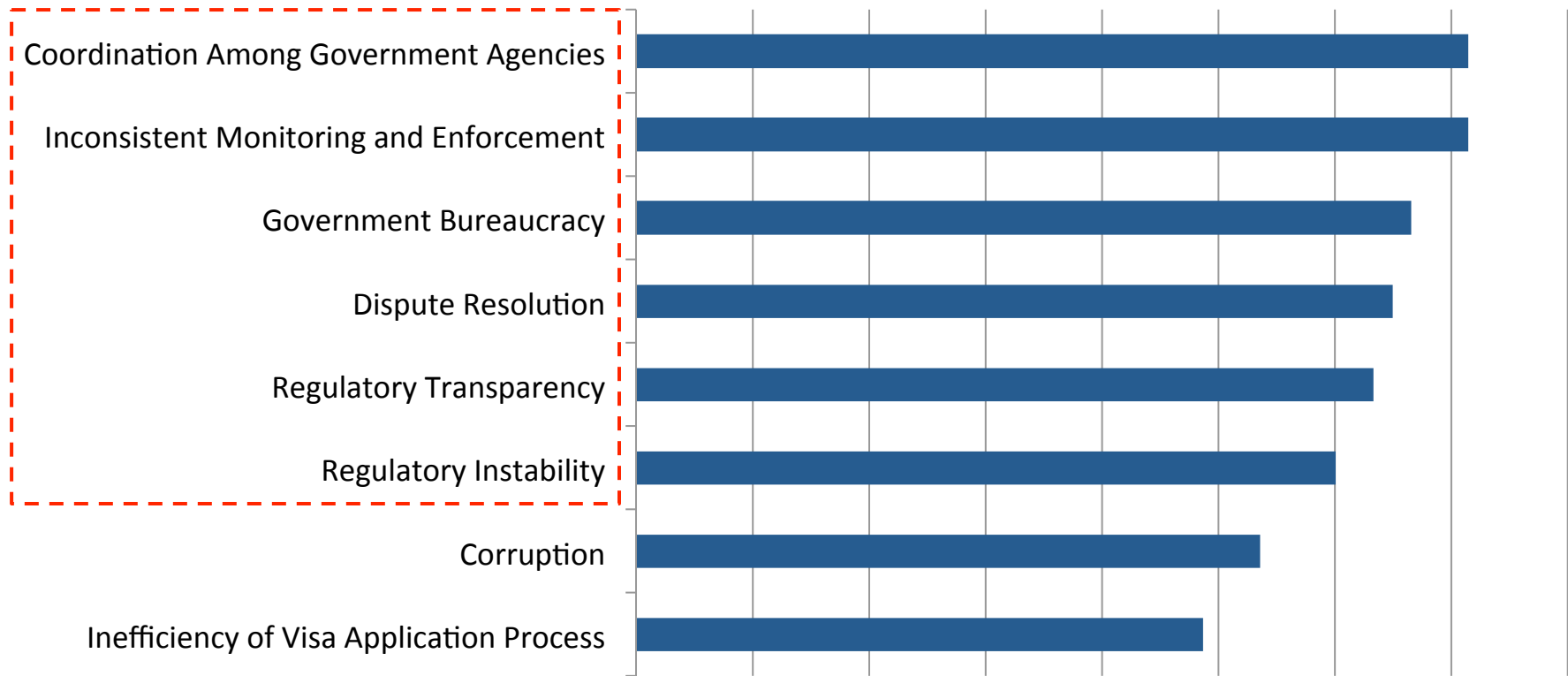
Source: Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.; Lawrence, Robert Z., Margareta Drzeniek Hanouz, and Sean Doherty. *The Global Enabling Trade Report 2012 Reducing Supply Chain Barriers*. Geneva: World Economic Forum, 2012. Print.; USC Marshall ABAC Research Team analysis.

The *Efficiency of Implementation* index reveals a discrepancy across APEC economies in this area. APEC initiatives toward reducing efficiency of implementation issues can help member economies reach parity and prosperity.

Most Problematic Factors for Efficiency of Implementation

Most Problematic Factors Impacting Efficiency of Implementation: The most problematic factors affecting efficiency of implementation of regulation are determined via interviews, questionnaires, and secondary research. The list below identifies the factors that contribute to efficiency of implementation of regulation impediments in rank order.

Factors Affecting Efficiency of Implementation



Source: APEC Business Advisory Council Cross-Border Trade in Services. Questionnaire. August 2012.

 Most Problematic Factors

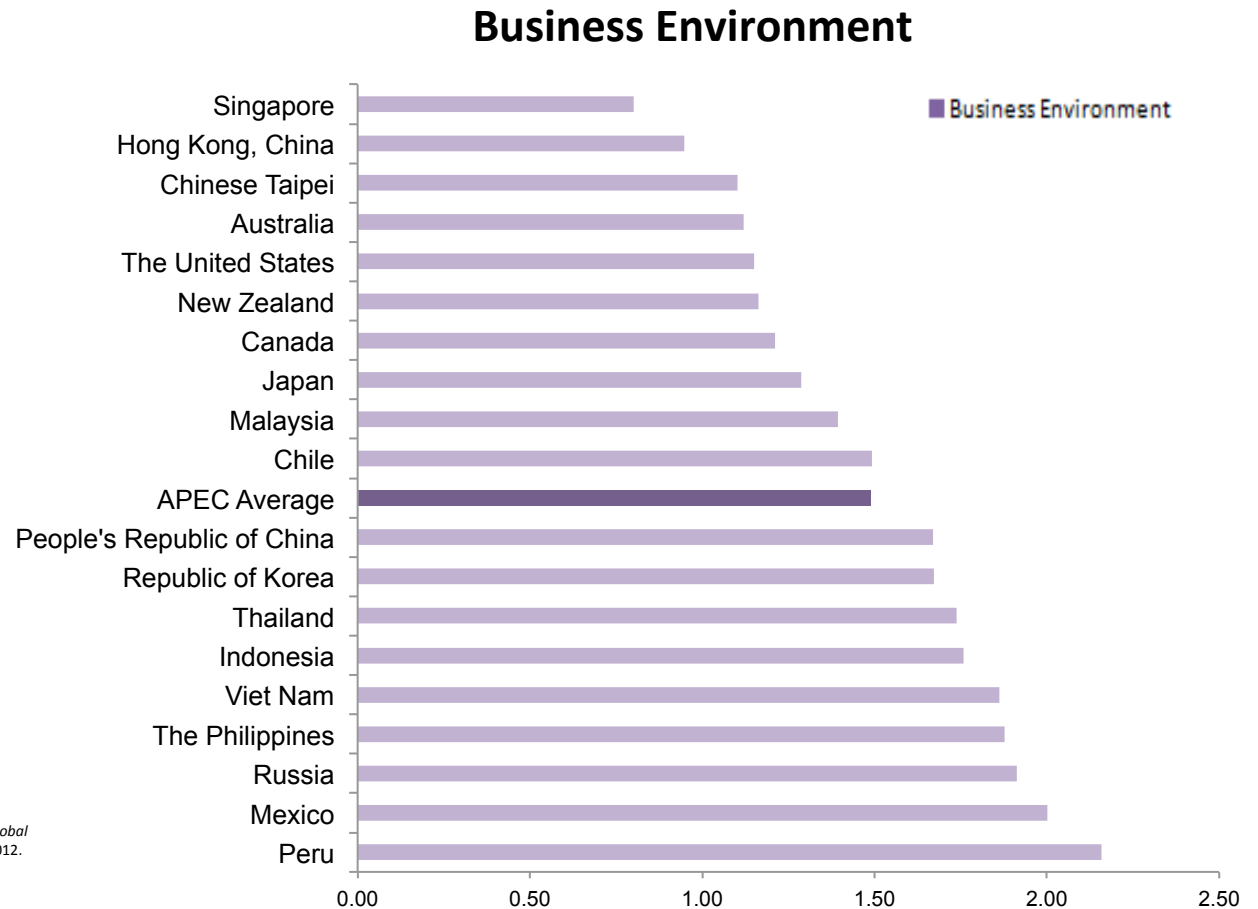
The graph above represents the relative amount of responses received for each category.

Business environment impediments were identified as a significant issue affecting services trade in APEC

Business Environment Index Across APEC: The chart below shows the business environment index by APEC economy.

Economy	Business Environment
Australia	1.12
Canada	1.21
Chile	1.49
People's Republic of China	1.67
Hong Kong, China	0.95
Indonesia	1.76
Japan	1.29
Republic of Korea	1.67
Malaysia	1.39
Mexico	2.00
New Zealand	1.16
Peru	2.16
Russia	1.91
Singapore	0.80
Chinese Taipei	1.10
Thailand	1.74
The Philippines	1.88
The United States	1.15
Viet Nam	1.86
APEC Average	1.51

Source: Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.; Lawrence, Robert Z., Margareta Drzeniek Hanouz, and Sean Doherty. *The Global Enabling Trade Report 2012 Reducing Supply Chain Barriers*. Geneva: World Economic Forum, 2012. Print.; USC Marshall ABAC Research Team analysis.

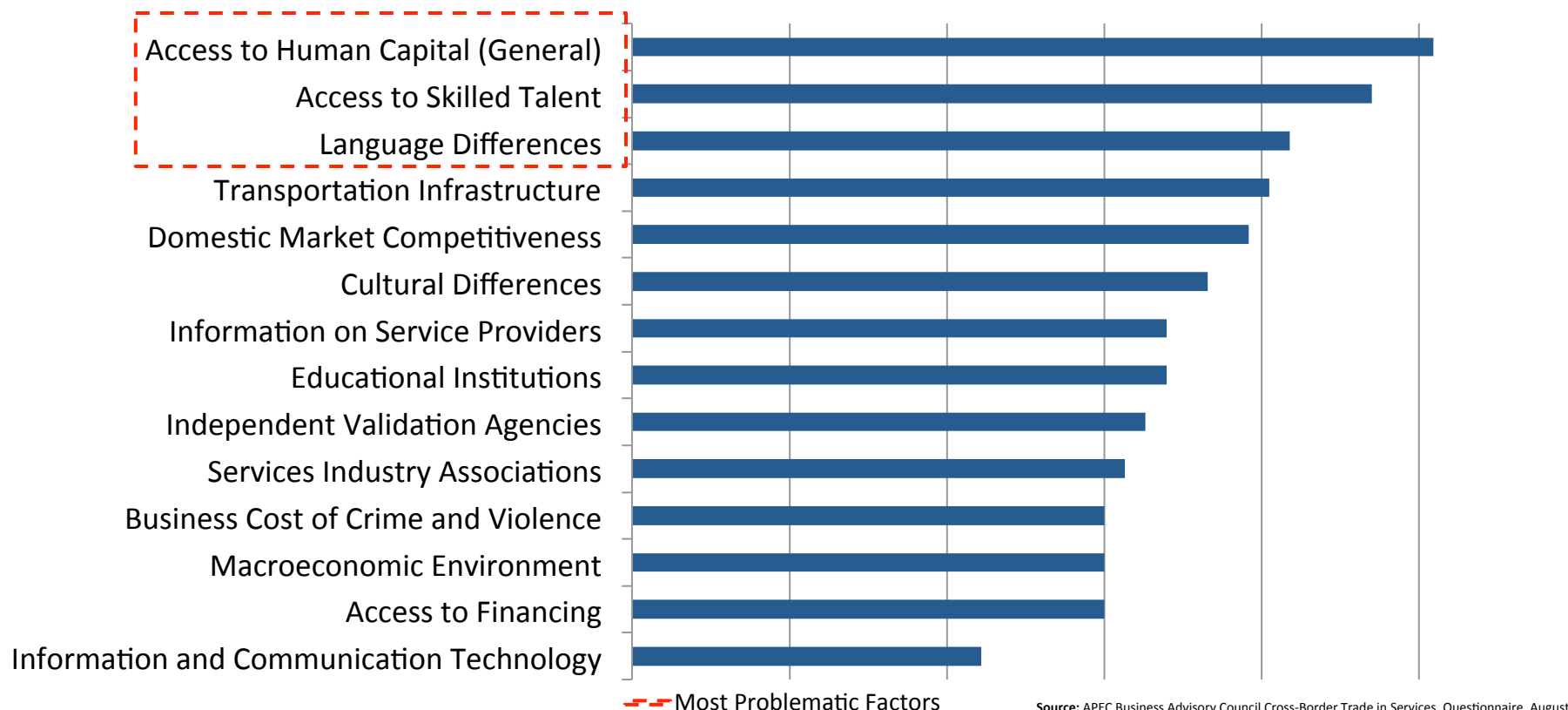


The *Business Environment* index reveals that all APEC economies are affected by increased cost of business in this category. APEC can have a significant regional impact by reducing business environment impediments.

Most Problematic Factors Affecting Business Environment

Most Problematic Factors Impacting Business Environment: The most problematic factors affecting business environment are determined via interviews, questionnaires, and secondary research. The list below identifies the factors that contribute to business environment impediments in rank order.

Factors Affecting Quality of Business Environment



The most problematic factors occur in all areas, but are concentrated in the *efficiency of implementation* category

Most Problematic Factors Across Economies and Sectors

- Standards & Specifications
- Recognition of Skills and Qualifications
- Inconsistent Regulations
- Regulatory Transparency
- Inconsistent Monitoring and Enforcement
- Coordination Among Government Agencies
- Regulatory Instability
- Dispute Resolution
- Government Bureaucracy
- Language and Culture
- Access to Human Capital
- Access to Skilled Talent



Barriers differ by economy, stage of development and sector.

Source: APEC Business Advisory Council Cross-Border Trade in Services. Questionnaire. August 2012.

The failure of standardized *recognition of skills and qualifications* inhibits cross-border services trade

[Regulatory Environment] Lack of mutual recognition for academic and professional qualifications, credentials and certifications.

At issue: Constraints on ability of firms to draw from a wider employment pool and constraints on ability to promote intra-firm culture via human capital relocation

Drivers and Issues

Drivers:

- Protectionist practices in the name of guarding the domestic labor market
- Lack of international coordination among government and/or industry groups
- Results of efforts to regulate/create standardization within the domestic market
- Lack of inertia to institutionalize standards and qualifications

Issues:

- Individual economies and the APEC region face supply and demand disparities in the labor markets
- Limits ability to export services during domestic economic cycles (particularly domestic recessions)
- Achieving and maintaining different certifications/qualifications are a loss of time and money
- Services outsourcing is still possible but requires certification by professionals recognized by the economy



Sizeable opportunities exist with proper alignment of *skills and certifications* including potential smoothing of employment cycles

"Engineers from Chile have difficulty receiving professional recognition specifically in the USA and Canada."

Government Official, Chile

"Audit skills can come from anywhere as long as you don't sign off on it. Ultimately the sign-off has to come from the person who is licensed in the state. "

Professional Services, Canada

"We don't have a standards body that sets qualifications for certain professions such as architects. When it comes to recognizing licensed architects across borders it is impossible as there's no equivalent."

Professional Services, Australia

"I manually translated the international real estate appraisal standards to bring the accreditation to [sic] Chinese Taipei which has allowed us to work successfully with multinational firms."

Professional Services, Chinese Taipei

Best Practices

- By being a member of the International Actuarial Association, any country in the organization is required to acknowledge the individual as an actuary, though the ability to sign as an actuary varies by country.
- Accountants can work in economies that have Mutual Recognition Agreements with one another by taking a special International Qualifications Examination instead of the regular Chartered Professional Accountant exam.

Actions

- Foster industry group collaboration among different economies for regulatory coherence to make services modular and standardized
- Create a liberalization schedule for progressive regulated cross-border services trade for accredited individuals with milestones for eventual full liberalization

Matching *standards & specifications* allows for greater tradability of services

[Regulatory Environment] Domestic standards and specifications differ from, and/or are not harmonized with, internationally agreed upon standards.

At issue: Differing standards keep professionals from providing services on the basis of a single consistent platform

Drivers and Issues

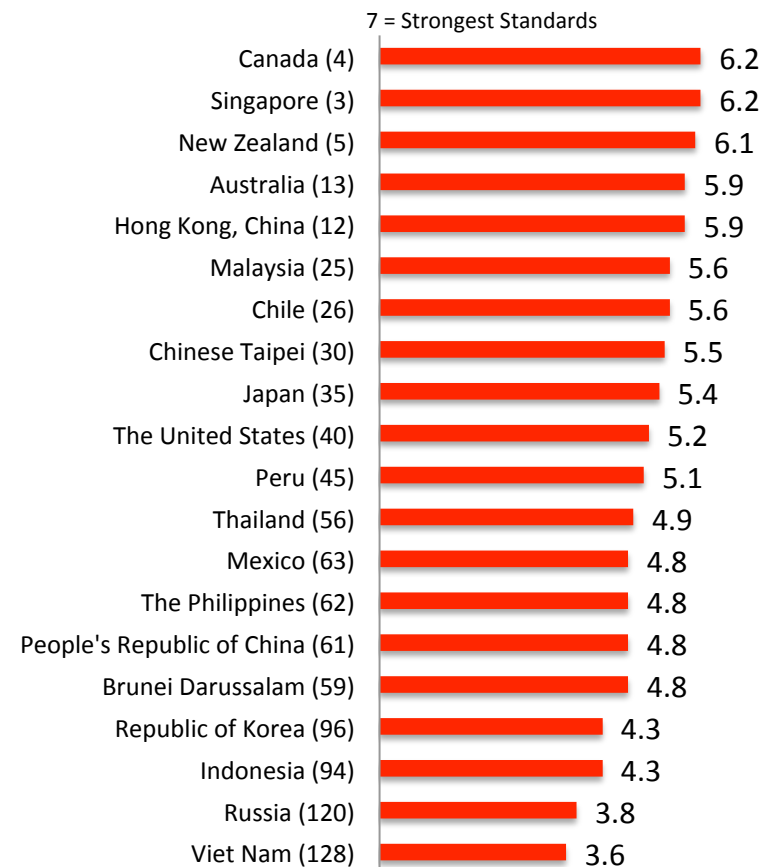
Drivers:

- Standards are created in isolation in the interest of consumer protection
- Lack of awareness of internationally agreed upon standards
- Cost of compliance may be too high to adopt
- Multiple stakeholders can complicate the issue of approval
- Outdated and or legacy standards hinder the acceptance of new standards

Issues:

- Differing standards mean professionals must be competent in multiple specifications
- Education and compliance adds cost and time
- Adopting like standards with local modifications is an impediment to trade
- Adopting a different standard can be a form of protectionism

Strength of Auditing and Reporting Standards



Source: Schwab, Klaus. The Global Competitiveness Report 2011-2012. Geneva: World Economic Forum, 2011. Print.

Creating international *standards and specifications* is partly a problem of coordination among economies' public and private sectors

"In order for Peru to become globally competitive, there must be a global standard. Nobody will have credibility in a Peruvian firm meeting a Peruvian standard."

Retail Services, Peru

"We always think the western countries have a higher professional standard, hence why we ensure that the professionals are maintaining those standards. That barrier continues in the name of consumer protection."

Professional Services, Canada

"If all countries harmonized or recognized each other's regulation, total services trade through commercial presence could increase by between 13 and 30% depending on the country"*

OECD Trade Policy Working Papers

*Nordas, H. and Kox, H. OECD Trade Policy Working Papers, No. 85. OECD Publishing. "Quantifying Regulatory Barriers to Services Trade." 2009.

"Korea is its own microcosm – other countries adopt international specifications and standards so it's easier to do business"

Financial Services, Republic of Korea

Best Practices

- The International Financial Reporting Standards (IFRS), a set of accounting standards and statements on how transactions and other events should be reported, allow for consistency in viewing, reporting and comparison.
- The International Valuations Standards Council issues, promotes, and provides technical guidance for the adoption of standards in valuation across its 74 members of over 50 countries.

Actions

- Regional bodies can bring different local services associations together to foster a dialogue on creating and adopting like standards
- Establish pathfinder initiatives between a few economies in select industries to harmonize standards
- Create transparency and collaboration in new certification creation to encourage adoption

***Inconsistent regulations* are often unintentional but can be highly discriminatory to trade**

[Regulatory Environment] Inconsistencies and differences (lack of alignment) in regulations made and applied at the international, national, state, and local levels.

At issue: Propensity of “fractured” governments to adapt or interpret subjective regulations

Drivers and Issues

Drivers:

- Individual jurisdictions with regulatory independence create inconsistent regulations within different levels of government
- Complex relationships between federal mandates and local regulatory independence
- Time to implementation can create inconsistencies in application particularly when extended across a large economy

Issues:

- Introduces uncertainty to the decision making process and thereby favors incumbent services providers
- Minor but continual adaptation to local regulations creates need for additional staffing and raises overall transaction costs
- Discourages competitive environment and trade by introducing uncertain costs



Inconsistent regulations create confusion and frustration among both regulating authorities and businesses

“China allows Hong Kong companies to setup hospitals in China under the CEPA agreement, however the local governments in some provinces require local approval.”

Trade Association, Hong Kong, China

“When company wants to open an office outside Manila, the local governments impose additional taxes and licensing fees that discourage expansion outside the metro areas.”

Professional Services, The Philippines

“Depending on the province, paid leave differs. We use local legal consultation to find out the applicable paid leave.”

Legal Services, People’s Republic of China

“China’s biggest barrier to trade is the inconsistent application of law across its provinces.”

Retail Services, Japan

Best Practices

- Mexico introduced a process for the private sector to conduct a “regulatory impact analysis” before new laws are passed. The proposed laws are posted on a public portal to be reviewed and commented on by local governments as well as private businesses.

Actions

- Foster an environment of compulsory adherence to national laws by increasing penalties for non-compliance and incentives for compliance and overall pay
- Increase transparency of legislative process including draft legislation for limited feedback from regional governments, business officials, and international trade associations

Regulatory transparency is a mandatory condition for firms to make long-term FDI investments

[Efficiency of Implementation] Complexity of regulations; lack of availability of information about regulations to public.

At issue: Lack of transparency favors domestic and incumbent suppliers and discourages competition and innovation

Drivers and Issues

Drivers:

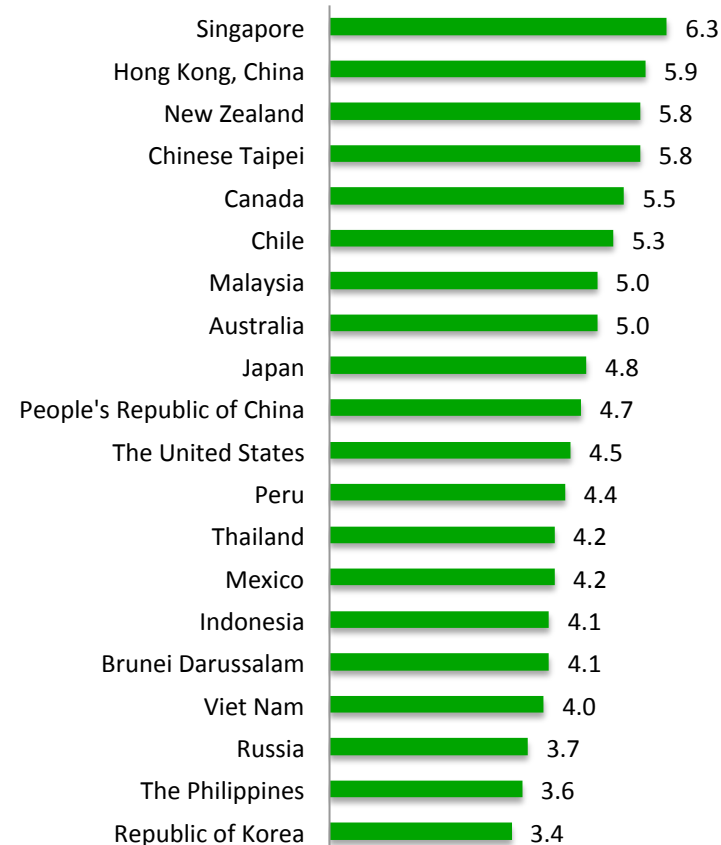
- Historically, governments have had a strong role in services regulation and growth which is a constrictive remnant in the current services trade environment
- Additional costs associated with promoting transparency included in time and resources required by additional employees or time lost in determining regulatory policy
- Lack of recognition in the importance of regulatory transparency for business decisions

Issues:

- Hesitation to make long-term economic investment
- Uncertainty about return on investment
- Inability of firms to expand rapidly across jurisdictions with confidence and without fear of penalties
- Time and cost required to comply with unclear regulations
- Can result in different interpretations of regulations

Transparency of Government Policy Making

7 = Highest Degree of Transparency



Source: Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.

Regulatory transparency and ease of understanding are often interlinked and their absence creates additional trading difficulty

“Without clarity on how regulations will be implemented and enforced, business chooses not to operate. We would prefer smaller, safer returns rather than the risk of a nonstarter venture.”

Professional Services, The Philippines

“Transparency of the licensing process is especially bad in developing countries but remains an issue in developed countries as well.”

Telecom Services, Japan

“What we find is that most businesses don’t understand the actual requirements of customs officials and regulations and fail because of this.”

Legal Services, Singapore

“How can we follow the regulations if we have trouble understanding what they are saying?”

Retail Services, Hong Kong, China

Best Practices

- Mexico introduced a portal, Compranet, which is used to post federal bids for any government project, purchase or investment for bidding by all private providers.
- In 2005 the APEC-OECD created the Integrated Checklist on Regulatory Reform to foster transparency in regulatory reform by proposing a framework for government processes.

Actions

- Utilize the Integrated Checklist on Regulatory Reform across APEC
- Guaranteed timeline for resolving questions that the private sector may have to alleviate concerns about the implementation of new regulation
- Create a sense of community, and multiple mediums to address uncertainty. Clarity, accountability, and open access to information create credibility for regulatory decisions and help foster sustainable investment

***Inconsistent monitoring and enforcement* leads to unexpected and undue costs of trade**

[Efficiency of Implementation] Inconsistency within and across government agencies in the application of policies in service sectors.

At issue: Unpredictable and uncertain regulations that can impede trade

Drivers and Issues

Drivers:

- Difficulties and costs of coordination present barriers to establishing consistent standards and include additional costs associated with enforcing those standards
- Ministries once accustomed to operating and fostering the growth of protected industries are now also tasked with facilitating regulatory consistency for foreign owned firms
- Variety of independent regulatory approval and control organizations that have all slightly modified criteria that may conflict between one another and vary depending on the individual opinions and attitudes of the authorities

Issues:

- Time and opportunity losses as well as increased costs resulting from having to meet multiple and shifting approval requirements
- Firms that are forced to adapt their business model to meet additional costs of local implementation standards



Inconsistent monitoring and enforcement may result in higher rents to the end consumer

“In Thailand the government allows for rewards to customs officials for extra revenues collected. Because of this a large percentage of officials look for problems that do not exist.”

Legal Services, Singapore

“The ASEAN single-window system is supposed to be paperless but sometimes they require us to submit documentation.”

Logistics Services, Japan

“Tax enforcement is inconsistent and is sometimes abused as an instrument for discrimination.”

Retail Services, Peru

“In this world there are several sets of standards on paper. However they are lacking the appropriate enforcement levels.”

Logistics Services, Mexico

Best Practices

- Committee of European Securities Regulators created unified enforcement of cross border listings and offerings across their exchanges.
- US Patent and Trademark Office has branches overseas to enforce IP enforcement internationally while facilitating trade.
- BASEL III escalated consistent holding requirements and regulations for the commercial banking sector.

Actions

- Encourage APEC-led tripartite coordination of APEC, businesses, and governments to conduct regular conversations concerning suggestions for growth of services trade and observed inconsistent governance
- Foster transparency across APEC region by publishing standard processing, return times, and example policy outcomes of regulatory practices

Lack of incentives to *coordinate government agencies* creates adverse barriers to foreign firms

[Efficiency of Implementation] Absence of a single government agency responsible for services, and the lack of coordination among governmental agencies places costly conflicting demands on service firms.

At issue: High quality regulation can be compromised by poor implementation that adversely affects investment and economic performance

Drivers and Issues

Drivers:

- Lack of incentive to coordinate amongst government agencies
- Excessive bureaucracy creates distance and overlap of agency responsibilities
- No medium of exchange for ideas and clarification
- Siloed government structure through legacy or construct
- Inequality in power and budget of government offices
- Low priority for creating a single agency responsible for services trade

Issues:

- Services receive secondary priority as there is no governmental body unifying policies for trade across all services sectors
- Leads to duplication of effort in government
- Adds cost and creates confusion among public and private sector alike
- Can hinder an economy's ability to market its service sector internationally



Coordination of government agencies yields multiple benefits

“Centrally defined regulations are not consistent with implementation requirements and policies at local and regional government bodies.”

Mining Services, Peru

“Immigration, Education and Labor ministries do not coordinate. Mobilizing skilled talent to hire is a challenge.”

Government Official, Australia

“The agency in charge of attracting foreign investors does a good job; however when business arrive, they encounter a lack of coordination among agencies.”

Professional Services, Mexico

“The reason for the rapid growth in the BPO sector is that there is an agency representing the sector and coordinating with private business.”

Industry Association, The Philippines

Best Practices

- The Australian Services Roundtable provides an industry association that gives a voice to all service industries.
- The United States government security agencies have a work share program with operations sharing expertise for local or specialized scenarios training.

Actions

- Create an overarching government body responsible for services sector growth that interfaces with the related government agencies to identify inconsistencies and lack of coordination in defining policies and regulations
- Facilitate conferences and meetings to share best practices and build relationships between government agencies
- Intensify public/private dialogue to surface issues to APEC

Regulatory instability is a key consideration when businesses decide whether to enter a foreign market

[Efficiency of Implementation] Frequent, unexpected, quick, or poorly communicated changes in regulations.

At issue: The instability of regulations creates an uncertain environment for businesses, making it difficult to operate and increasing the risk

Drivers and Issues

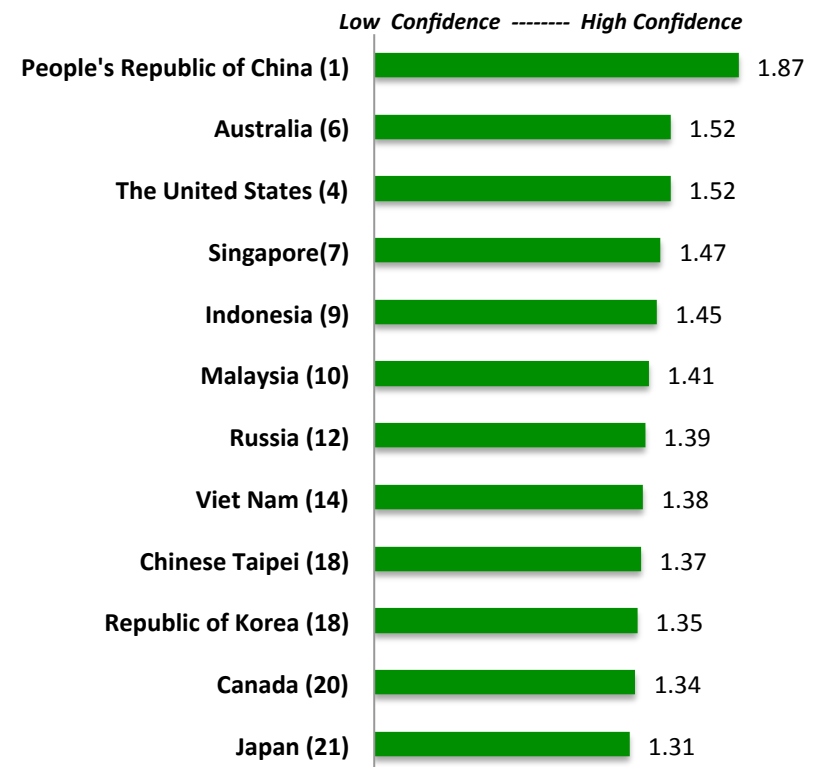
Drivers:

- Unstable political regimes
- Economic instability
- Frequent change of political parties with opposing policy goals
- Lack of checks and approval processes for the legislative branch
- Lack of communication and transparency in regulatory changes

Issues:

- Threat of nationalization has the most significant impact to investor confidence
- Instability undermines policy goals and leads to inconsistent regulations
- Perceived instability can compound uncertainty
- Businesses cannot make projections and estimate risk
- Increases reluctance on the part of foreign investors to enter a market

2012 A.T. Kearney FDI Confidence Index



Assesses the impact of political, economic, and regulatory changes on the FDI intentions and preferences of the leaders of top companies around the world

Laudicina, Paul A., Erik R. Peterson, and Johan Gott. "2012 A.T. Kearney FDI Confidence Index." A.T.Kearney, Inc., 2012.Print.

Regulatory instability can make or break an investment decision

“When there is change in government leadership, the uncertainty of policy change makes it hard for future investment.”

Logistics Services, Peru

“The sextenio (six year Presidential term) prevents business from having a long-term strategy due to dramatic regulation changes each term.”

Government Officials, Mexico

“Investors have a choice. Uncertainty will steer them away from investment .”

Financial Services, Japan

“There are cases where the government can make tremendously destructive regulation that is unpredictable.”

Professional Services, People’s Republic of China

Best Practices

- Singapore’s Economic Development Board formulates policy, develops industrial estates and initiates industry clusters to promote foreign direct investment
- Honk Kong’s InvestHK is one of the world’s best practice investment organizations that supports foreign SMEs as they enter or invest in Hong Kong

Actions

- Provide timely notice of forthcoming regulations and policy changes to the public
- Conduct adequate research and analysis before creating legislations
- Increase transparency measures to promote confidence
- Restrain retroactive measures that cause concern for future investors
- Before developing new regulation initiate discussion with stakeholders including private sector and industry trade groups

Uniform and clear practices in *dispute resolution* reduce cost of trade and facilitate foreign investment

[Efficiency of Implementation] Inefficiencies of legal system and lack of judicial independence

At issue: Risks associated with the lack of adequate and efficient legal recourse and dispute resolution mechanisms

Drivers and Issues

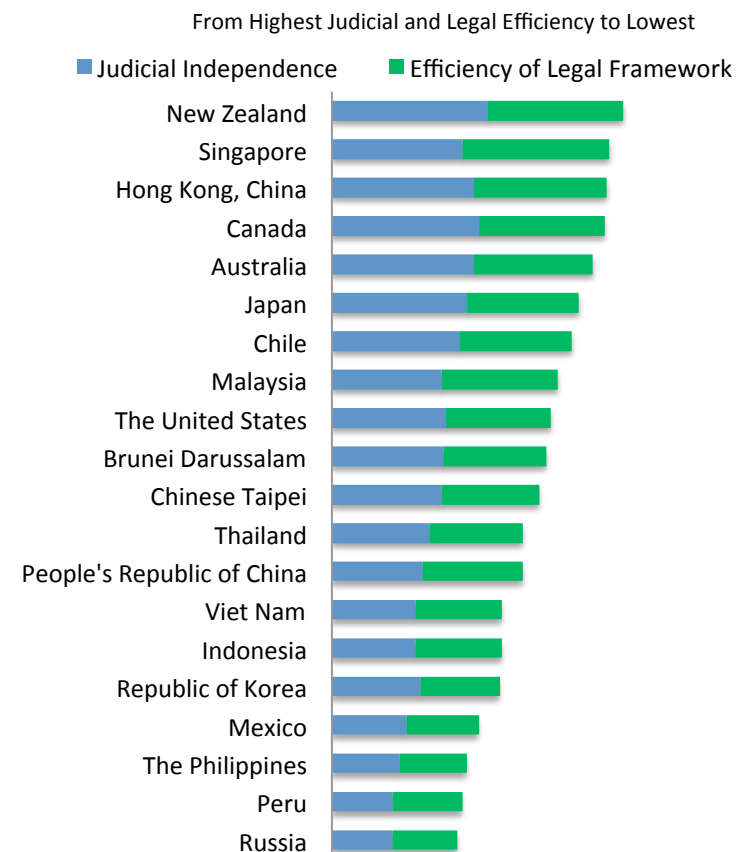
Drivers:

- Cultural and language barriers escalate the likelihood of disputes and compound the issue of dispute resolution
- Huge variation in legal regime , maturity of legal application with different bases (English common law, Napoleonic, etc.)
- Unscrupulous market players or players looking to take advantage of legal loopholes
- Lack of governmental support for services businesses in the judiciary

Issues:

- Increases the cost of trade when disputes occur
- Impacts services trade by forcing firms to rethink their approach to operations in external markets (short-term contracts, prepayment, limited cooperation opportunities)
- Plays a large role in dissuading MNCs from entering new economies

Judicial Independence and Efficiency of Frameworks



Source: Schwab, Klaus. *The Global Competitiveness Report 2011-2012*. Geneva: World Economic Forum, 2011. Print.

Efficient *dispute resolution* comes from a mature private mechanism or a robust legal institution with consistent application of law

“We might choose not to operate in an economy, where arbitration practices are weak or ambiguous.”

Legal Services, Hong Kong, China

“After several negative precedents, we trade with our Chinese partners only on terms of prepayment.”

Logistics, Russia

“US attorneys and companies struggle with different legal-based systems.”

Financial Services, The United States

“If there is a dispute that needs to be resolved – there is no telling who will win. It will either be the state or the wealthiest party.”

Legal Services, People’s Republic of China

Best Practices

- Stockholm Arbitration & Litigation Center is an example of a cost-efficient, expeditious and neutral dispute resolution mechanism, which efficiently resolves trade disputes in the EU and beyond.
- The United States has a large alternative dispute resolution industry that alleviates the need to go to trial to obtain legal recourse.

Actions

- Encourage an alternative dispute resolution industry among economies
- Promote services associations and independent validation agencies to ensure consistent services delivery and common contractual bases
- Foster mechanism to resolve disputes within industry association and private groups

Excessive *bureaucracy* is often unintentional and results in peripheral costs

[Efficiency of Implementation] Burden (amount and complexity) of governmental administrative requirements to enter and operate in service sectors

At issue: Increases cost of conducting business significantly for some providers and acts as a barrier for others

Drivers and Issues

Drivers:

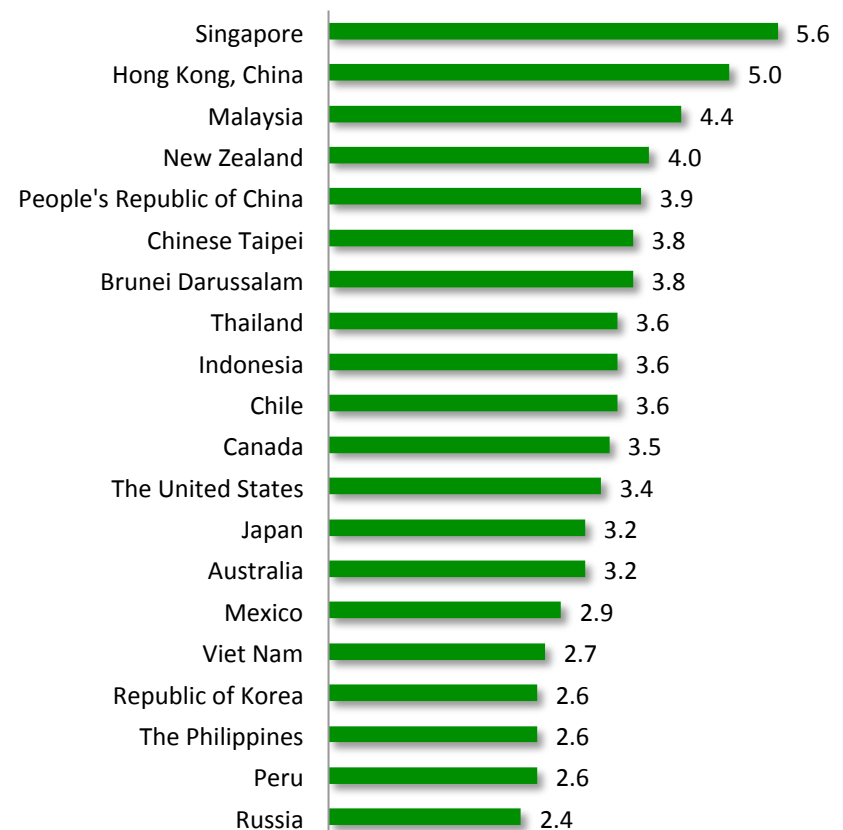
- Insufficient knowledge of government resources and correct contacts
- Insufficient government capacity to handle requests
- Long, uncertain, or inconsistent processing times and forms regulation
- Horizontal agencies which add unnecessary oversight
- History of government ownership and intervention in services sectors causes residual bureaucracy

Issues:

- Ineffectual and excessive documentation creates unnecessary staffing requirements to support trade
- Businesses discouraged from conducting services trade
- Unpredictable nature of regulations leads to conservative investment policy and restricts growth of trade in services

Burden of Government Regulation

7 = Not burdensome at all



Source: Schwab, Klaus. The Global Competitiveness Report 2011-2012. Geneva: World Economic Forum, 2011. Print.

Government bureaucracy could be reduced following the best practices of European economies

“Obtaining a work visa often takes many months. The office of homeland security has made that process even worse.”

Educational Services, The United States

“The bureaucracy doesn’t follow or have any regard for the sales and delivery cycle that the services industry operates on.”

Professional Services, New Zealand

“When a client asks us about the tax law associated with expansion we have to send the request to our local offices and shouldn’t expect a response for several weeks.”

Professional Services, People’s Republic of China

“We have ½ an FTE dedicated to just regulatory paperwork – and we’re only a midsize bank!”

Financial Services, People’s Republic of China

Best Practices

- Single market rules implemented across the EU eliminated the need for regulating 27 separate member states and reduced administrative burden for EU companies by 25%.*
- The Netherlands implemented measures such as: simplifying payroll taxes, reducing bureaucracy formalities for starting limited private companies, scrapping chambers of commerce levies and lowering reporting requirement to reduce bureaucracy.

Actions

- Evaluate opportunity for common services approach across APEC for bureaucracy reduction
- Foster transparency across APEC region by publishing standard processing, return times, and example policy outcomes of regulatory practices
- Continue research of best practices and seek joint-funded opportunities to pilot programs across APEC

*20 Years of the Single Market. Europa.eu, 8 March 2012. Web. 24 August 2012. <<http://www.singlemarket20.eu/achievements/overview/display?id=59>>.

Language and cultural barriers are a continuing issue in the modern business environment

[Business Environment] Differences in language and culture impede trade or increase cost of offering services in foreign markets

At issue: Language and culture can be a cause for lack of connectivity or create multiple barriers to trade

Drivers and Issues

Drivers:

- Geography creates or impedes cultural and language ties
- Historical events influencing the evolution of language and cultures as well as economic and trade relationships
- Governmental policies prioritizing one language or culture over others
- Economies and companies that insist on doing business in a designated language

Issues:

- Sovereignty issues among economies that value their culture and language identity
- Human capital issues in economies with different culture and language from those of the home economy
- Communications and ideas can be misconstrued and require language nuance understanding when translated into other languages
- Efficiency of global operations is slowed



Educational initiatives to promote *language and culture* studies can have a significant impact in increasing trade between economies

“Obstacles to provide services to our clients is the ability for us to understand them, not just knowing the language, but understanding the culture.”

Professional Services, Canada

“Translating Japanese to other languages is slow and ineffective and hinders effective communication in our global operations.”

Financial Services, Japan

“Our customers require English contracts, however, we have to translate them to our language when submitting them to the government.”

Professional Services, Indonesia

“As these companies are expanding overseas and seeking foreign investment, there are still some issues of culture and not really knowing how to work in the international business community.”

Professional Services, People’s Republic of China

Best Practices

- Australia has implemented the National Asian Languages and Studies in Schools Program to teach Asian languages in primary and secondary schools.
- University sponsored projects that bring together foreign universities such as Mathematics and Science Lesson Study and the Foreign Language Lesson Study.

Actions

- Creation of joint educational and research programs which foster trade through cultural and language learning and align economies for future cross-border cooperation
- Facilitate services trade between bilingual participants by creating a database that is hosted by the domestic agency responsible for services trade

World Economic Forum and Boston Consulting Group. *Stimulating Economies through Fostering Talent Mobility*. Geneva: World Economic Forum, 2010. Print.

Access to human capital impacts firms at all levels

[Business Environment] Lack of availability, lack of quality, and high cost of personnel at all skill levels

At issue: Shrinking talent pool prevents service industries from reaching their full potential and thus slows down economic growth and development

Drivers and Issues

Drivers:

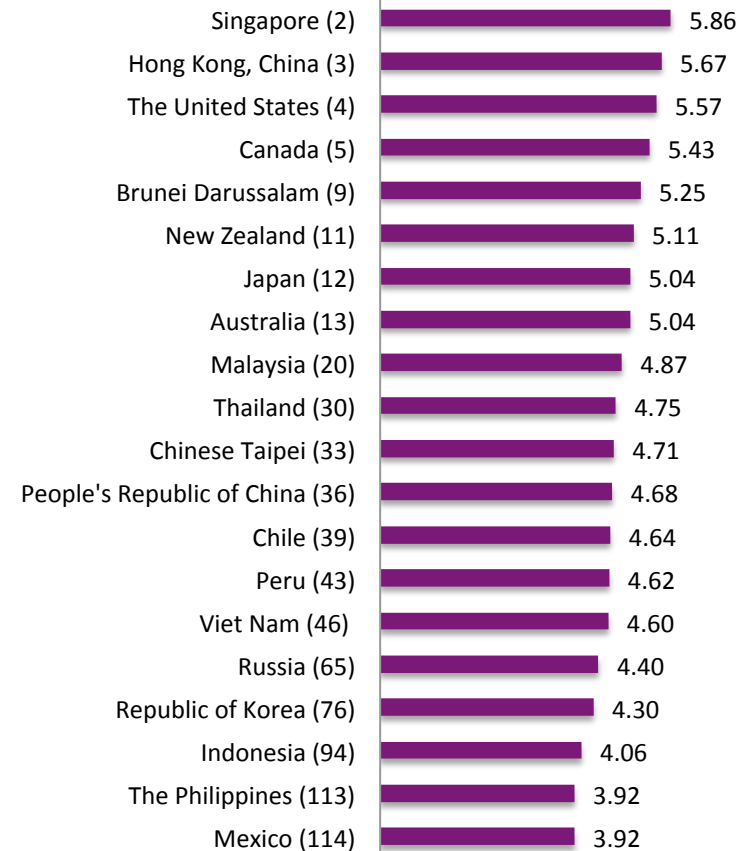
- Lack of quality tertiary education and training courses
- Work authorization issues
- Lack of mutual recognition of degrees and qualifications
- Labor supply and demand disparity across economies
- Regulations preventing talent mobility isolates the domestic labor market thus restraining competition

Issues:

- Inability to access human capital locally can force firms to import expats at a greater expense
- Domestic and international expansion can be stymied by the inability to hire adequate employees
- Smaller talent pool of qualified workers creates an atmosphere of poaching and thus makes retention and recruiting more costly

Labor Market Efficiency

7 = Absolutely Efficient



Source: Schwab, Klaus. The Global Competitiveness Report 2011-2012. Geneva: World Economic Forum, 2011. Print.

In particular, *lack of human capital* can be arbitrated in creative cross-border services supply chains

"In bringing professionals over, US immigration officials are very subjective in reviewing special qualifications."

Professional Services, The United States

"Retaining employees is hard because they have many options and may prefer to change jobs more frequently."

Professional Services, Chile

"The Philippine talent pool is very high but other countries are taking the workers away due to government subsidies to their local firms."

Industry Association, The Philippines

"Lack of English-speaking and computer application proficient professionals impacts international cooperation."

Healthcare Services, Russia

Best Practices

- Quebec's bilateral agreements with the Government of Canada allow Quebec to establish and oversee the selection parameters for economic migration to align its labour needs and selection of skilled workers.*
- Public awareness campaign initiated by animation council of The Philippines to demonstrate opportunities for parents to nurture creative talents aligned to future job opportunities.

Actions

- Tailor educational system to create the talent pipeline for emerging industries
- Assess current and anticipate future skills shortages through strategic skills planning
- Develop Public-Private Partnerships for promoting education and training
- Ensure portability of loans and grants and better cooperation among universities
- Evaluate program opportunity for pre-screening select student visas within APEC for automatic conversion to limited work visas

World Economic Forum and Boston Consulting Group. Stimulating Economies through Fostering Talent Mobility. Geneva: World Economic Forum, 2010. Print.

Access to skilled talent can prevent companies from expanding foreign operations

[Business Environment] Lack of availability and quality of specialists, senior management, and board-level personnel

At issue: Limits on senior management level labor hinders service firms from growing at their maximum potential, or even considering expansion into emerging markets

Drivers and Issues

Drivers:

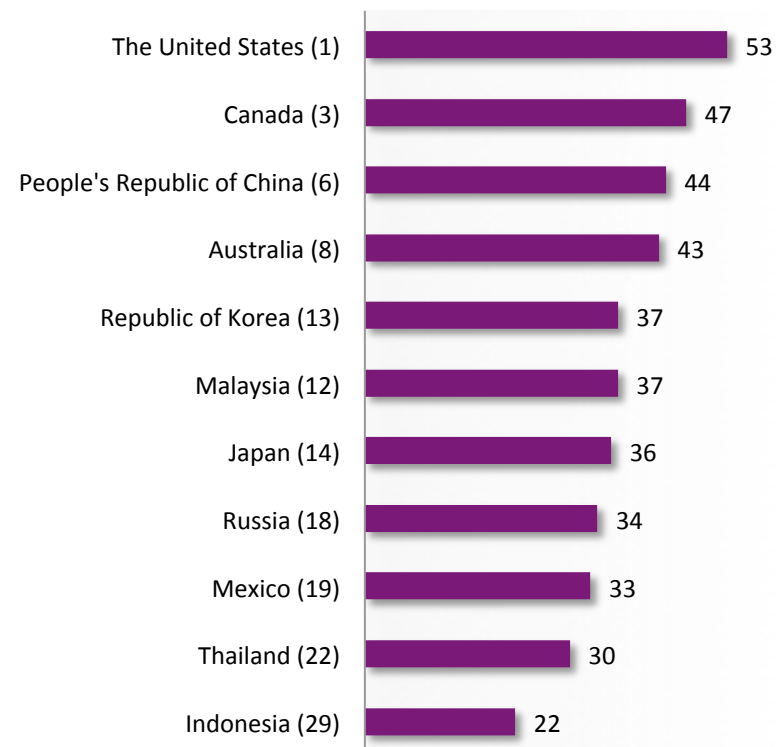
- Economic development and globalization have caused multinationals to look at emerging markets. However, emerging economies are often unable to provide adequate executive pipeline. Until this gap is eliminated, there is a need to import talent to these economies
- Lack of higher educational institutions
- Local talent with international management experience is lacking

Issues:

- Added cost to hire a specialist from another economy
- Lack of senior managers within an economy leads to less local presence as decisions are centralized in the home economy
- Foreign leaders are unable to connect with the labor force due to cultural differences and language barriers

Global Talent Index ranking in 2012

Ranks countries on their ability to nurture talent



Source: Kelly, Kevin L., et al. *Mapping Global Talent Essays and Insights*. USA: The Economist Intelligence Unit Ltd and Heidrick & Struggles International Inc., 2007. Print.

Skilled talent comes with experience in international markets and management styles

“We can find a number of technical workers but finding the senior management is difficult so we have to move expats to the economy at a huge expense, increasing the overall cost.”

Financial Services, People’s Republic of China

“Enough opportunity to do business exists but difficulty in obtaining skilled executives has led to slower growth.”

Professional Services, Peru

“There is a problem with the talent pipeline. Public accounting firms are having difficulty attracting recent grads because there is a very competitive environment for talent within different industries.”

Professional Services, Indonesia

“These days we have to get 3-5 years of experienced professionals through head hunters which is expensive.”

Professional Services, People’s Republic of China

Best Practices

- Saudi Aramco places top talent in other organizations (alliance partners, joint ventures) so they can gain and share experiences from other high-performing organizations and enhance critical skills*
- WebEx implemented a rotational program where Chinese high-potential employees are rotated to United States for three to four months to broaden their experience and gain exposure to other functions beyond R&D*

Actions

- Introduce leadership development curriculums with educational institutions
- Subsidize education in top universities around the world with commitments for recipients to return to the home country
- Allow for easier immigration or visa processes for business professionals or highly skilled individuals

*World Economic Forum and Mercer. Talent Mobility Good Practices Collaboration at the Core of Driving Economic Growth. Geneva: World Economic Forum, 2012. Print.

** World Economic Forum and Boston Consulting Group. Stimulating Economies through Fostering Talent Mobility. Geneva: World Economic Forum, 2010. Print.



Opportunities and Risks

Opportunities and pitfalls are present in the future trade in services landscape

This section addresses two important subjects:

- What benefits might be realized by economies from increased trade in services
- What “potential mistakes” would be detrimental to the future trade in services landscape

The section begins with a focus on what potentially happens if we “get it right,” or at least mostly right. Economic evidence suggests enhanced trade in services leads to improved and higher wage employment, GDP growth, and global competitiveness advantages. We estimate, using Novy’s Trade Transaction Costs Model, that a 10 percent reduction in trade costs could potentially create US\$100 billion in services-related GDP within the APEC region. It also focuses on the opportunity for improvements in services supply chains and their impact. Perhaps the biggest opportunity is for economies to commit to improved levels of regulation in services. This presents a chance for economies to move ahead faster and further in a shorter period of time.

The section concludes by highlighting some potential risks that economies may make as they deal with emerging services markets. Unilateral moves have the potential to create a thicket of barriers, similar to that faced by trade in goods.

Services trade has enormous growth potential

Governments, firms, and individuals should not be afraid of liberalized services trade. Services are 70% of world GDP and employ the majority of the world's population. Services are the largest driver of job creation and present the greatest opportunity for economic and labor growth. They are also necessary for goods production. Efficient services enhance the manufacturing sector.

Liberalized trade in services allows for:

Specialization:

Increased productivity, more competitiveness, and greater employment as economies develop on the basis of their competitive advantages. Arbitraging services increases overall competitiveness and shouldn't be seen as job loss.

Contestability:

Leads to better quality services, lower prices on aggregate, and less need for governance. Creates a best case scenario where markets self-regulate.

Economies of Scale:

Crossing borders leads to greater aggregation with smaller economies benefitting from economies of scale with access to larger markets.

These factors lead directly to:

Job growth and indirectly higher demand for goods and services through increased income

More desirable jobs as service sector wages tend to be higher than in manufacturing and agriculture

More service variety as service providers are often users of other services

Growth and efficiency gains in the production of goods as manufacturers rely on services in their supply chains

The benefits of liberalization are supported by empirical evidence

Increased Wages: Workers in select tradable service activities earn 16 to 17 % higher incomes than similar workers in non-tradable activities in the same sector.¹

Increased Growth: Growth rates in countries with fully open telecommunications and financial services sectors are up to 1.5% points higher than those in other countries.²

Increased Productivity: The aggregate effect of services liberalization was an increase in productivity of 11.7% for domestic firms and 13.2% for foreign firms for a one-standard-deviation increase in the liberalization index. A one-standard-deviation change in the banking sector index corresponds to a 6.5% change in productivity for both domestic and foreign firms. A one-standard-deviation change in the telecommunications liberalization index corresponds to a 7.2% increase in productivity for domestic firms and a 9.8% increase in productivity for foreign firms. A similar change in the transport index leads to a 19% improvement in productivity of all firms.⁴

Increased Employment: The size of the coefficient on service output growth is more than double compared to the coefficient on manufacturing output growth. The larger coefficient on service output growth compared to manufacturing output growth would suggest that service is a bigger source of labour productivity growth.³

The US International Trade Commission found that almost 700,000 jobs were supported by intra-firm exports of services by U.S. multinational companies.⁵

Opportunities to increase manufacturing sector productivity: Estimates suggests that a 1% higher services import share is associated with a 0.3% higher export share. Low-technology manufacturing shows the largest effect, where a 1% higher business services imports in gross output is associated with 1.4% higher export share of gross output at the mean. The corresponding figures for high-tech industries and business services are 0.8 and 1.2 respectively.⁶

A 10% increase in services trade is associated with a 6% increase in goods trade. The strongest gains for manufacturing exports come from improved efficiency in transport and communication services.⁷

1. Jensen, Bradford J. and Lori G. Kletzer. "Tradable Services: Understanding the Scope and Impact of Services Outsourcing." Institute for International Economics Working Paper Series. September 2005. Print.

2. Mattoo, Aaditya, Randeep Rathindran and Arvind Subramanian. "Measuring Services Trade Liberalization and its Impact on Economic Growth ." The World Bank Development Research Group Policy Research Working Paper. August 2001. Print.

3. Ghani, Ejaz and Homi Kharas. "The Service Revolution." The World Bank Poverty Reduction and Economic Management Network (PREM) Economic Premise. Number 14 (May 2010). Print.

4. Arnold, Jens M., Beata Javorcik, Molly Lipscomb and Aaditya Mattoo. "Services Reform and Manufacturing Performance Evidence from India." The World Bank Development Research Group Policy Research Working Paper. January 2012. Print.

5. Alejandro, Lisa, Richard Brown, et al. "US Multinational Services Companies: Effects of Foreign Affiliate Activity on US Employment." Cornell University ILR School DigitalCommons@ILR. 1 August 2011. Print.

6. Lippoldt, Douglas. Policy Priorities for International Trade and Jobs.OECD, 2012. 175-192. Print.

7. Blyde, Juan & Sinyavskaya, Natalia. The Impact of Liberalizing Trade in Services on Trade in Goods: An Empirical Investigation. Vol. 11(3) (2007). Print.

Services provide opportunities to enhance supply chains of goods

Services have a positive multiplier effect on goods supply chains. Efficient services allow goods providers to manufacture and distribute at a lower cost, leading to increased profitability. Furthermore, domestic market competitiveness is increased by integrating into global services and goods supply chains.

Examples



T-Mobile UK outsourced various processes within its Finance Division to Infosys to focus on core processes

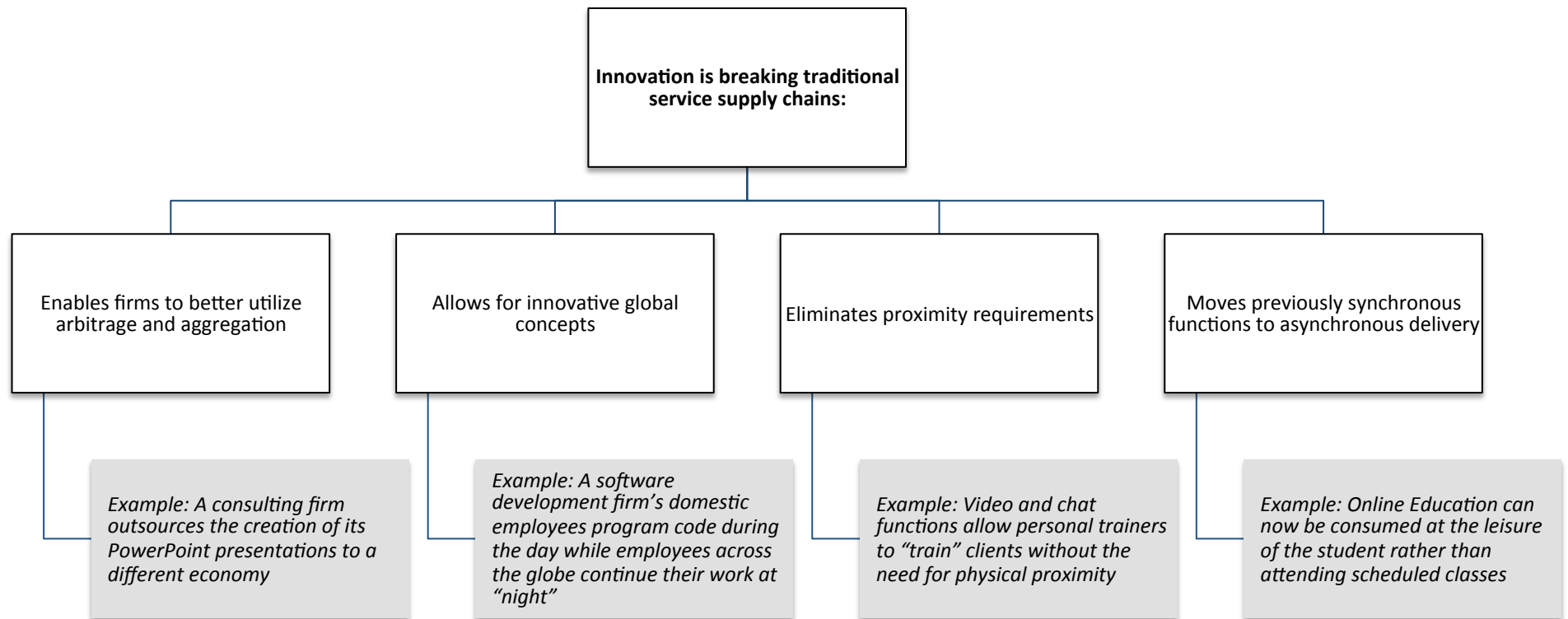


Carriers such as Emirates and Korean Air provide cargo flights to allow Zara to maintain its fast fashion strategy and supply their retail stores with the latest trends as fast as possible



UPS provides French Pharmaceutical company Boiron with warehousing services that allow scalability for heavy seasonal sales and a high annual growth rate

Recent advances in ICT allow firms to creatively rethink and innovate services supply chains



Examples of innovation:

Blueseed is a project to station a vessel 12 nautical miles from the coast of San Francisco, in international waters. The location will allow startup entrepreneurs from anywhere in the world to start or grow their business near Silicon Valley, without the need for a US work visa.

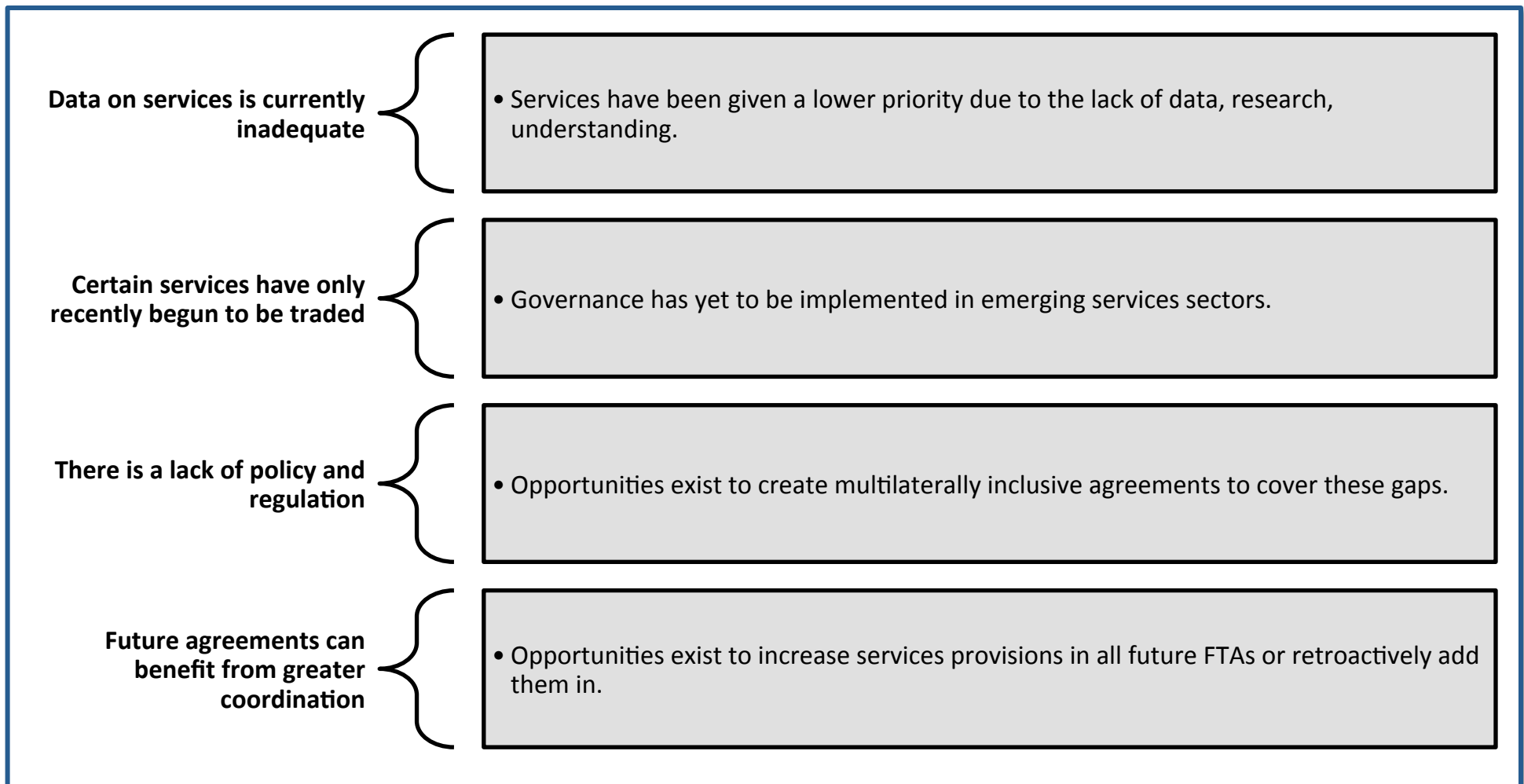


Amazon Mechanical Turk (MTurk) is an Internet marketplace that enables computer programmers (known as *Requesters*) to coordinate the use of human intelligence to perform tasks that computers are currently unable to do. The Requesters are able to post tasks such as choosing the best among several photographs of a store-front, writing product descriptions, or identifying performers on music CDs. *Workers* can then browse among existing tasks and complete them for a monetary payment set by the Requester.



Opportunities for advancements in the policy-making arena also exist

The recent development of ICTs has had an impact on the tradability of services. Services which were not tradable a decade ago are now being traded daily. This leads to gaps in the formation and maturity of governance.

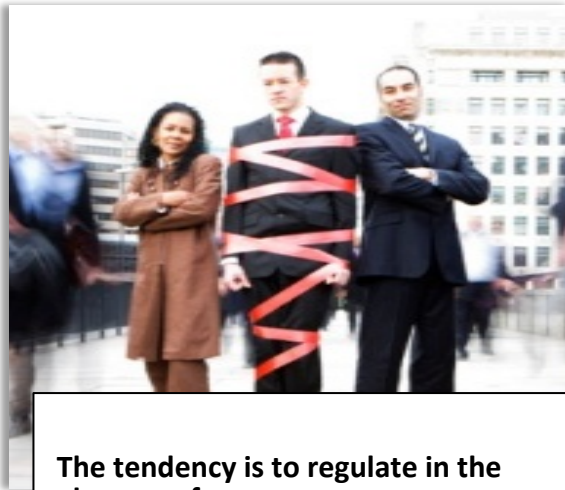


The same factors that create opportunities also create challenges, such as the perceived need for regulation

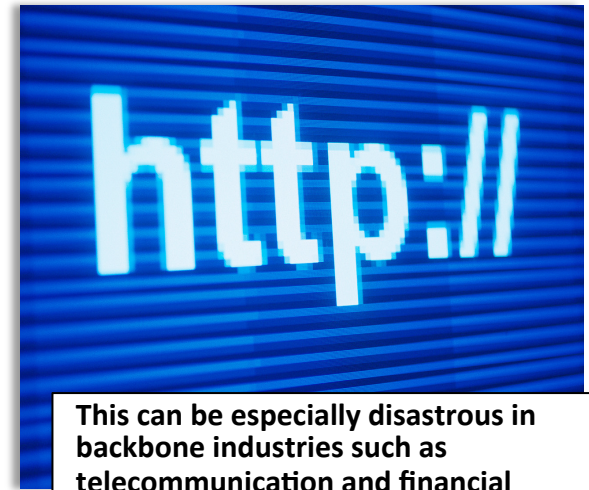
Governments and other stakeholders should exercise a balanced regulatory approach when entering areas where governance does not exist.



Unilateral regulations are a risk that could negatively impact future services trade



The tendency is to regulate in the absence of governance



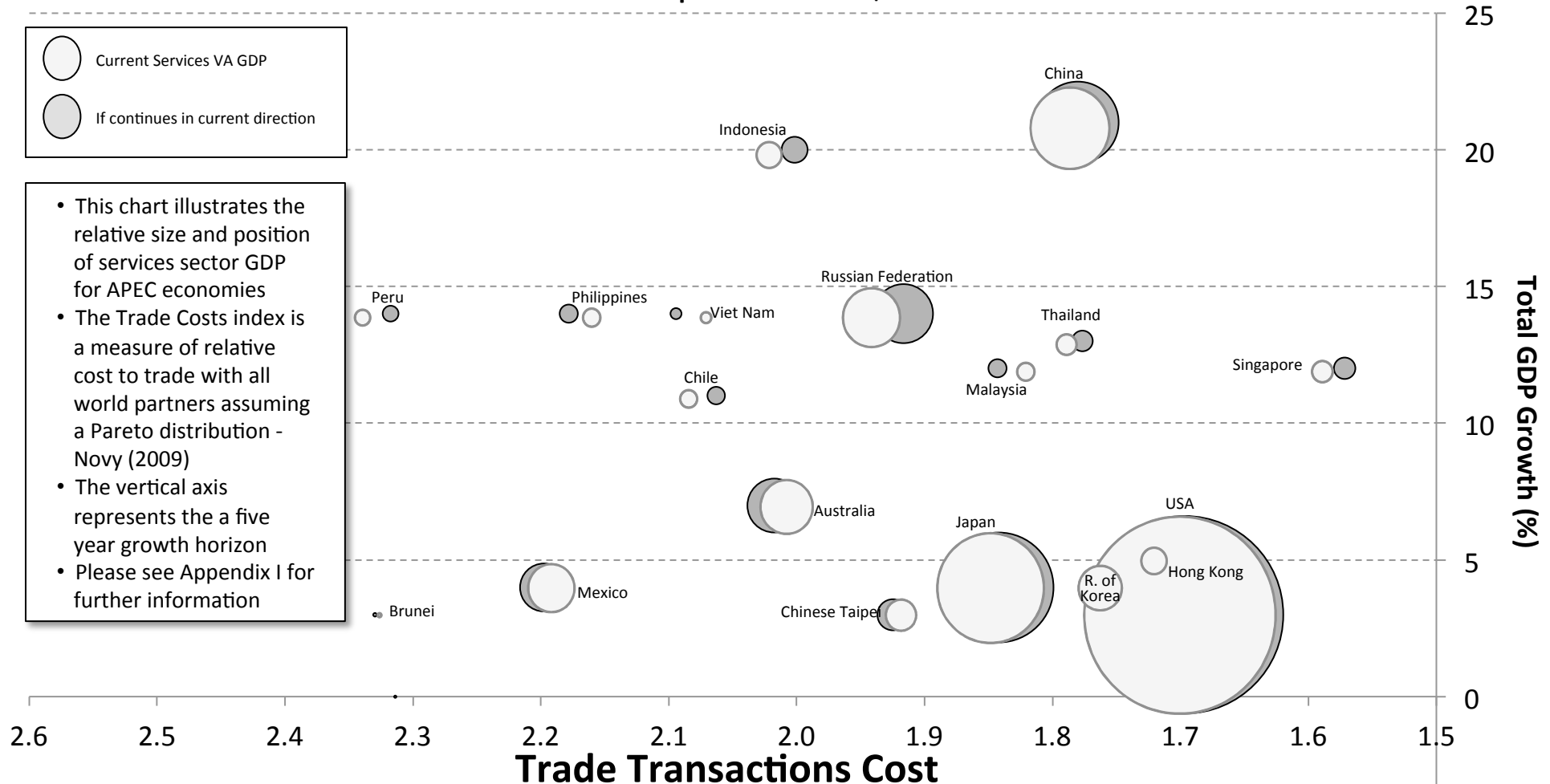
This can be especially disastrous in backbone industries such as telecommunication and financial services by creating a spillover effect into other industries

Multilateralism is paramount in creating policies regulating services. It is much easier to create aligned policies initially than correct existing policies.

So far, regulation has been constrictive to services liberalization

Current and Projected Size of Services GDP

Size represents MM US\$



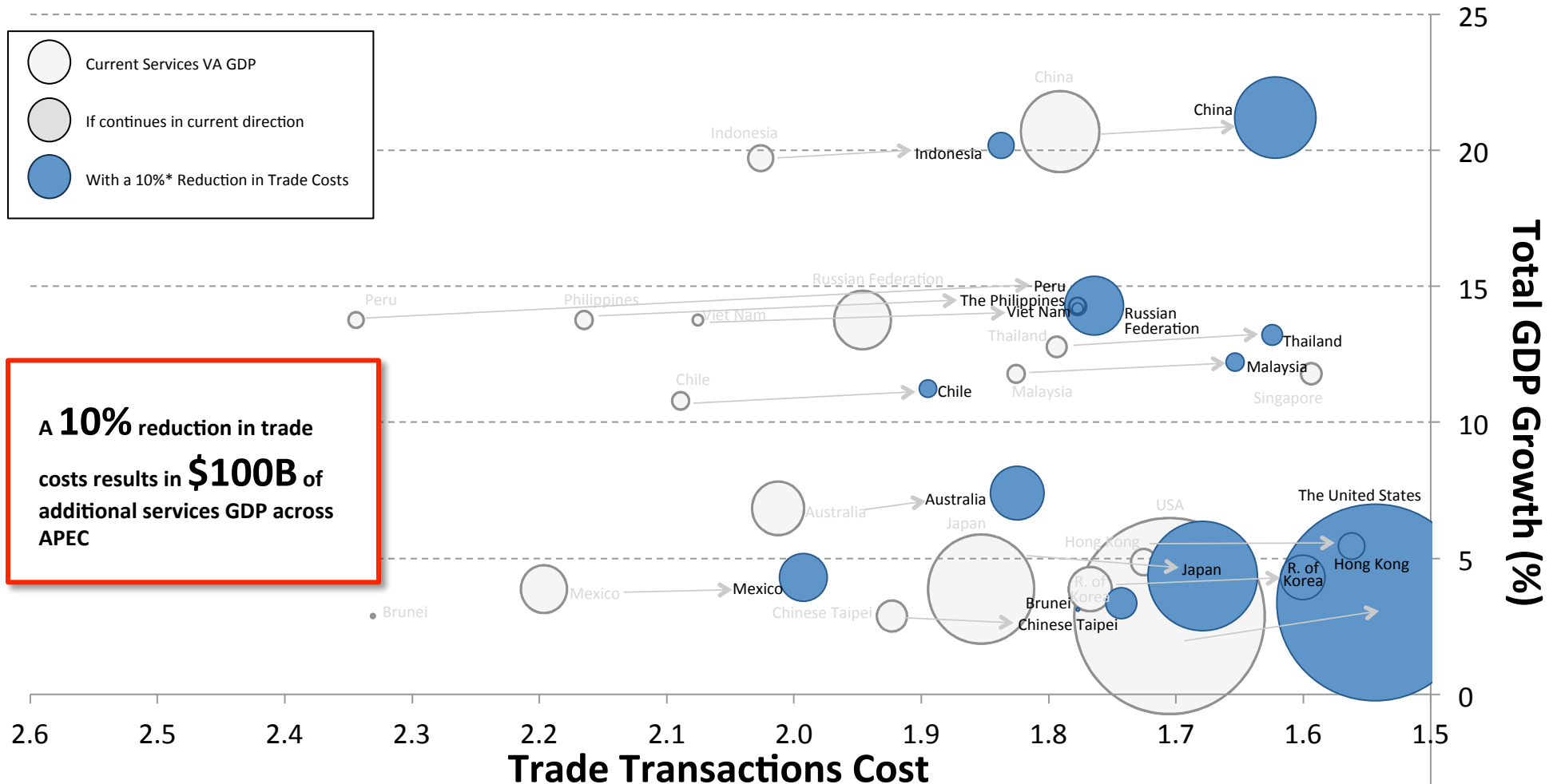
APEC must avert from its current direction toward higher trade costs

Novy, "Gravity Redux: Measuring International Trade Costs with Panel Data," 2009. Miroudot, Sebastien; Sauvage, Jehan and Shepherd, Ben, "Measuring the Cost of International Trade in Services," 2010. Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>. APEC Policy Support Unit. StatsAPEC. Asia-Pacific Economic Cooperation, n.d. Web. 18 June 2012. <<http://statistics.apec.org/>>. USC Marshall ABAC Research Team analysis. Using latest available year with bilateral trade flow data available (2008).

Yet the potential for small changes to achieve incremental growth is tremendous

Current Size of Services Trade and with a 10%* Trade Cost Reduction

Size represents MM US\$



Harmonization in APEC and progressive reductions will forge an improved direction for the region

Novy, "Gravity Redux: Measuring International Trade Costs with Panel Data," 2009. Miroudot, Sebastien; Sauvage, Jehan and Shepherd, Ben, "Measuring the Cost of International Trade in Services," 2010. Trademap. International Trade Centre. 2009. Web. 1 Apr 2012. <<http://www.trademap.org>>. APEC Policy Support Unit. StatsAPEC. Asia-Pacific Economic Cooperation, n.d. Web. 18 June 2012. <<http://statistics.apec.org/>>. USC Marshall ABAC Research Team analysis. *Brunei, PNG, The Philippines, Viet Nam were instead assumed to converge to the APEC average trade cost

Economies should be aware of common missteps in services trade

The nature of services trade makes certain regulations especially harmful for future trade

Top Risks for Services Regulation:

- 1. Adopting regulations or standards in isolation:** Standards that differ from internationally agreed-upon examples completely or in part. This creates a barrier to trade between economies that adopt standards that differ. *Example: Japan has agreed to adopt IFRS but has made local modifications.*
- 2. Enacting regulations that require proximity to perform a service:** Any regulation that requires domestic presence for all or part of the delivery.
Example: Recent debate in Russia regarding a regulation that all credit card transactions be processed domestically. This would add cost and reduce consumer availability of credit card variety by creating a barrier to foreign firms that are unable to set up a processing operation in Russia.
- 3. Over-regulating “ICT” services:** With ICT being a backbone sector, its barriers are compounded into other sectors.
Example: In Viet Nam, internet service providers must install their physical servers in Viet Nam. This will keep certain ICT providers from entering the Vietnamese market which will reduce variety and quality of available ICT services.
- 4. Not collecting and/or reporting services data according to a global standard:** Services data is greatly lacking and not collecting or collecting data according to a different standard would further increase the lack of understanding in services.
Example: Data on approximately 80% of current bilateral trade flows among APEC is unavailable for trade flow analysis.

A photograph of the Shanghai skyline at dusk. The Oriental Pearl Tower is prominent on the left, with its three spheres. The rest of the skyline consists of various skyscrapers, some of which are illuminated. The sky is a clear, deep blue. The foreground shows a body of water reflecting the city lights.

Conclusions and Recommendations

Conclusion

This report concludes with a real sense of urgency, perhaps even some anxiety. Trade in services is one of the largest levers that leaders of the APEC economies can use to improve economic prosperity and create jobs in their economies. Will the opportunity be seized and leveraged around APEC, or will vested interests, economic self-interest, and domestic political inertia win out?

Capturing the gains from increased services trade will require collective action to remove the barriers and impediments highlighted in this report. Real results will be achieved even if pairs or groups of economies take pathfinder approaches and collaborate to create greater coherence with their regulations and standards, improve access to talent, and upgrade governance capabilities. Economies that commit to liberalization stand to gain a sustained advantage.

Our anxiety comes from not being able to identify a tipping point, or a series of barriers, that if removed would unleash the benefits of increased trade in service. After seven months of intense focus, thorough research, and in-depth conversations with over 200 of the region's leading executives in services, we have not found a "silver bullet." ABAC and APEC are directing a concerted effort on the correct problem areas. (Please see Appendix B for responses to questions on what APEC should do to improve trade in services.) Adopting a holistic approach incorporating both "at the border" and "behind the border" barriers and impediments is critical. We hope that the efforts on trade in services are accelerated.

The characteristics of services make them more difficult to trade than goods. Markets for services are more problematic than those for goods. Governments are often forced to intervene in services markets to ensure that they function effectively and produce fair outcomes. However, these needed government regulations and/or requirements, and efficiency of governance mechanisms can introduce discriminatory non-tariff barriers that increase transaction costs and discourage trade. Similarly, the regulatory heterogeneity that has developed across APEC economies dramatically increases costs, especially for firms seeking to export to multiple markets. In this world of NTBs and regulatory heterogeneity SMEs are at severe disadvantage.

Availability of reliable information and regulatory coherence of standards and regulations across the APEC region can make the greatest contribution to improving trade in services. It is important that economies have accurate expectations with the level of impact APEC can make. Most of the real challenges in improving trade are "behind the border" issues requiring domestic commitments to achieve the greatest improvement. Additionally business leaders consistently referenced the impact business environment has on the cost of doing business, particularly focusing on human capital issues, transportation and ITC infrastructure, and domestic market competitiveness. Improvements in these must be ongoing initiatives for most economies.

Recommendations

1) Make trade in services a priority for APEC.

The direct and indirect impact of increased trade in services can be an engine for growth in all APEC economies. A 10% reduction in services trade costs could result in \$100 billion US dollars of additional services-related GDP within APEC. Because issues in services trade cut across so many APEC working groups, attention to services can easily become diluted and overshadowed by existing agendas. Attention to services must be carefully coordinated across working groups.

We urge APEC to re-declare its commitment to enabling trade in services.

2) Member economies must also make trade in services a priority.

Because the more substantial barriers to trade in services are domestic regulations that have become NTBs, progress cannot be made without trade in services becoming a domestic priority. Virtually all APEC economies' oversight of service sectors is spread among many different government agencies without mandates to consider the trade implications of their regulations. This multijurisdictional, domestic focus makes achieving progress in liberalizing trade in services a real challenge.

We urge APEC member economies to also make trade in services a priority, and to create mechanisms to ensure coordination of trade in services efforts across government agencies.

3) Define, collect, and disseminate the data on trade in services.

The findings of this research project strongly support proposals of the 2011 ABAC Services Report, *Understanding Services at the heart of a competitive economy*, to improve APEC's official statistics on trade in services and investment. Data on trade in services is pivotal to the success of liberalizing services trade across APEC. Efficient decision making by the business community and government leaders cannot occur without standard, reliable data. Dependable data on trade in services and investment patterns is essential for governments to assess the effectiveness of their policies. Real problems currently exist in how services' production, employment, productivity, trade and investment data is measured, how it is collected, how it is stored, and degree to which it is publically accessible.

We urge APEC to seek commitments from all member economies to adopt common definitions and measurement approaches and to collaborate in the collection of trade in services data. We recommend that APEC Secretariats assume a central role in service master data management for APEC.

Recommendations Cont.

4) Seek commitments from all APEC member economies to not introduce new NTBs to trade in services.

The rapid growth of services in APEC economies, especially spurred by new technology and the internet, creates the need for economies to introduce new guiding regulations. However, if these new regulations are made unilaterally they contribute to the already serious problem of regulatory heterogeneity within APEC. Recognizing that new regulations and revisions to existing regulations will be needed in all economies, APEC should take the lead in ensuring that these regulations are consistent across economies.

We urge APEC to take the lead in creating “model measures” for new regulations in services.

5) Expand the focus in the negotiation of services provisions in FTAs from market access issues to regulatory heterogeneity.

Given how important FTAs have become to advancing trade liberalization and facilitation in APEC, significant progress in improving trade in services will be achieved if attention is focused on “behind the border” regulatory heterogeneity. Market access concerns are important, but in many cases they are less important than achieving regulatory convergence across economies. Negotiations over service provisions must focus on eliminating and harmonizing domestic service regulations.

We urge APEC to create “model measures” for FTA service provisions that include the service regulatory environment.

6) Improve access to information on service providers and service consumers in APEC.

One of the most basic challenges reported by APEC businesses was obtaining information about export markets, identifying who to make contacts with in the first instance, how to market services to export markets, and how to initiate discussion with prospective service business partners. The current lack of reliable and readily available information on these most basic of business questions is hindering the growth of trade in services in APEC. Not only do businesses lack reliable data, they lack mechanisms to determine the competitiveness and trustworthiness of prospective business partners.

In collaboration with service sector industry associations in member economies, we urge APEC to create a one-stop resource on accredited service providers in APEC.

Recommendations Cont.

7) Expand and accelerate APEC's regulatory coherence initiatives ensuring they include services sectors.

Recognizing that APEC has committed to several regulatory coherence initiatives, this report presents evidence for why it is vitally important to achieve substantial progress in area for trade in services. Regulatory heterogeneity, differing industry standards, and continued problems with mutual recognition of human capital skills and qualifications directly limit growth in cross-border trade in services. These differences act as discriminatory NTBs. Service firms in developing economies need globally agreed upon standards and service sector regulations in order to demonstrate compliance. They lack the resources to meet different requirements in different economies. This challenge inhibits the growth of all SMEs.

We urge APEC to expand and accelerate its efforts on regulatory coherence to include services.

8) Facilitate the sharing of best practices between government agencies responsible for services.

Transparency and efficiency of government agencies tasked with oversight of service sectors rank very high among business executives within APEC as critical problem areas. Given that services are more regulated than goods, the burden put on businesses by government agency oversight is not insignificant. Some APEC economies have made advances in moving to all online systems. These systems have the advantage of accelerating process requests, being more transparent, and reducing opportunities for requests for additional payments, thus making it less expensive and putting the economy at a competitive advantage. Sharing best practices across economies for similar government agencies would offer obvious benefits.

We urge APEC to establish a platform for economies to share best practices of government agencies.

9) Facilitate human capital mobility.

The ability of services firms to access and easily move human capital is essential for competitiveness. The quality of local labor pools, requirements for work visas, the process for obtaining those visas, and the lack of recognition of skills and qualifications act to discourage services firms from pursuing opportunities across borders.

Making improvements in this area is exceptionally difficult for two key reasons. First, the quality of local labor pools is a long-term challenge requiring investment and commitments to improving all levels of education. APEC can help in this area by expanding initiatives to advance educational resources in all APEC economies. Second, the movement of workers in and out of economies is a politically sensitive issue. However, APEC must continue to commit to its talent mobility initiatives.

We urge APEC to continue focusing on talent mobility initiatives and expand its efforts to help all economies upgrade their educational capabilities.

Recommendations Cont.

10) Support economies in their efforts to improve the business environment.

Business leaders consistently ranked lack of access to quality human capital, corruption, underdeveloped infrastructure, and lack of domestic market competitiveness as critical impediments they face when conducting trade in services. Economies must continue to strengthen the weak pillars identified in both the World Economic Forum's Global Competitiveness Report and Enabling Trade Report, with particular emphasis on the above mentioned items.

We urge APEC to continue raising awareness on the importance of the business environment and continue investing in initiatives that assist government leaders in strengthening their economies.

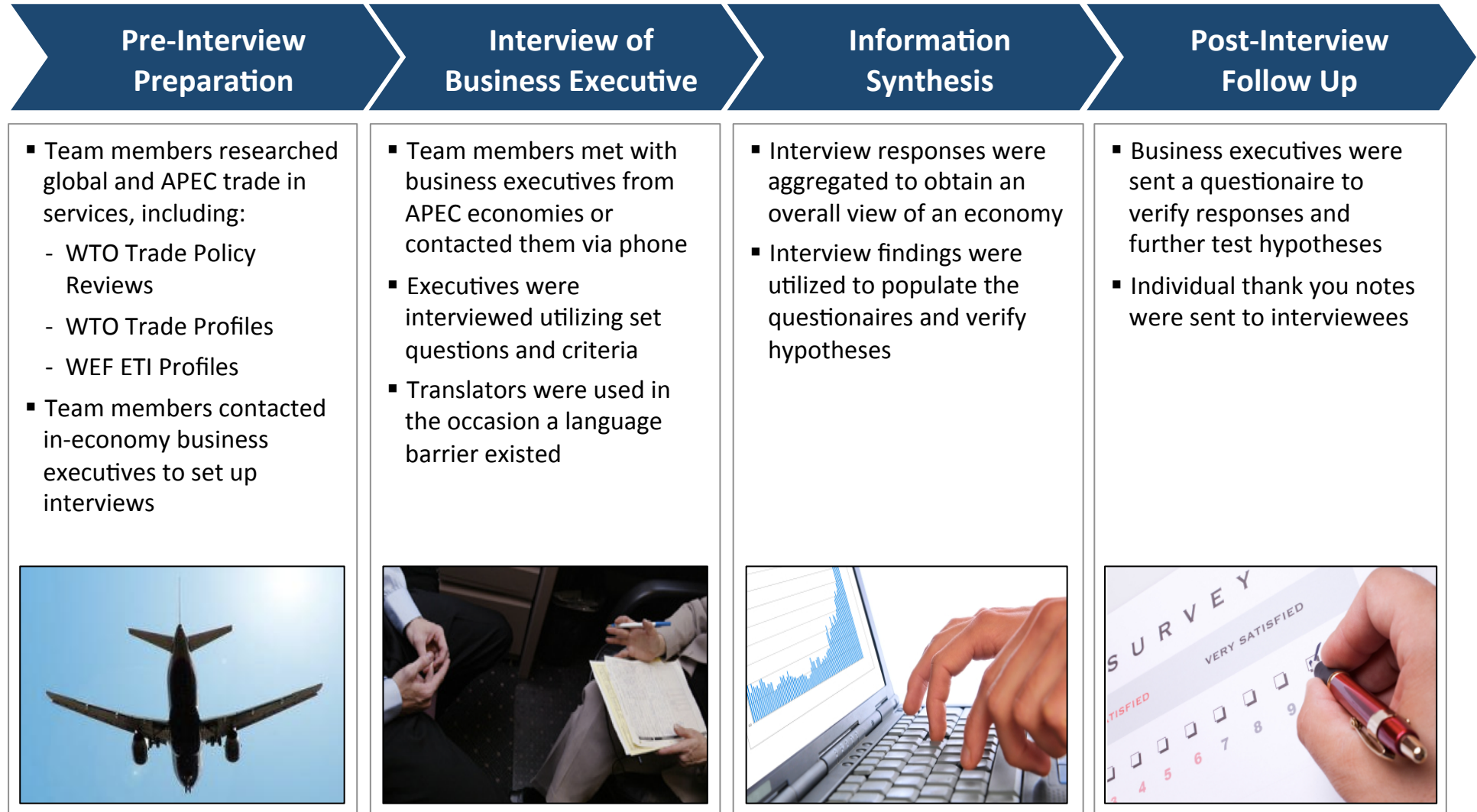
Report Appendix

- Appendix A: Interview Protocol
- Appendix B: Questionnaire Results
- Appendix C: Economy Snapshots
- Appendix D: Free Trade Agreements
- Appendix E: Bilateral Trade Agreements
- Appendix F: Participating Companies
- Appendix G: Services Mode Classification
- Appendix H: Novy's Trade Transaction Costs Model
- Appendix I: Research Publications and Sources
- Appendix J: Research Team Biographies



Appendix A | Interview Protocol

Business executives across APEC economies were interviewed through a rigorous procedure



Initial hypotheses informed the interview guide, targeting seven lines of questioning

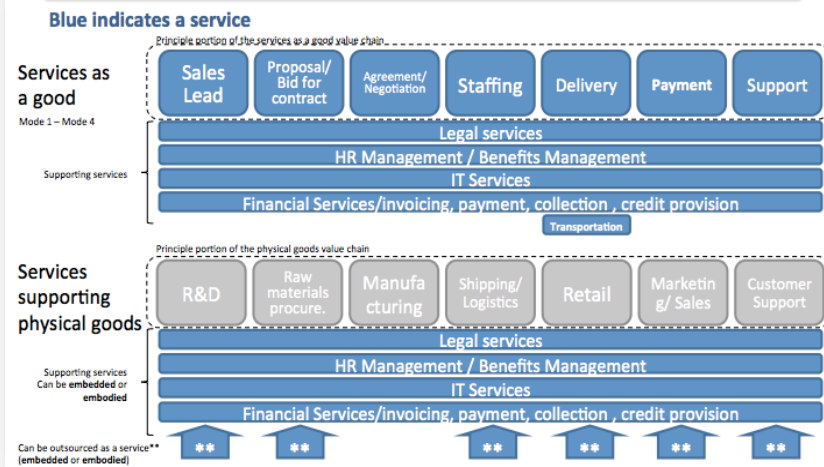
Initial Hypotheses

<p>1. Market Access: Legal and/or administrative barriers or impediments that block trade in specific services.</p> <p>Difficulty to Change: Easy</p> <p>Examples:</p> <ul style="list-style-type: none"> Restrictiveness dimensions Foreign ownership Barriers to competition Other discriminatory measures <ul style="list-style-type: none"> Qualifications Government Laws and Policies <p>Entry: Not allowed to enter Operational: Qualification requirement. Regulatory: 51% Equity requirement.</p>	<p>2. Operating Efficiency: Legal and/or administrative impediments that make services business and trade difficult, costly or less efficient.</p> <p>Difficulty to Change: Medium</p> <p>Examples</p> <p>Costly:</p> <ul style="list-style-type: none"> Cost of administration/Visa Taxes/Tariffs Minimum Wage Laws Movement of people <p>Efficiency(Slows Business Down)</p> <ul style="list-style-type: none"> Efficacy of government in issuing the permissions/visas (Slows business down) Transparency (complexity and duration of HR approval processes) <p>Difficult:</p> <ul style="list-style-type: none"> Lack of coordination among government agencies Harmonization of standards & procedures Regulatory transparency 	<p>3. Laissez-Faire Landscape: Non-Regulated circumstances that devalue the attractiveness of doing trade in services.</p> <p>Difficulty to Change: Hard</p> <p>Examples:</p> <ul style="list-style-type: none"> Quality of Human Capital Labor Demand and Cost Brand/Image of the economy Language Barrier Infrastructure (Ports/Roads/IT) Adequate Data of economy Geographic Location and Weather Legal Recourse Regulatory Environment Capacity
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Interview Guide Sections

- 1: Company Specific
- 2: Services Supply Chain
- 3: Accompanying Services
- 4: Economy & Industry Specific
- 5: APEC Related Questions
- 6: Barriers and Impediments
- 7: Recommendations

Value chain for different kinds of service offerings



The first three sections of the interview aimed to better understand company specific operations

1 Company Specific

- What service do you provide? (Clarification beyond industry classification)
- Who are the biggest competitors in your industry?
 - Your Economy?
 - Within APEC?
- What are your 3 biggest obstacles in trading your service?
- What are the 3 biggest promoters in trading your service?

2 Services Supply Chain

- What is the structure of your supply chain (where applicable)?
 - What services do you use to support your supply chain?
- Who are the major players in each stage?
- What influences the country in which you choose to outsource your service provider?
- Are there any chokepoints in your supply chain?

3 Accompanying Services

- Are there any services used by your industry that impede your productivity and/or profitability?
- Are there any chokepoints in your supply chain? (Services that support the supply chain)

The fourth section aimed to get a better understanding of the interviewees' specific economy and industry

4 Economy and Industry Specific

- How would you rate the quality of services available in your economy?
- Do government restrictions or regulations in your economy help in access to quality services?
- What are the main barriers to consider in terms of expanding business abroad?
- What are the biggest challenges for your economy in services trade?
- Are there any economies that you would like to trade with but haven't been able to?
 - Among APEC?
 - What is preventing this?
- Do you feel that there are economies that are supporting their services sector better than others?
 - Are there sectors that are more protected than others?
 - Why?
- Who or what organizations do you think should facilitate trade, investment, and development to improve services trade in your economy?
 - In your industry?
 - Is it possible that they are doing anything to inhibit global trade?
 - What specific measures would you recommend to APEC
- Is there any pending regulation or legislation that will inhibit trade in your economy in the future?
 - Ex. New licensing requirements for business service industries*
 - In your industry?

Section five and six targeted APEC specific concerns and determined services trade issues & solutions

5 APEC Related Questions

- Which APEC economies are more open in terms of receptiveness to services trade?
 - Which economies are less open?
 - Why?
 - Which sectors?
- Have you tried and failed to expand into an APEC economy and what was the reason for that failure?

6 Chokepoints and Barriers

- What chokepoints or barriers in trade do you encounter in your industry?
- What best practices have you seen used to expedite or increase services trade?
 - Why do you think they are so successful?

For the final section, the interview aimed to gather recommendations on how to improve services trade

7 Recommendations

- If you were the key decision maker (king/queen/leader/prime minister) in your economy for a day, what would you do to improve the flow of services in you economy or to improve the flow of services overall?
- In terms of the answer above, what recommendations do you suggest we share with ABAC executives?
- Who else do you think we should speak to?

Interview Notes

- Candidates were asked to define their industry as well as the economies in which they most frequently traded.
- Interviewers tailored their interviews to the candidates.
 - If a line of questioning resulted in an interesting answer, additional follow-up questions outside the scope of the preceding questions were asked.
- The framework and value chain were available to the candidates to visualize aspects of certain questions.
- The “key decision maker” question was given special importance as a question as to capture what specifically was needed for change and deemed most important to the executive

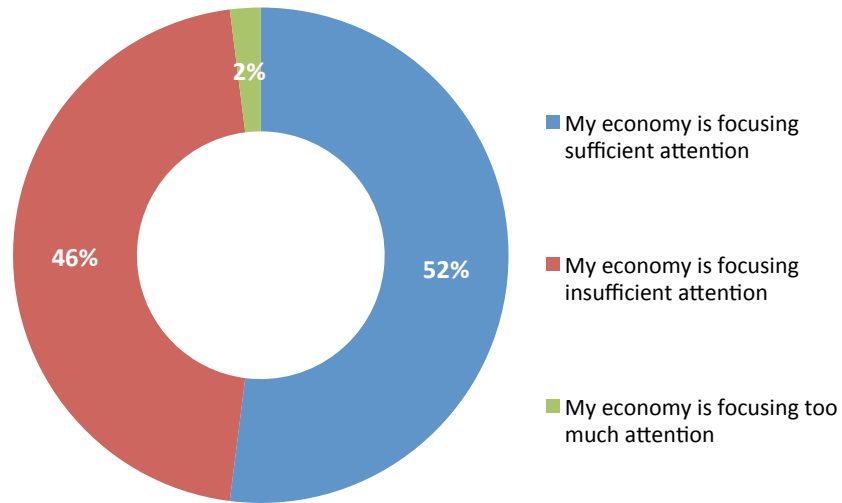


Appendix B | Questionnaire Results

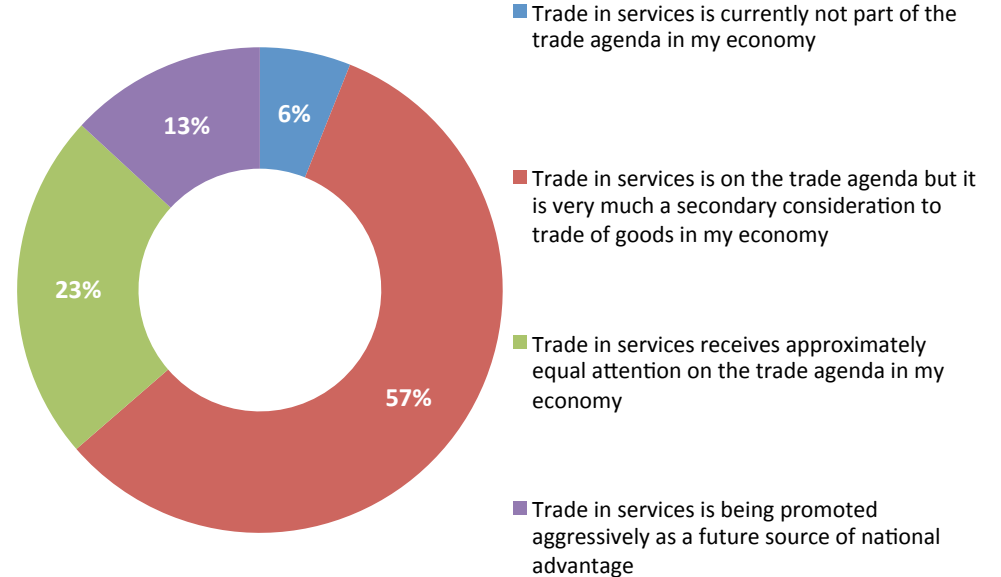
Questionnaire Results: Section 1

Benefits of Liberalization of Trade in Services

Q1. In your opinion, is the level of attention currently focused on the importance of service sectors in job creation and economic growth appropriate?



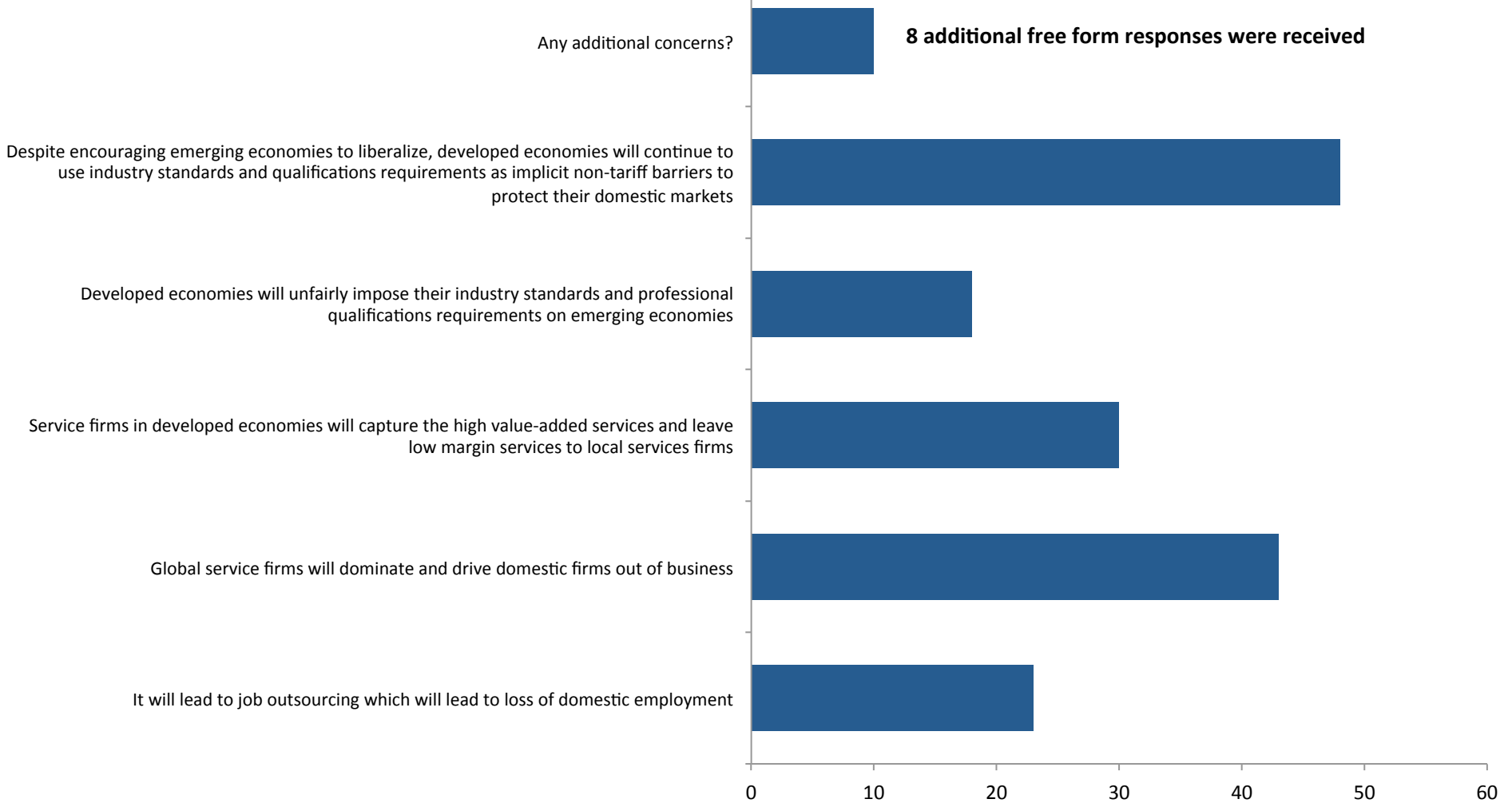
Q2. Which of the following statements best describes your economy's focus on developing the global trade potential of your service sectors?



Questionnaire Results: Section 1

Benefits of Liberalization of Trade in Services

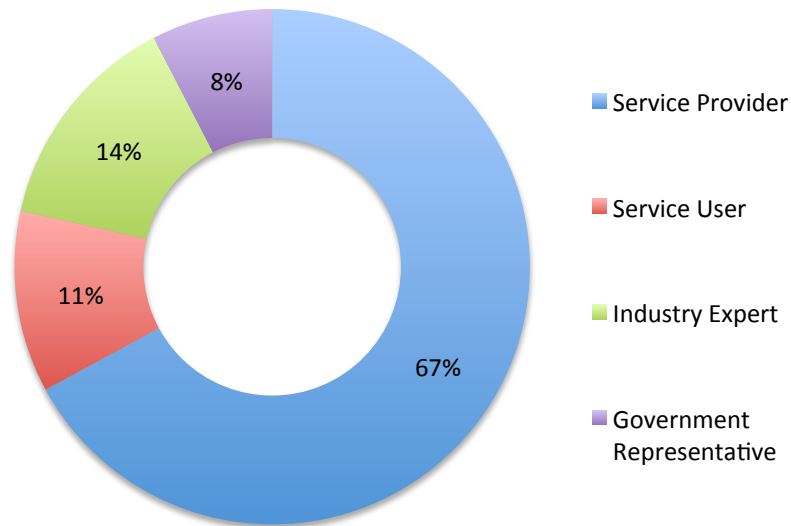
Q3. In your economy, what are the main concerns about liberalizing and opening domestic service sectors to foreign firms?



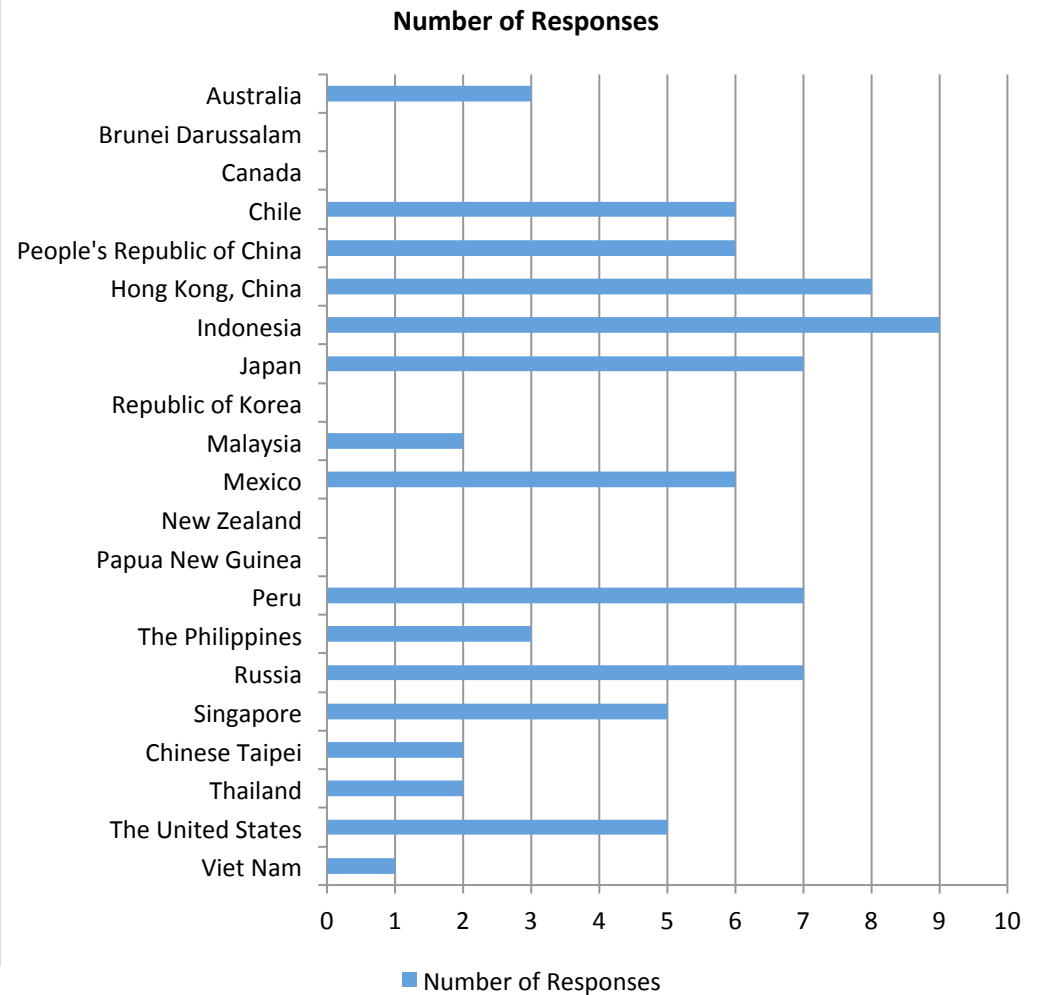
Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q4. Please tell us about your background so that we can better understand your perspective on the issue of trade in services.



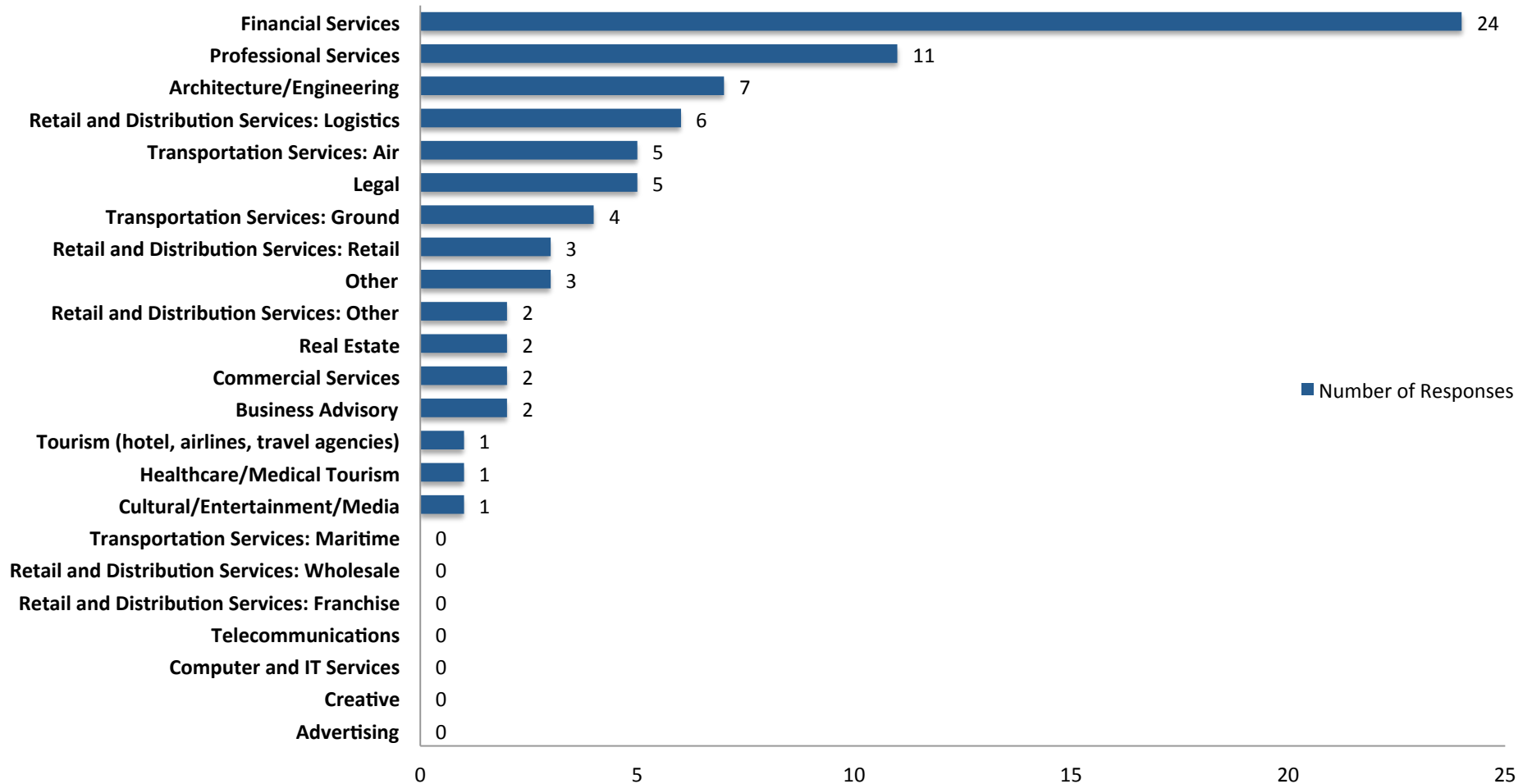
Q5. Which APEC economy are you most familiar with?



Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q6. Please answer the remaining questions in this Questionnaire in regards to the service sector you are most familiar with. Which service sector are you are most familiar with?



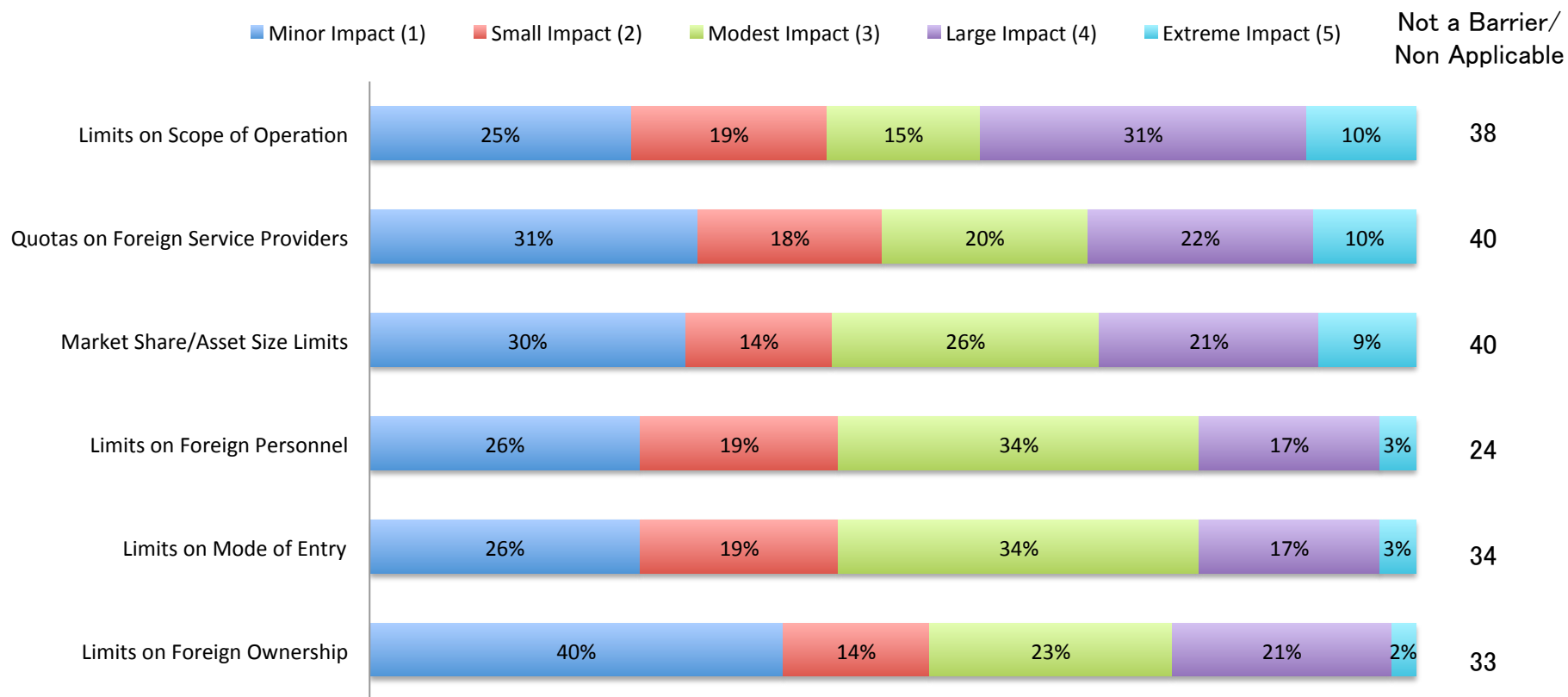
Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q7. For each barrier please first indicate whether it is or is not present or not applicable to your primary service sector in your primary economy. If it is present and applicable, please rate its impact on cross-border services into or out of your economy from minor ("1") to extreme ("5").

Types and levels of protection that only foreign firms face in an economy's service sector.

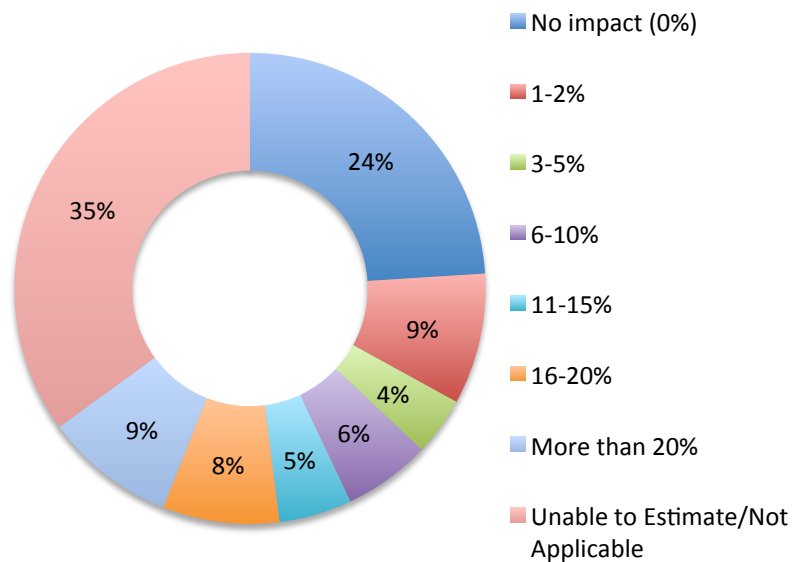
MARKET ACCESS BARRIERS



Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q8. Please estimate the economic impact of the Market Access Barriers you indicated above in terms of increased operating costs annually as a percent of your revenues.



Q9. Please specify if there are any other effects of the Market Access Barriers on the economic performance of your company or companies in the services sector that you identified for this section (for example, time losses, lost revenues or additional income).

This was a free form response questions, we received 28 responses.

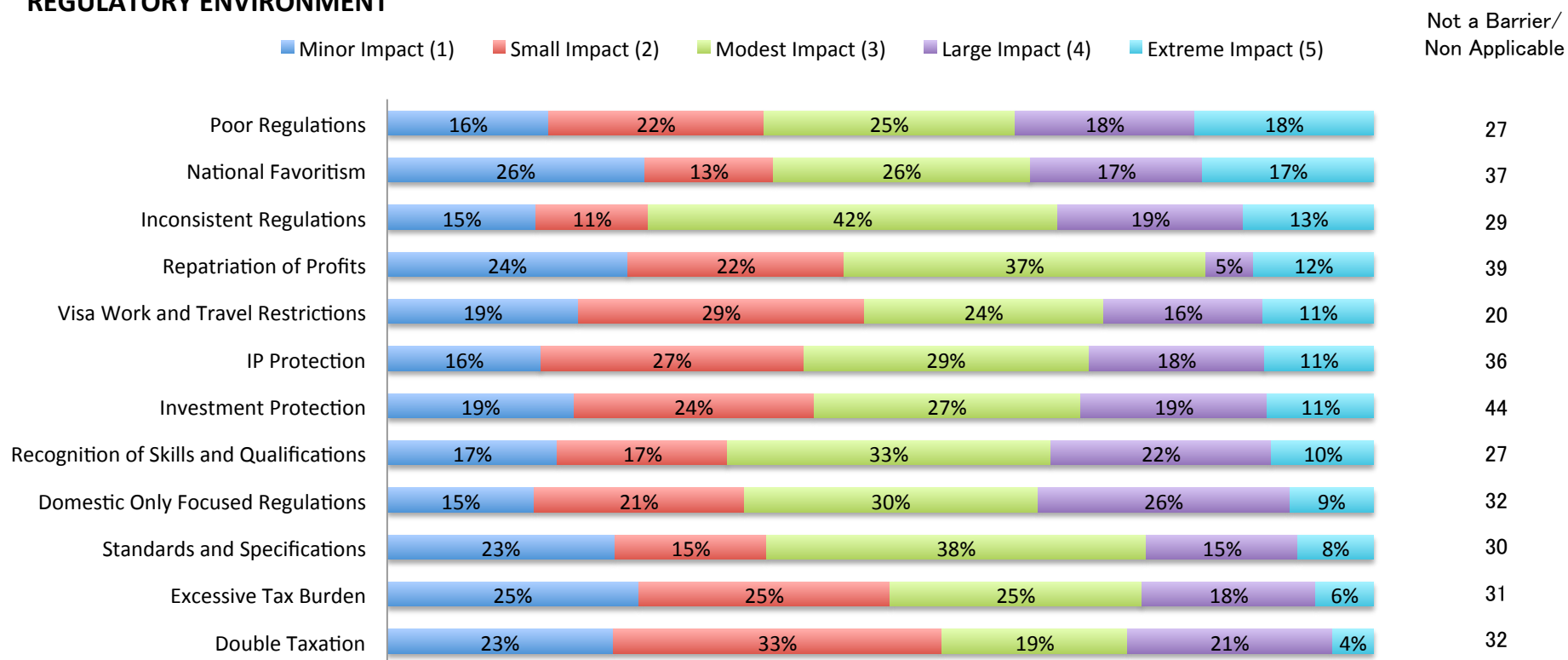
Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q10. For each barrier please first indicate whether it is or is not present or not applicable to your primary service sector in your primary economy. If it is present and applicable, please rate its impact on cross-border services into or out of your economy from minor (“1”) to extreme (“5”).

Broadly, the extent to which an economy’s regulatory environment is conducive and supportive of both domestic and foreign service firms.

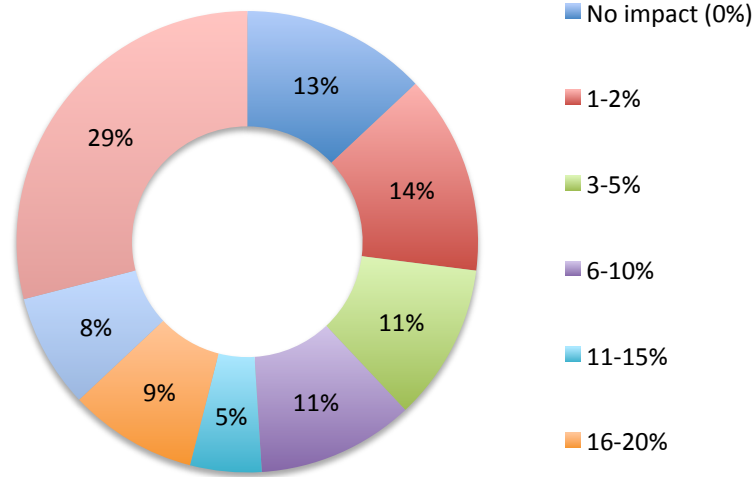
REGULATORY ENVIRONMENT



Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q11. Please estimate the economic impact of the Regulatory Environment Barriers you rated above in terms of increased operating costs annually as a percent of your revenues.



Q12. Please specify if there are any other effects of the Regulatory Environment Barriers on the economic performance of your company or companies in the services sector that you identified for this section (for example, time losses, lost revenues or additional income).

This was a free form response question, we received 24 responses.

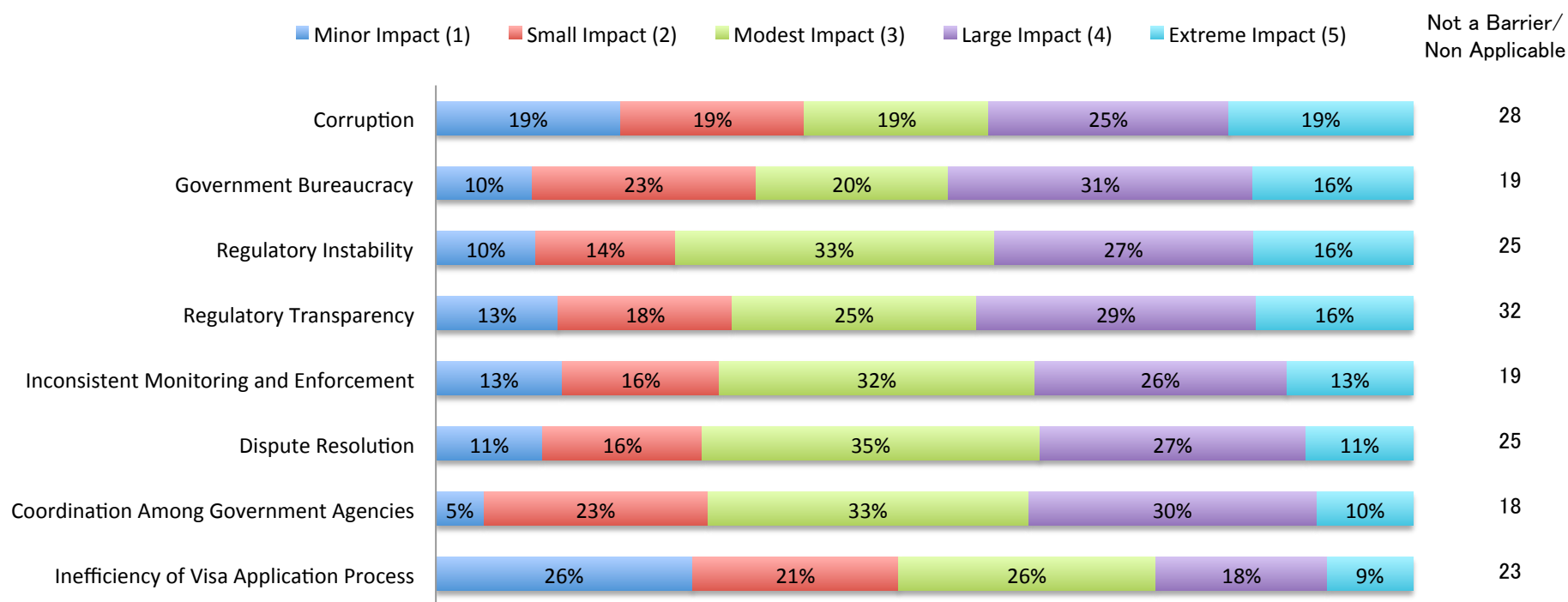
Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q13. For each barrier please first indicate whether it is or is not present or not applicable to your primary service sector in your primary economy. If it is present and applicable, please rate its impact on cross-border services into or out of your economy from minor (“1”) to extreme (“5”).

The impact of efficiency (cost and time) and consistency of government agencies with governance responsibility on both domestic and foreign service firms.

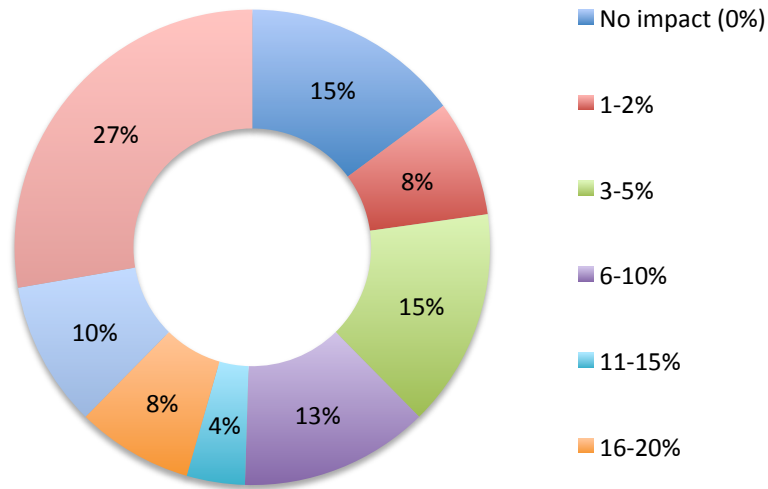
IMPLEMENTATION OF REGULATIONS INEFFICIENCIES



Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q14. Please estimate the economic impact of the Implementation of Regulations Inefficiencies you rated above in terms of increased operating costs annually as a percent of your revenues.



Q15. Please specify if there are any other effects of the Implementation of Regulations Inefficiencies on the economic performance of your company or companies in the services sector that you identified for this section (for example, time losses, lost revenues or additional income).

This was a free form response question, we received 21 responses.

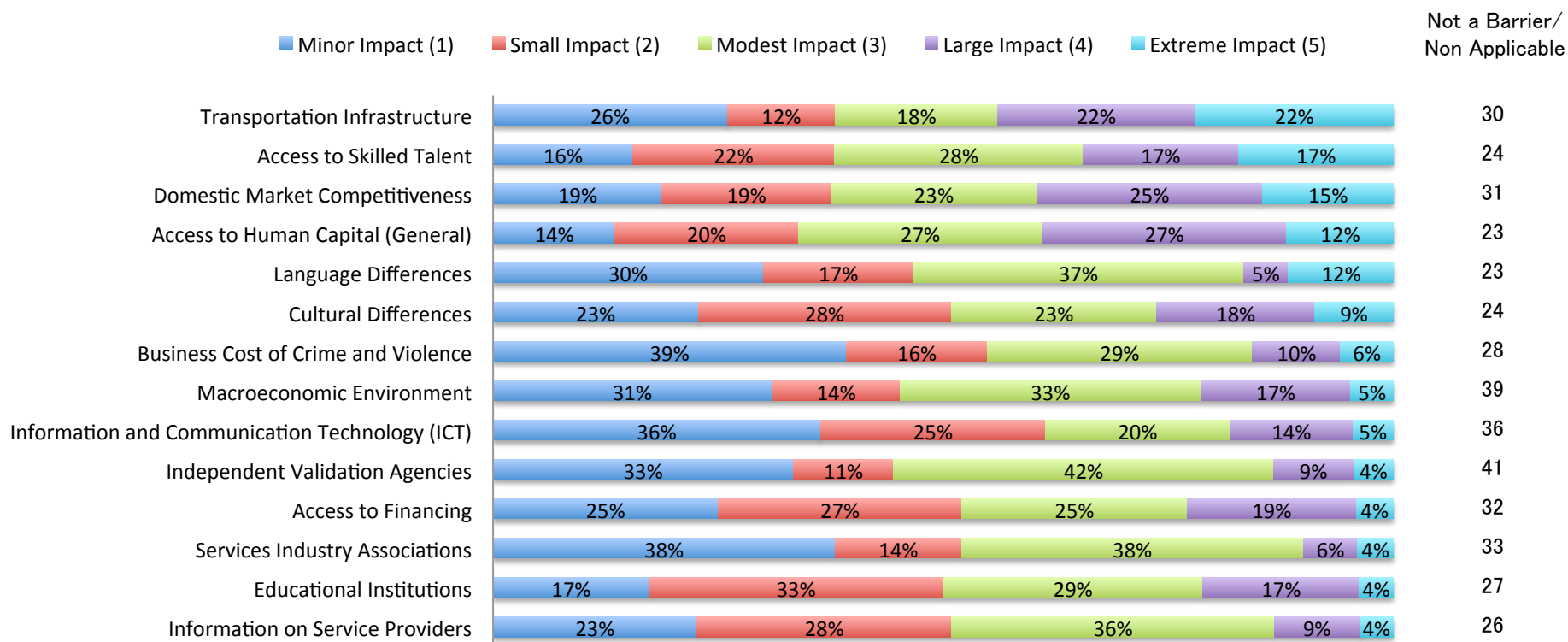
Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q16. For each barrier please first indicate whether it is or is not present or not applicable to your primary service sector in your primary economy. If it is present and applicable, please rate its impact on cross-border services into or out of your economy from minor (“1”) to extreme (“5”).

The quality and availability of resources, including human capital, information and communication technology (ICT), physical infrastructure, and other supporting institutions on which service firms depend.

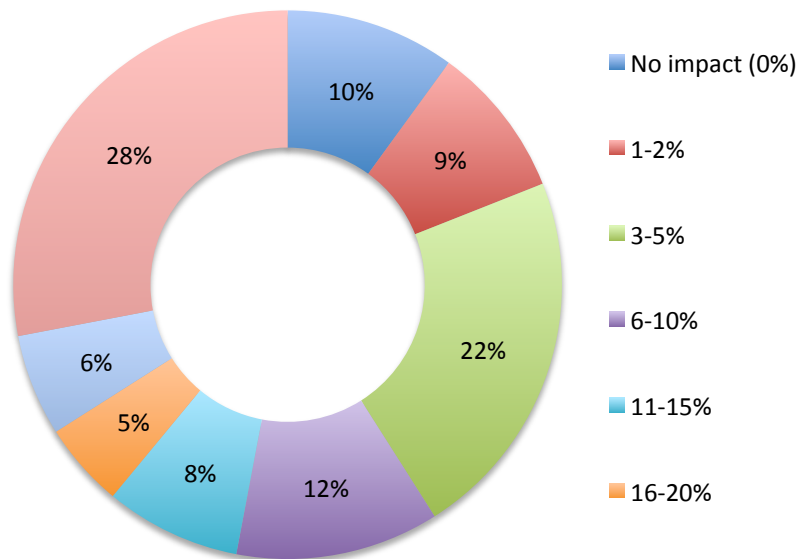
BUSINESS ENVIRONMENT



Questionnaire Results: Section 2

Identifying and Evaluating Major Barriers and Chokepoints to Trade in Services

Q17. Please estimate the economic impact of the Business Environment Impediments you rated above in terms of increased operating costs annually as a percent of your revenues.



Q18. Please specify if there are any other effects of the Business Environment Impediments on the economic performance of your company or companies in the services sector that you identified for this section (for example, time losses, lost revenues or additional income).

This was a free form response question, we received 19 responses.

Questionnaire Results: Section 3

Services Business Suggestions for APEC (question)

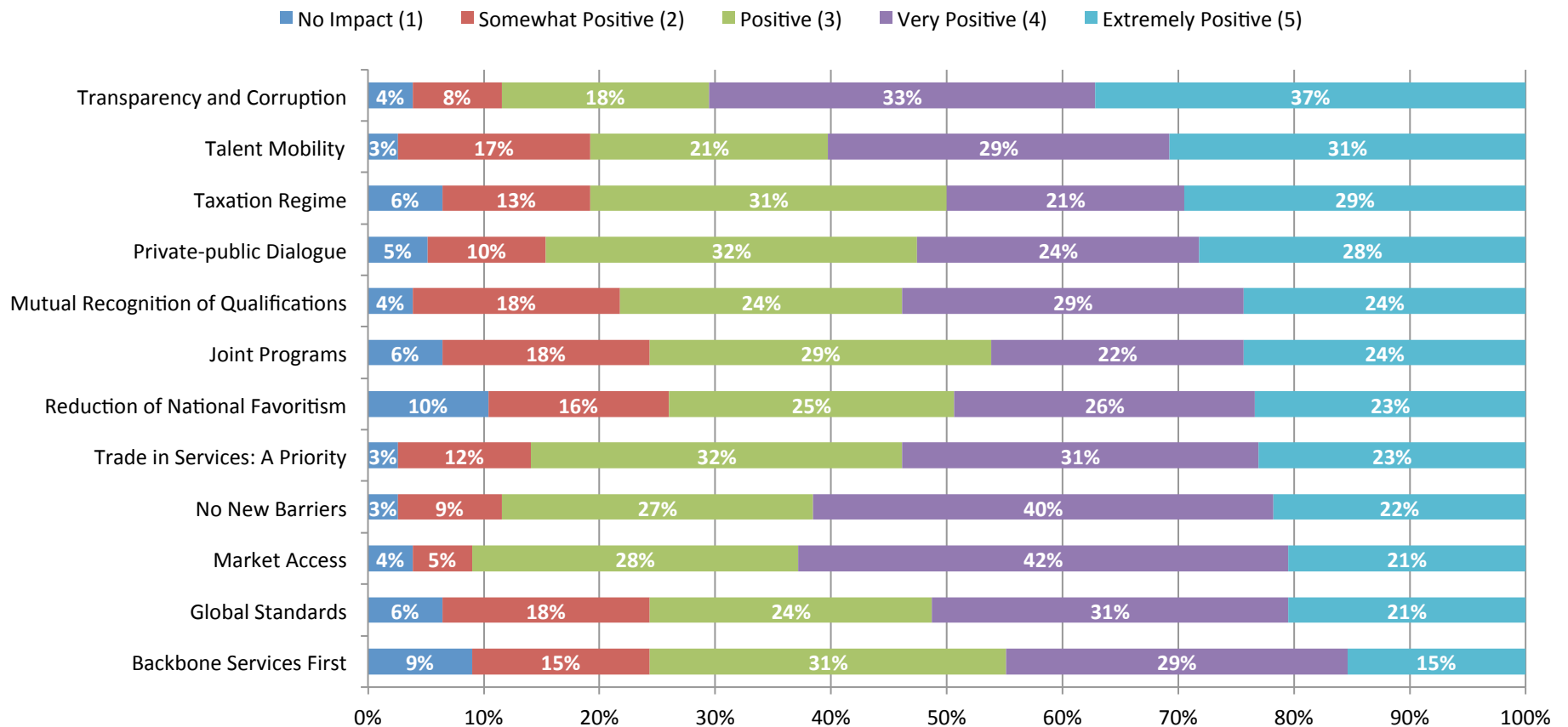
Q19. Below is a list of suggestions offered by executives in our interviews. Please indicate how much of an impact (from “1” having “no impact” to “5” having an “extremely positive impact”) the following suggestions would have on improving the trade environment for services in APEC economies.

Proposal	Description
Reduction of National Favoritism	Intensify efforts focused on removing/relaxing national favoritism regulations.
Market Access	Ensure ease of market access for foreign services providers across the region economies and services sectors.
Joint Programs	Facilitate regional educational/research/exchange programs to bring forward the APEC agenda and reduce cultural and language barriers in the region.
Taxation	Work towards harmonized tax regimes for services sectors which eliminate the problem of double taxation.
Transparency and Corruption	APEC should continue to encourage the adoption of mechanisms that improve transparency and reduce corruption in the region.
Private-public Dialogue	Bring public-private dialogues on services to the APEC level. APEC should develop mechanisms to coordinate economy-level private-public dialogues at the APEC level. This will help accelerate the harmonization of services regulations and the limitation of market access and regulatory barriers.
Talent Mobility	Streamline the visa and work authorization for the movement of personnel at all skill levels.
Mutual Recognition of Qualifications	Accelerate the development of APEC-wide frameworks for the mutual recognition of academic and professional qualifications and certifications.
Global Standards	Accelerate the creation and adoption of global standards for all services sectors. If global standards are not possible, APEC should create APEC-wide standards.
Backbone Services First	Focus attention on the key service sectors first (telecommunications, financial services, transportation and retail/distribution) because of their importance in supporting other economic activities.
No New Barriers	Seek commitments from all APEC economies to avoid creating new preferential services regulations.
Trade in Services: A Priority	Make trade in services a top APEC agenda issue. Bring discussion of services trade into all dialogues on trade; domestically and internationally.

Questionnaire Results: Section 3

Services Business Suggestions for APEC (answer)

Q19. Below is a list of suggestions offered by executives in our interviews. Please indicate how much of an impact (from “1” having “no impact” to “5” having an “extremely positive impact”) the following suggestions would have on improving the trade environment for services in APEC economies.



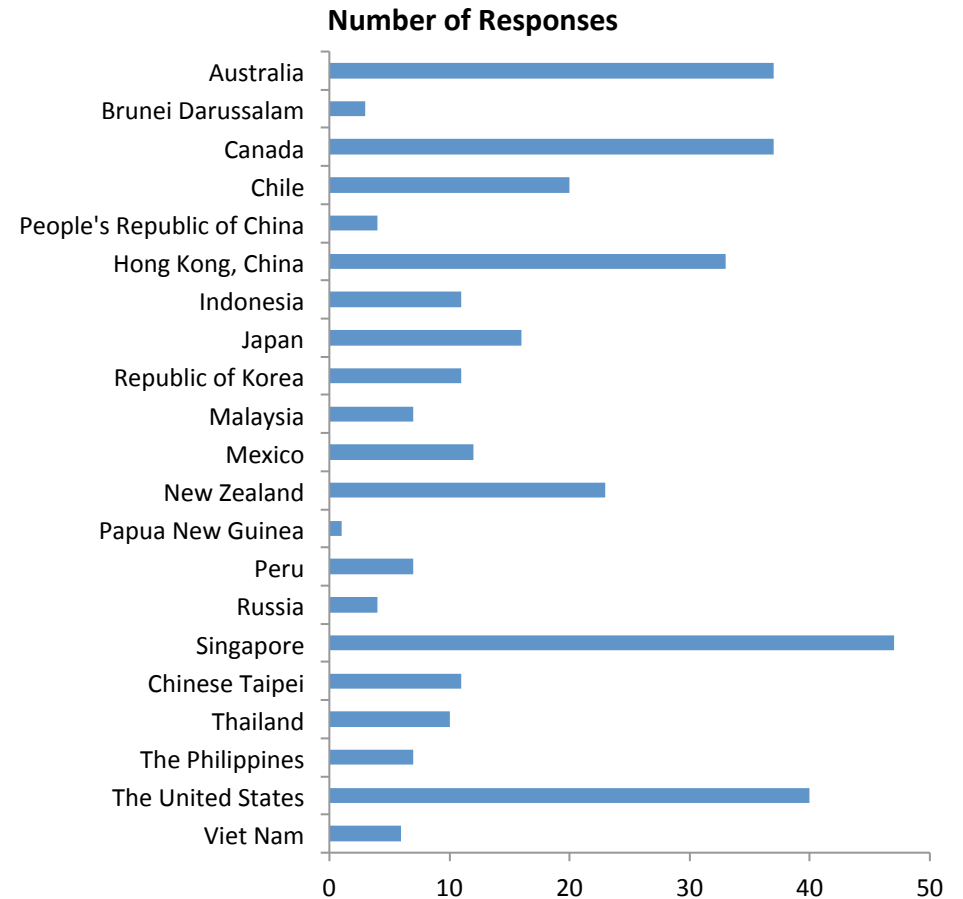
Questionnaire Results: Section 3

Services Business Suggestions for APEC

Q20. Please offer any additional recommendations for APEC.

This was a free form response question. We received 8 responses.

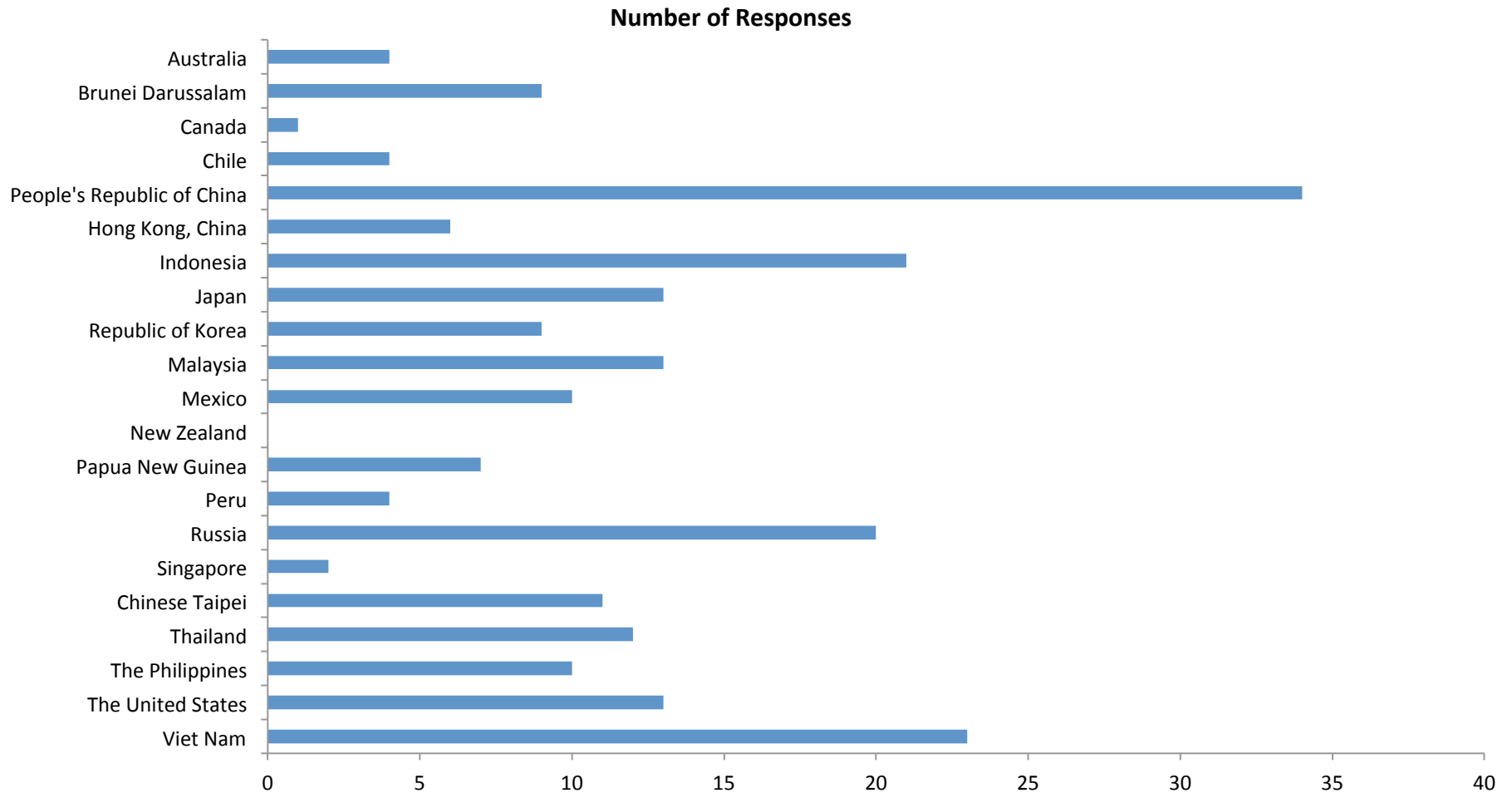
Q21. Based on your experience and from your primary economy's perspective, which APEC economies are easy to engage in service trade in the service sector that you identified at the beginning of the questionnaire? Please check all that are relatively easy.



Questionnaire Results: Section 4

Trading Services

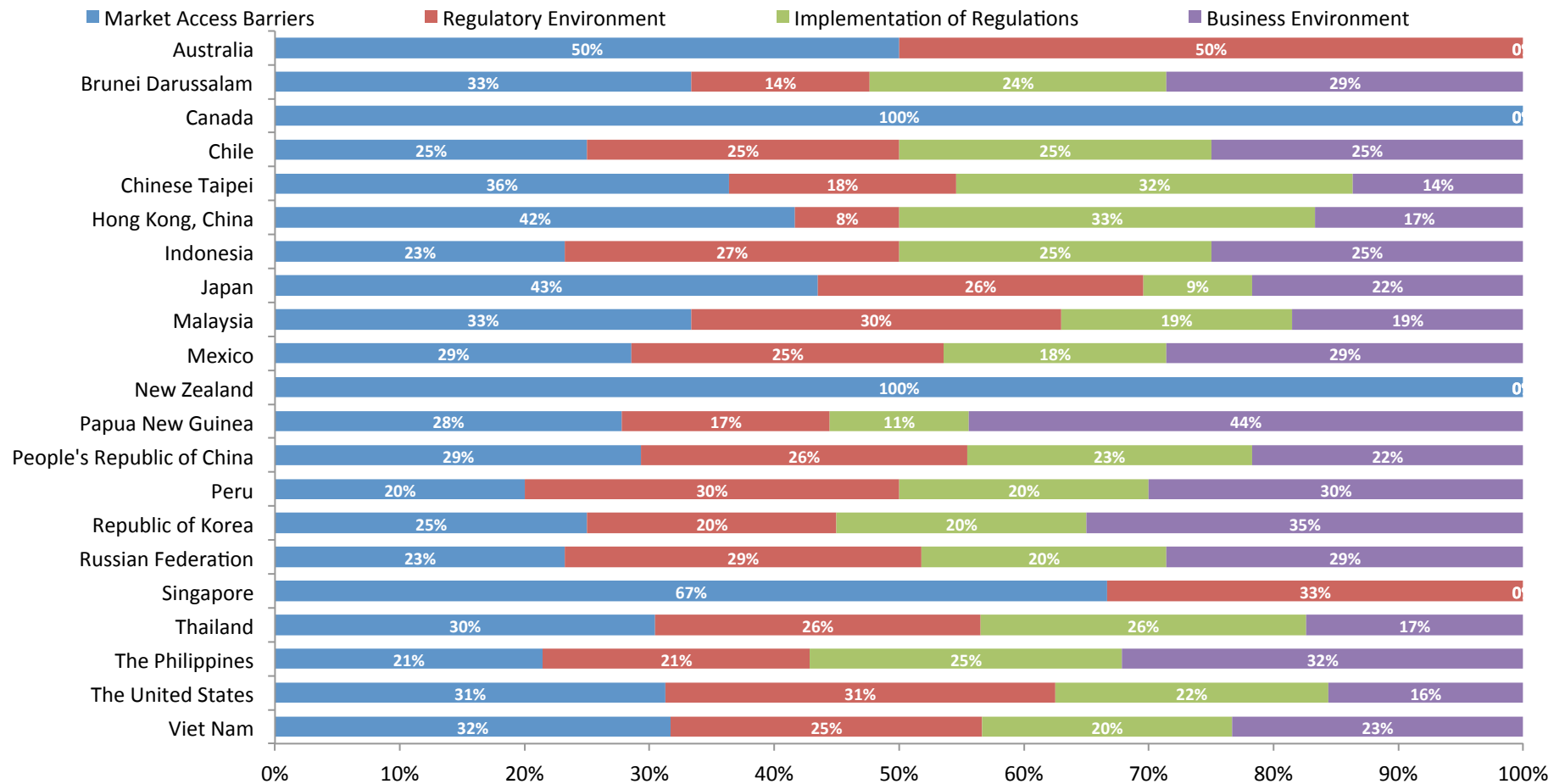
Q22. Based on your experience and from your primary economy's perspective, which APEC economies are more difficult to engage in services trade in the service sector that you identified at the beginning of the survey?



Questionnaire Results: Section 4

Trading Services

Q22. Which APEC economies are more difficult to engage in services trade in the service sector that you identified at the beginning of the survey? For each economy that you check, please also identify the source of difficulty in that economy. Please check all the sources of difficulty.



Questionnaire Results: Section 4

Trading Services (question)

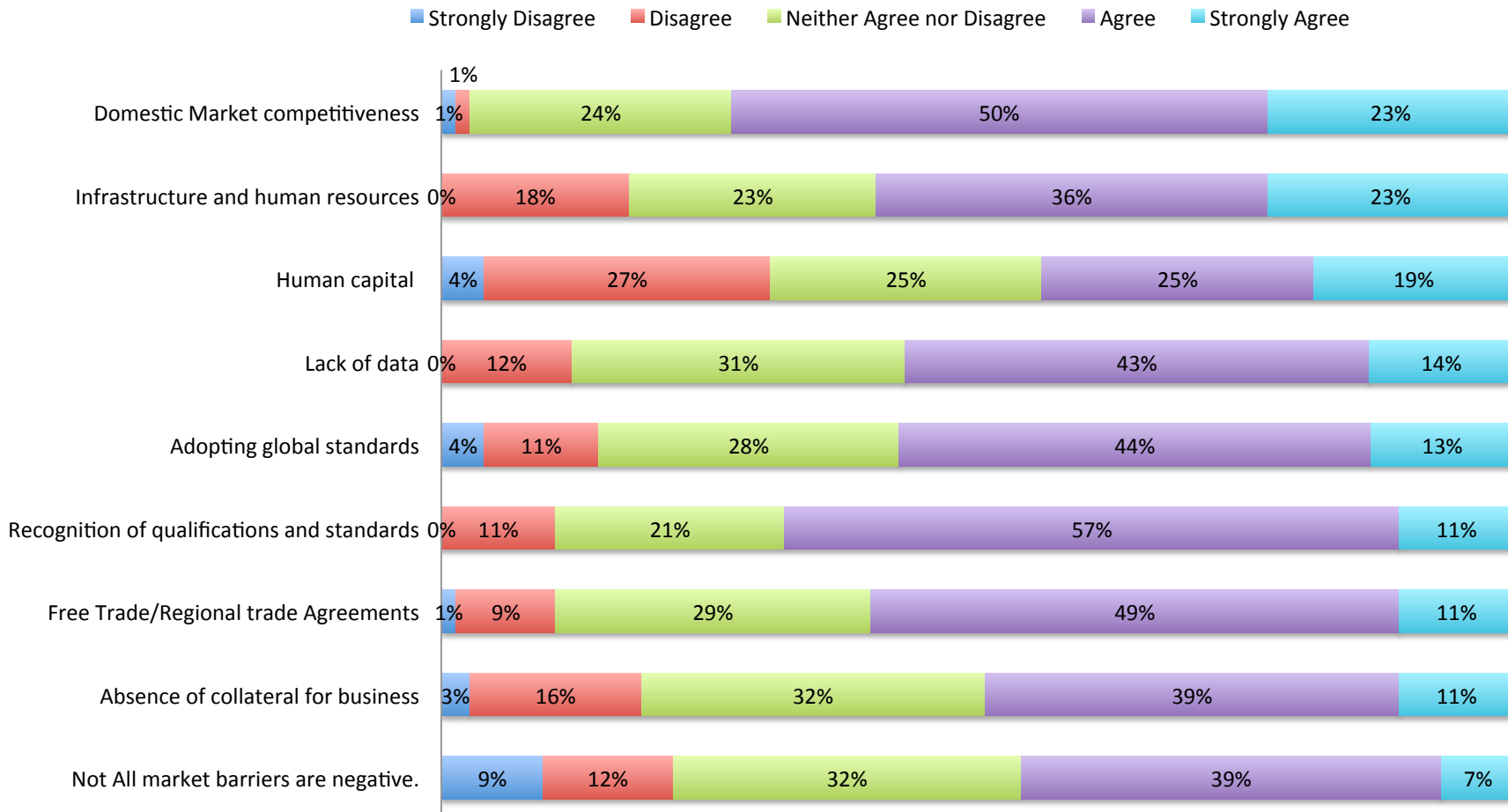
Q23. Based on your experience, please indicate to what extent you agree or disagree (from “1” indicating that “you strongly disagree” to “5” indicating that you “strongly agree”) with the following statements about trade in services in the APEC region.

Adopting global standards	When domestic industry groups and governments resist adopting global standards they are effectively imposing non-tariff barriers on foreign service providers.
Absence of collateral for business	In the service sector, the absence of tangible physical products that can be offered as collateral for business loans is a major impediment to growth for service firms. This is especially critical for SMEs.
Not All market barriers are negative.	Not all market barriers and restrictions are negative for the services industry. Many service firms derive revenue from assisting firms navigate these restrictive environments.
Domestic Market competitiveness	By removing market access barriers and opening domestic services sectors to foreign service providers, even the threat of potential entry would lead domestic providers to improve the quality of services and to offer more competitive prices.
Human capital	Access to talent, and the ability to move personnel across economies, especially skilled workers, remains the single largest impediment to growth in trade in services.
Free Trade/Regional trade Agreements	Adding chapters on trade in services to all Free Trade/Regional trade Agreements, retroactively where necessary, would be well worth the effort.
Infrastructure and human resources	The major challenge in engaging services trade in emerging economies is poorly developed supporting infrastructure and access to human resources.
Recognition of qualifications and standards	The major challenge in engaging in services trade in developed economies is overcoming the lack of mutual recognition of qualifications and dealing with different domestic industry standards.
Lack of data	The absence of data on traded services severely limits governments’ ability to create new incentives and policies to assist services sectors. Without real data, neither business nor government can determine whether existing service sector regulations and policies are effective.

Questionnaire Results: Section 4

Trading Services (answer)

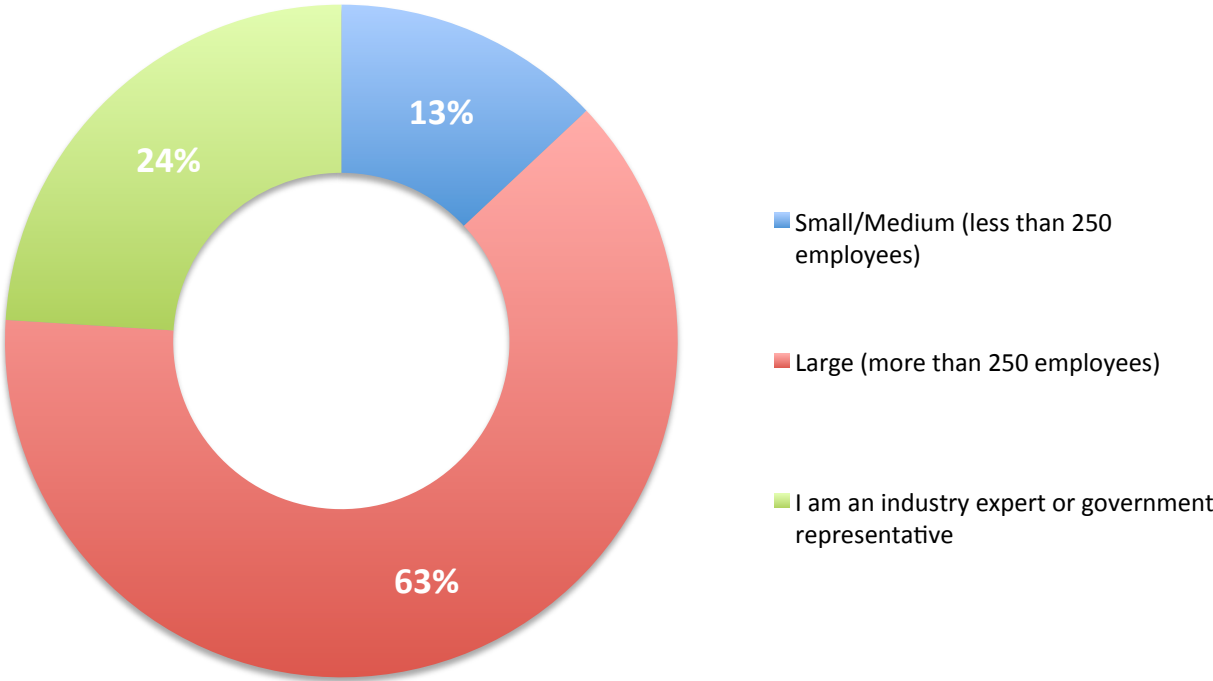
Q23. Based on your experience, please indicate to what extent you agree or disagree (from “1” indicating that “you strongly disagree” to “5” indicating that you “strongly agree”) with the following statements about trade in services in the APEC region.



Questionnaire Results: Section 5

Service Information

Q24. If you are a **Service Provider** or a **Service User**, please identify the size of your organization



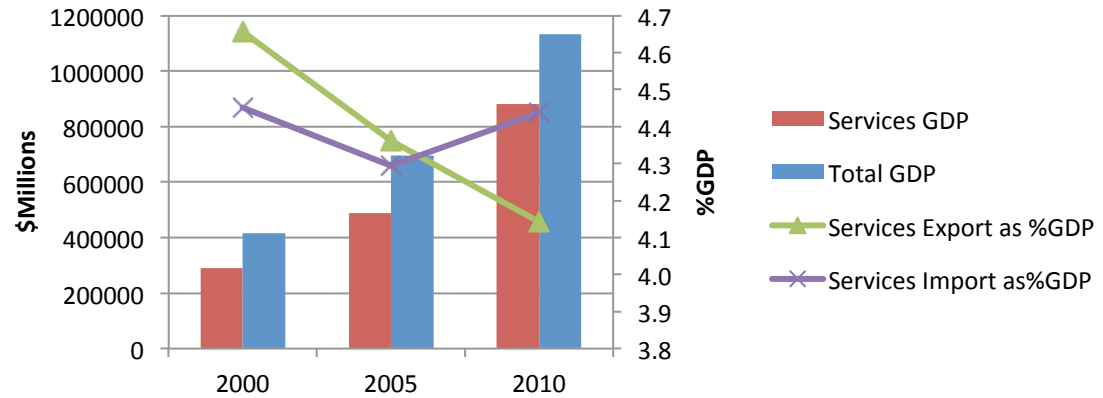


Appendix C | Economy Snapshots

Australia

Key Indicators		Ranking in APEC
GDP	\$1,488,221 M	(6)
GDP per capita	\$65,477	(1)
GDP as share of APEC total	3.8 %	
Population	22.7 M	(15)
Service Sector Size (GDP)	\$881,654 M	(5)
as % of GDP	77.9 %	(3)
Total Exports	\$46,873 M	(8)
as % of GDP	4.1 %	(13)
Total Imports	\$50,225 M	(9)
as % of GDP	4.4 %	(14)

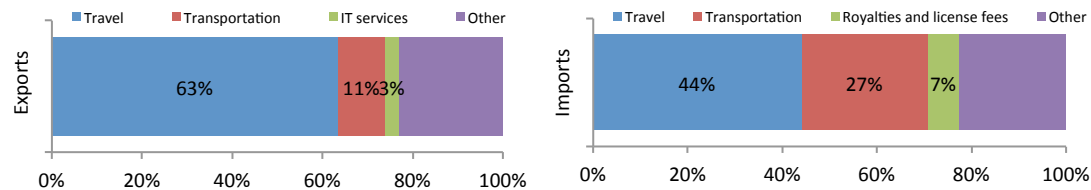
Key Service Sector Indicators



Services Trade Indices

Services Trade Indices	Index	Ranking in APEC
Total	(5.66)	(4)
Market Access	(1.01)	(6)
Regulatory Environment	(2.10)	(7)
Implementation Efficiency	(1.43)	(5)
Business Environment	(1.12)	(4)

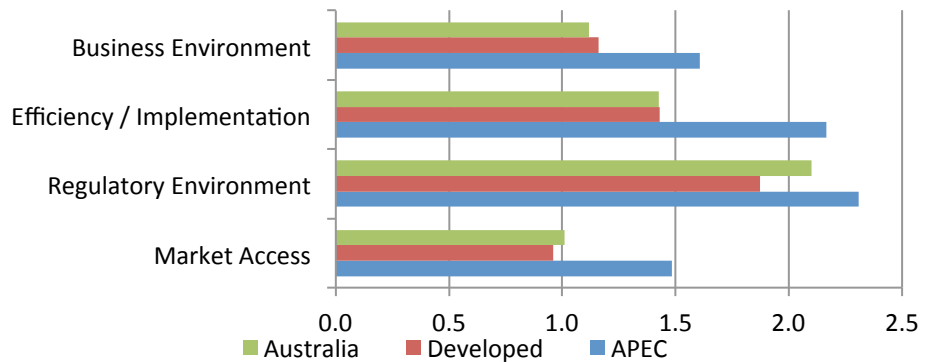
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Recognition of Skills and Qualifications
- (RE) Repatriation of Profits
- (RE) Double Taxation
- (IE) Coordination Among Government Agencies
- (BE) Language differences
- (BE) Cultural differences
- (BE) Access to Human Capital (General)
- (BE) Independent Validation Agencies

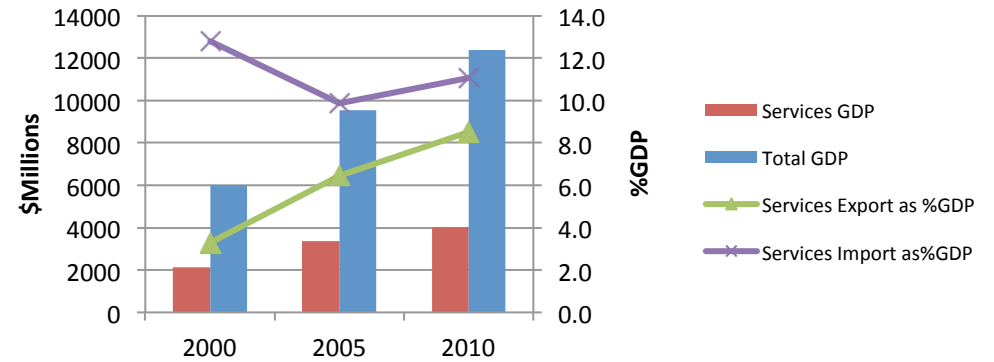
Restrictiveness Factors



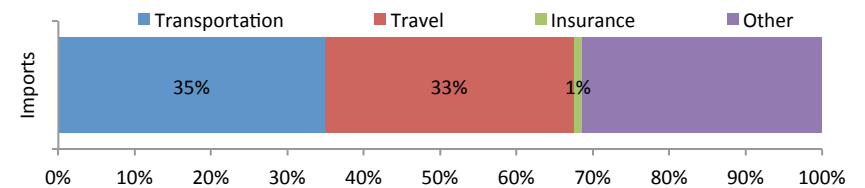
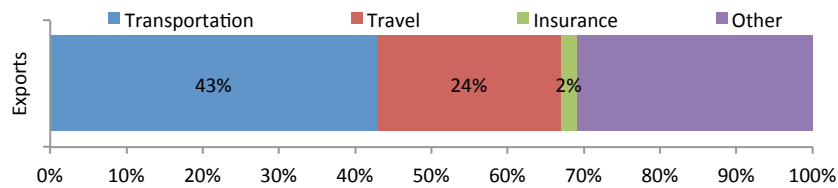
Brunei Darussalam

Key Indicators		Ranking in APEC	
GDP	\$15,533 M	(20)	
GDP per capita	\$36,584	(7)	
GDP as share of APEC total	0.04 %		
Population	0.4 M	(21)	
Service Sector Size (GDP)	\$4,016 M	(20)	
<i>as % of GDP</i>	32.5 %	(20)	
Total Exports	\$1,053 M	(20)	
<i>as % of GDP</i>	8.5 %	(6)	
Total Imports	\$1,366 M	(21)	
<i>as % of GDP</i>	11.0 %	(6)	

Key Service Sector Indicators



Top 3 Service Trade Sectors

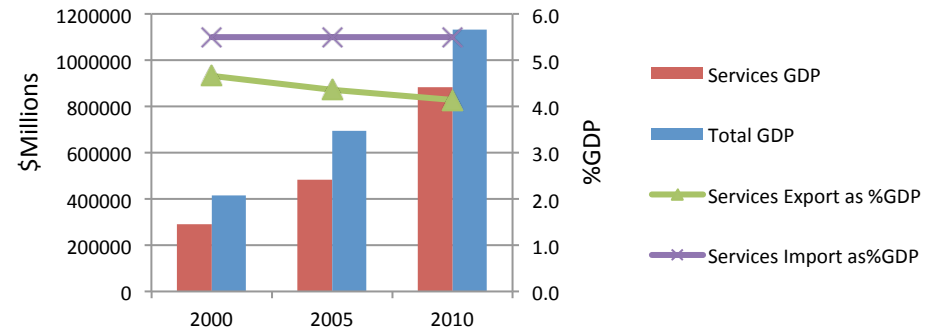


*Trade data from 2009

Canada

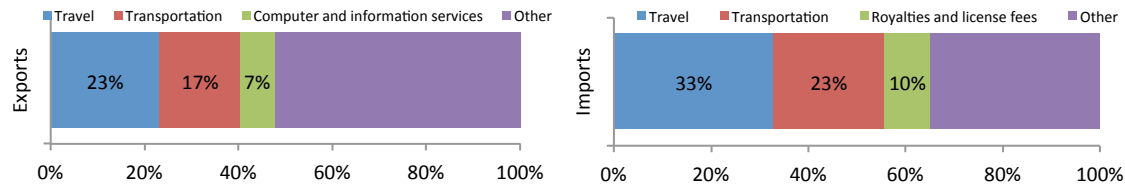
Key Indicators		Ranking in APEC
GDP	\$1,736,869 M	(5)
GDP per capita	\$50,436	(2)
GDP as share of APEC total	4.5 %	
Population	34.4 M	(11)
Service Sector Size (GDP)	\$1,118,121 M	(4)
as % of GDP	70.9 %	(6)
Total Exports	\$67,432 M	(7)
as % of GDP	4.3 %	(12)
Total Imports	\$89,963 M	(6)
as % of GDP	5.7 %	(10)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(5.71)	(5)
Market Access	(1.08)	(7)
Regulatory Environment	(2.20)	(9)
Implementation Efficiency	(1.22)	(4)
Business Environment	(1.21)	(7)

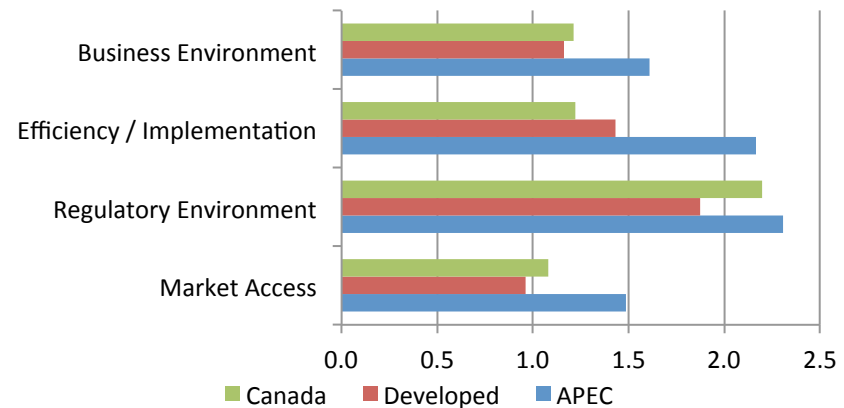
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Recognition of Skills and Qualifications
- (RE) Standards and Specifications
- (RE) Excessive Tax Burden
- (IE) Coordination Among Government Agencies
- (BE) Access to Human Capital (General)
- (BE) Access to Skilled Talent
- (BE) Domestic Market Competitiveness
- (BE) Access to Financing
- (BE) Language Differences
- (BE) Cultural Differences
- (BE) Macroeconomic Environment

Restrictiveness Factors



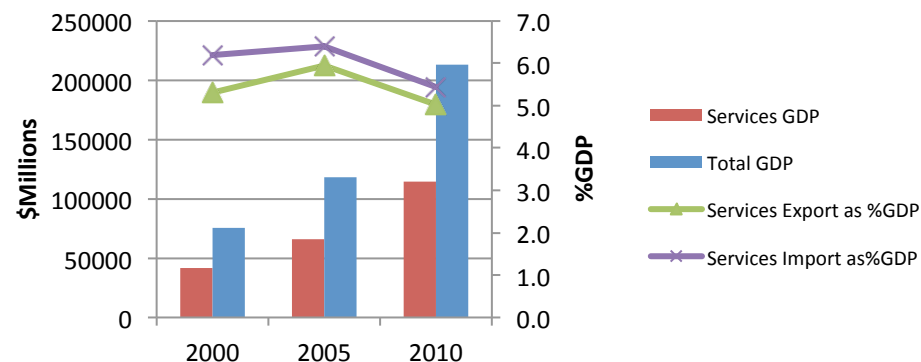
Chile

Key Indicators

Ranking in APEC

GDP	\$248,411 M	(14)
GDP per capita	\$14,278	(11)
GDP as share of APEC total	0.6 %	
Population	17.4 M	(16)
Service Sector Size (GDP)	\$114,575 M	(14)
<i>as % of GDP</i>	53.9 %	(14)
Total Exports	\$10,685 M	(16)
<i>as % of GDP</i>	5.0 %	(11)
Total Imports	\$11,568 M	(15)
<i>as % of GDP</i>	5.4 %	(12)

Key Service Sector Indicators



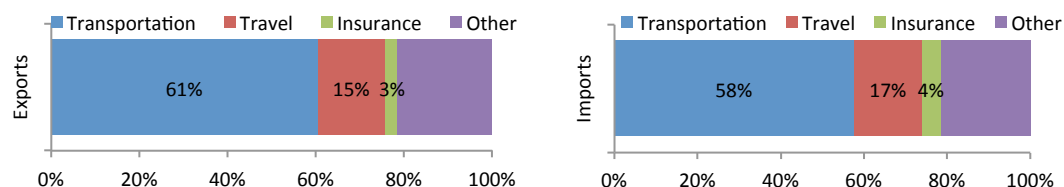
Services Trade Indices

Index

Ranking in APEC

Total	(5.89)	(6)
Market Access	(1.17)	(10)
Regulatory Environment	(1.72)	(4)
Implementation Efficiency	(1.50)	(6)
Business Environment	(1.49)	(10)

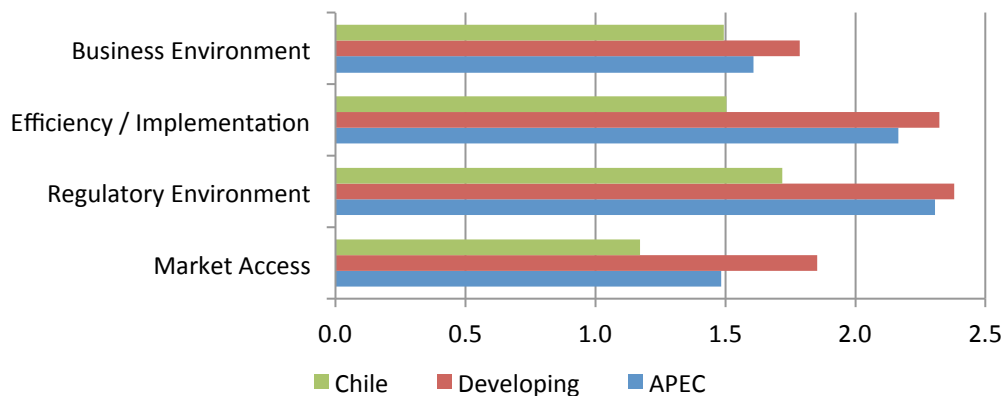
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Limits on Foreign Personnel
- (RE) Visa Work and Travel Restrictions
- (RE) Recognition of Skills and Qualifications
- (RE) Standards and Specifications
- (BE) Access to Human Capital (General)
- (BE) Access to Skilled Talent
- (BE) Language Differences
- (BE) Cultural Differences
- (BE) Information on Service Providers

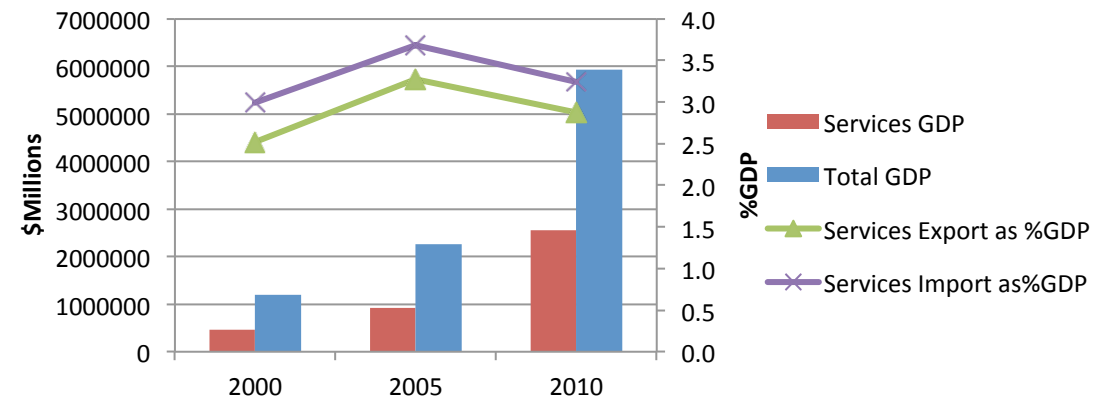
Restrictiveness Factors



People's Republic of China

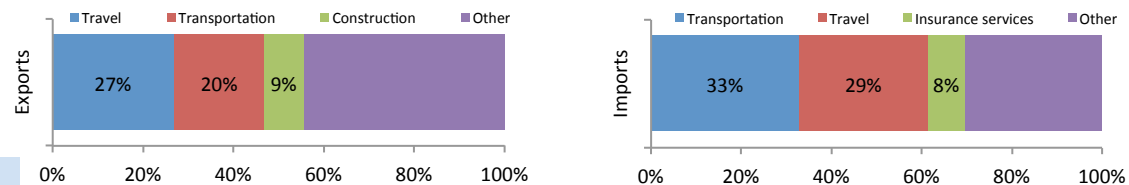
Key Indicators		Ranking in APEC	
GDP	\$7,298,147 M	(2)	
GDP per capita	\$5,414	(16)	
GDP as share of APEC total	18.7 %		
Population	1,348.1 M	(1)	
Service Sector Size (GDP)	\$2,556,865 M	(3)	
as % of GDP	43.1 %	(16)	
Total Exports	\$170,248 M	(2)	
as % of GDP	2.9 %	(17)	
Total Imports	\$192,174 M	(2)	
as % of GDP	3.2 %	(18)	

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(7.96)	(12)
Market Access	(1.83)	(14)
Regulatory Environment	(2.31)	(10)
Implementation Efficiency	(2.15)	(11)
Business Environment	(1.67)	(11)

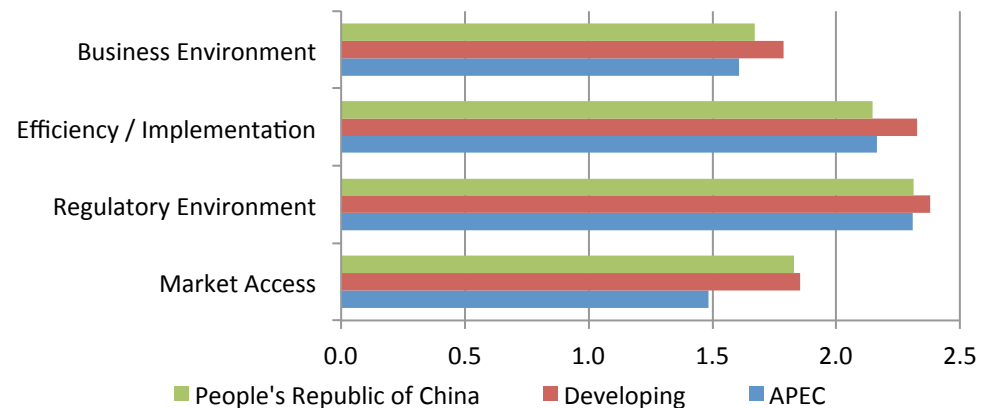
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Modes of Entry
- (MA) Limits on Foreign Ownership
- (MA) Limits on Scope of Operation
- (RE) Inconsistent Regulations
- (RE) National Favoritism
- (RE) IP Protection
- (RE) Repatriation of Profits
- (RE) Double Taxation
- (RE) Excessive Tax Burden
- (IE) Government Bureaucracy
- (IE) Inconsistent Monitoring and Enforcement
- (IE) Legal Dispute Resolution
- (BE) Access to Skilled Talent
- (BE) Cultural Differences

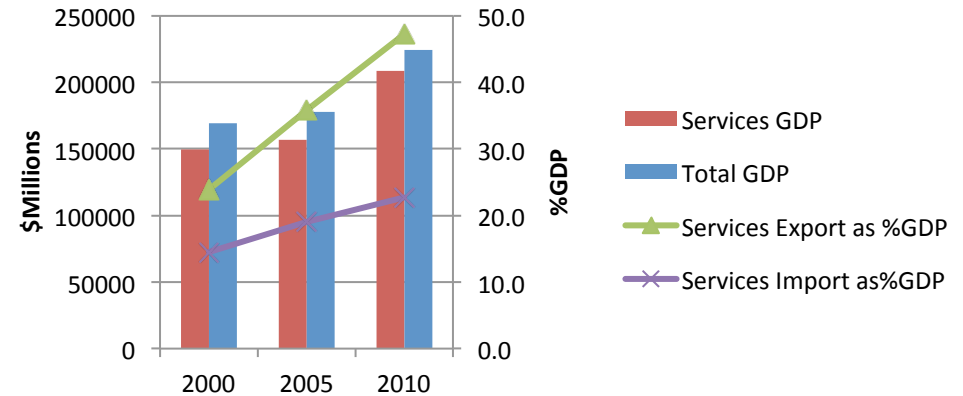
Restrictiveness Factors



Hong Kong, China

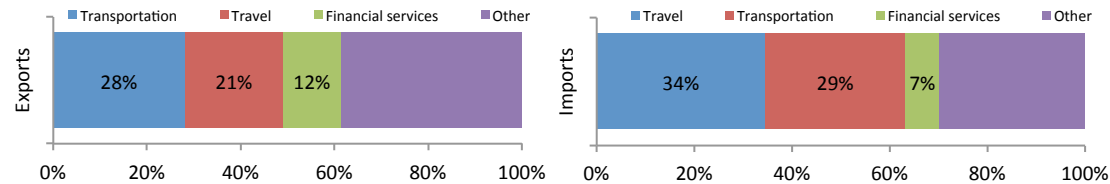
Key Indicators		Ranking in APEC
GDP	\$243,302 M	(15)
GDP per capita	\$34,048	(8)
GDP as share of APEC total	0.6 %	
Population	7.1 M	(17)
Service Sector Size (GDP)	\$208,745 M	(11)
as % of GDP	93.0 %	(1)
Total Exports	\$106,086 M	(5)
as % of GDP	47.3 %	(2)
Total Imports	\$50,854 M	(8)
as % of GDP	22.7 %	(3)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(3.51)	(2)
Market Access	(0.70)	(3)
Regulatory Environment	(0.93)	(2)
Implementation Efficiency	(0.92)	(2)
Business Environment	(0.95)	(2)

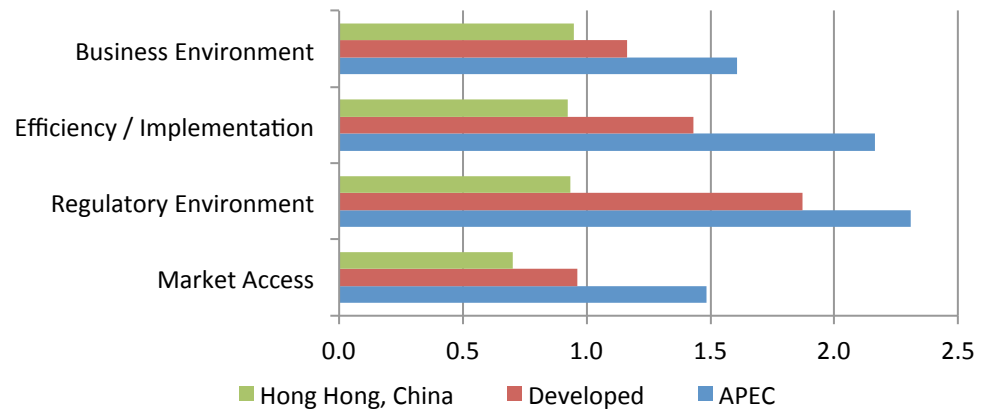
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) National Favoritism
- (RE) Standards and Specifications
- (IE) Inconsistent Monitoring and Enforcement
- (IE) Corruption
- (BE) Access to Human Capital (General)
- (BE) Access to Skilled Talent

Restrictiveness Factors

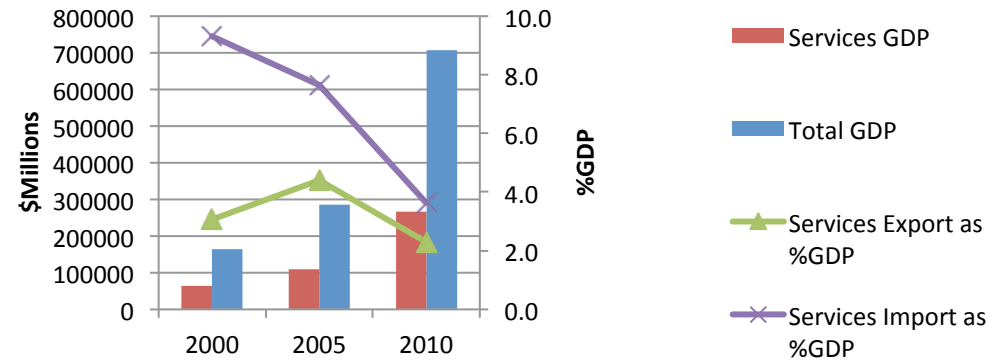


Indonesia

Key Indicators

Key Indicators		Ranking in APEC
GDP	\$845,680 M	(9)
GDP per capita	\$3,508	(18)
GDP as share of APEC total	2.2 %	
Population	241.0 M	(3)
Service Sector Size (GDP)	\$265,778 M	(10)
<i>as % of GDP</i>	37.6 %	(19)
Total Exports	\$16,210 M	(14)
<i>as % of GDP</i>	2.3 %	(20)
Total Imports	\$25,601 M	(13)
<i>as % of GDP</i>	3.6 %	(17)

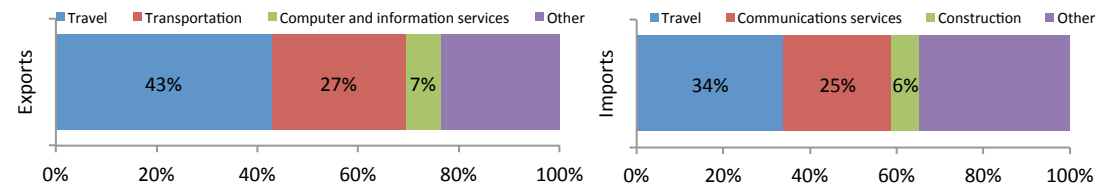
Key Service Sector Indicators



Restrictiveness

Restrictiveness	Index	Ranking in APEC
Total	(9.17)	(17)
Market Access	(2.50)	(18)
Regulatory Environment	(2.47)	(14)
Implementation Efficiency	(2.44)	(15)
Business Environment	(1.76)	(14)

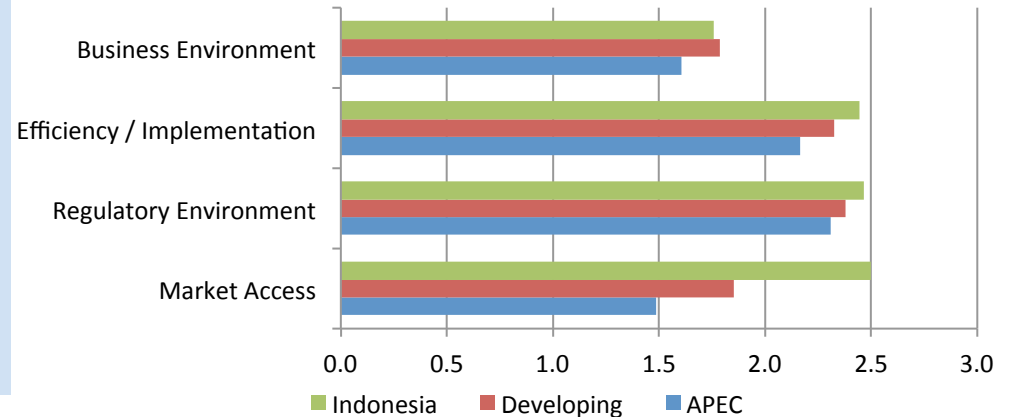
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Foreign Personnel
- (RE) Poor Regulations
- (RE) Recognition of Skills and Qualifications
- (RE) Excessive Tax Burden
- (IE) Corruption
- (IE) Legal Dispute Resolution
- (BE) Transportation Infrastructure
- (BE) Access to Skilled Talent
- (BE) Access to Financing
- (BE) Educational Institutions
- (BE) Language Differences

Restrictiveness Factors



Japan

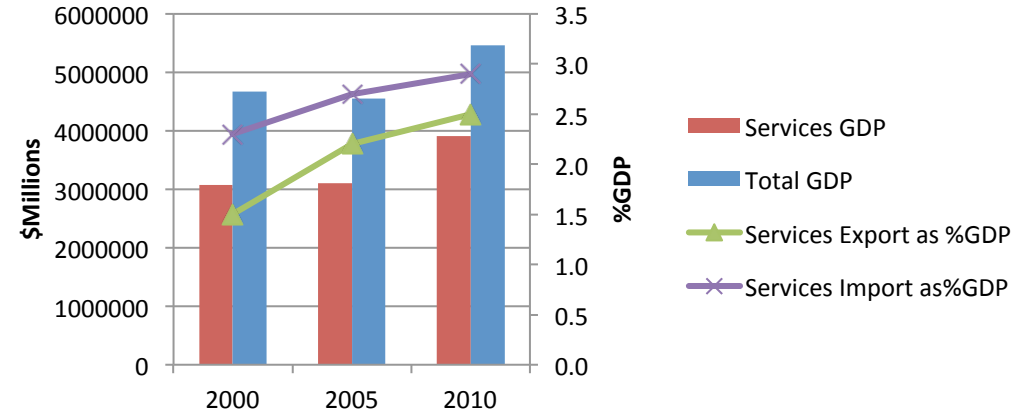
Key Indicators		Ranking in APEC	
GDP	\$5,869,470 M	(3)	
GDP per capita	\$45,920	(5)	
GDP as share of APEC total	15.1 %		
Population	127.8 M	(5)	
Service Sector Size (GDP)	\$3,901,057 M	(2)	
<i>as % of GDP</i>	71.5 %	(5)	
Total Exports	\$138,875 M	(3)	
<i>as % of GDP</i>	2.5 %	(18)	
Total Imports	\$155,800 M	(3)	
<i>as % of GDP</i>	2.9 %	(19)	

Services Trade Indices	Index	Ranking in APEC
Total	(6.26)	(8)
Market Access	(1.17)	(9)
Regulatory Environment	(2.04)	(6)
Implementation Efficiency	(1.76)	(9)
Business Environment	(1.29)	(8)

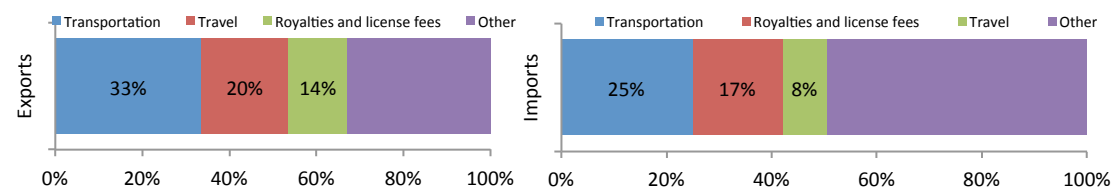
Most Problematic Factors Facing Services Trade

- (MA) Limits on Foreign Personnel
- (RE) Visa and Travel Restrictions
- (RE) Excessive Tax Burden
- (IE) Government Bureaucracy
- (BE) Language Differences

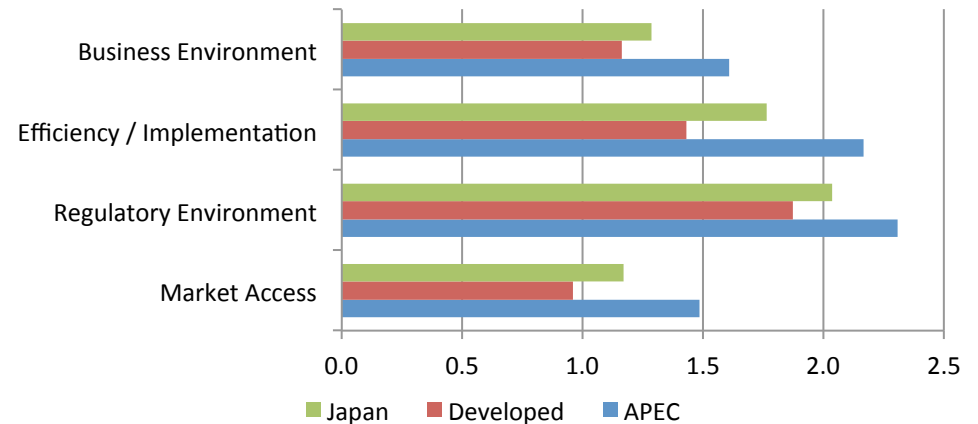
Key Service Sector Indicators



Top 3 Service Trade Sectors



Restrictiveness Factors

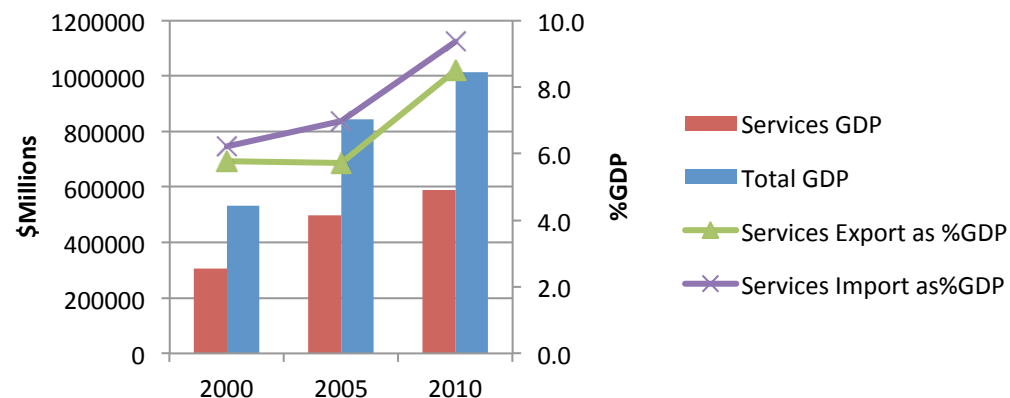


Republic of Korea

Key Indicators

		Ranking in APEC
GDP	\$1,116,247 M	(8)
GDP per capita	\$22,777	(9)
GDP as share of APEC total	2.9 %	
Population	49.0 M	(10)
Service Sector Size (GDP)	\$590,112 M	(8)
<i>as % of GDP</i>	58.2 %	(11)
Total Exports	\$86,266 M	(6)
<i>as % of GDP</i>	8.5 %	(7)
Total Imports	\$94,956 M	(5)
<i>as % of GDP</i>	9.4 %	(7)

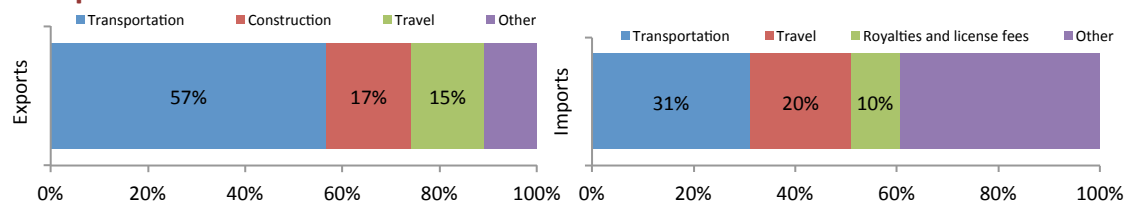
Key Service Sector Indicators



Services Trade Indices

	Index	Ranking in APEC
Total	(7.98)	(13)
Market Access	(1.16)	(8)
Regulatory Environment	(2.70)	(17)
Implementation Efficiency	(2.46)	(16)
Business Environment	(1.67)	(12)

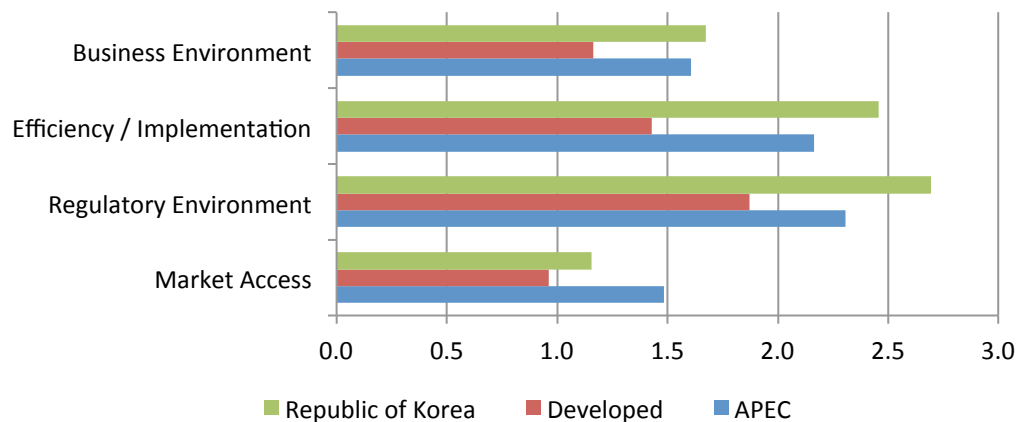
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Foreign Personnel
- (MA) Limits on Foreign Ownership
- (RE) Inconsistent Regulations
- (RE) National Favoritism
- (RE) IP Protection
- (RE) Repatriation of Profits
- (RE) Standards and Specifications
- (RE) Domestic Only Focused Regulations
- (IE) Regulatory Transparency
- (BE) Domestic Market Competitiveness
- (BE) Language Differences
- (BE) Cultural Differences

Restrictiveness Factors

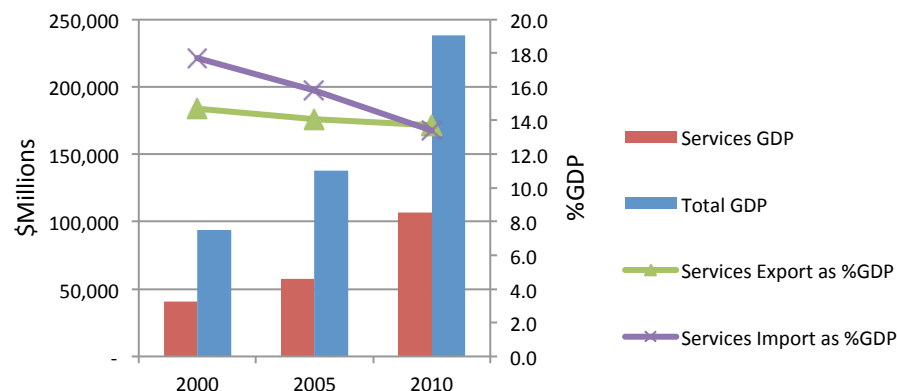


Malaysia

Key Indicators

Key Indicators		Ranking in APEC
GDP	\$278,680 M	(12)
GDP per capita	\$9,700	(14)
GDP as share of APEC total	0.7 %	
Population	28.7 M	(13)
Service Sector Size (GDP)	\$106,927 M	(16)
<i>as % of GDP</i>	45.0 %	(15)
Total Exports	\$32,679 M	(12)
<i>as % of GDP</i>	13.7 %	(3)
Total Imports	\$31,972 M	(12)
<i>as % of GDP</i>	13.4 %	(5)

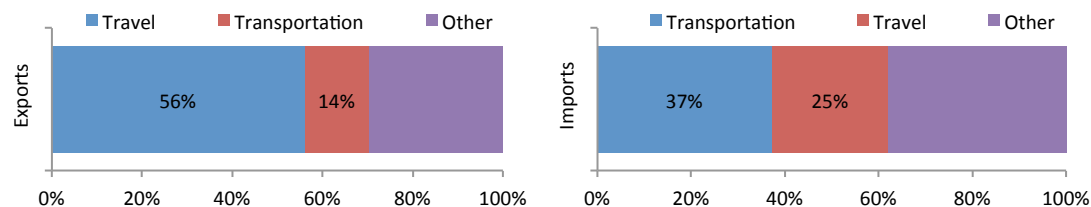
Key Service Sector Indicators



Services Trade Indices

Services Trade Indices	Index	Ranking in APEC
Total	(7.06)	(10)
Market Access	(2.31)	(16)
Regulatory Environment	(1.76)	(5)
Implementation Efficiency	(1.61)	(8)
Business Environment	(1.39)	(9)

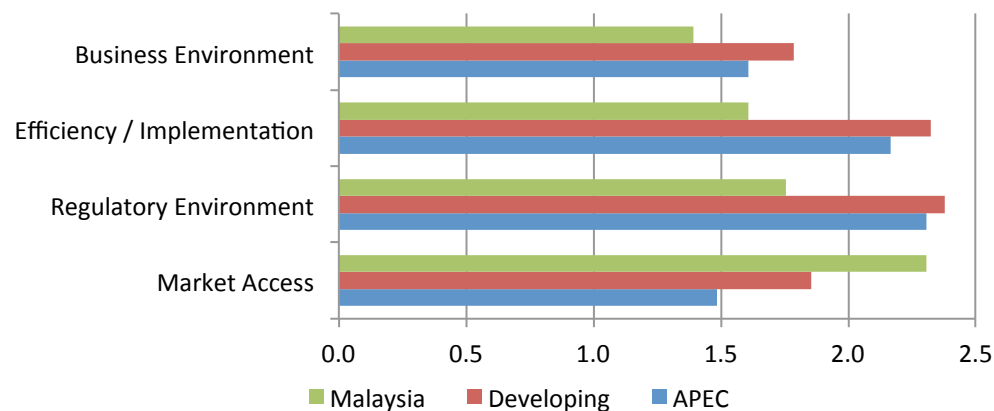
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Mode of Entry
- (MA) Limits on Foreign Ownership
- (RE) Inconsistent Regulations
- (IE) Government Bureaucracy
- (RE) Poor Regulations
- (BE) Domestic Market Competitiveness
- (BE) Access to Financing

Restrictiveness Factors



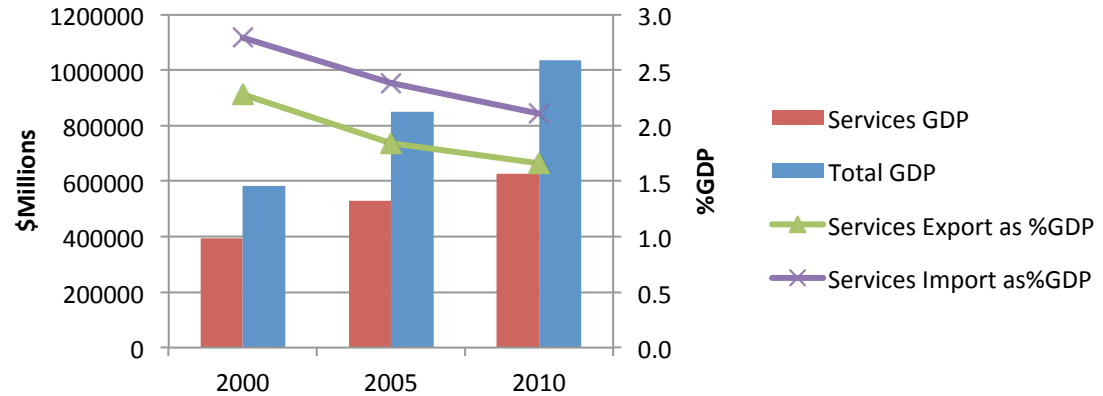
Mexico

Key Indicators	Ranking in APEC	
GDP	\$1,154,784 M	(7)
GDP per capita	\$10,153	(13)
GDP as share of APEC total	3.0 %	
Population	113.7M	(6)
Service Sector Size (GDP)	\$639,951 M	(7)
as % of GDP	61.8 %	(9)
Total Exports	\$14,935 M	(14)
as % of GDP	1.4 %	(21)
Total Imports	\$21,818 M	(14)
as % of GDP	2.1 %	(21)

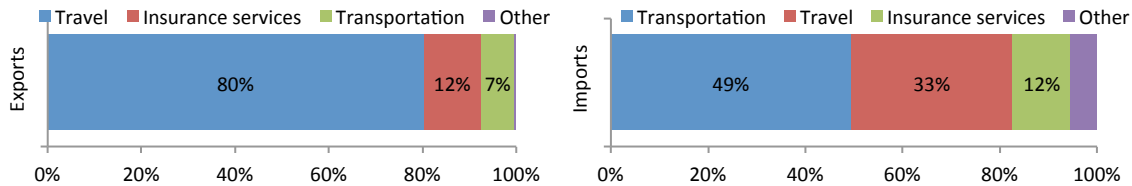
Services Trade Indices	Index	Ranking in APEC
Total	(8.55)	(14)
Market Access	(1.48)	(13)
Regulatory Environment	(2.64)	(16)
Implementation Efficiency	(2.44)	(14)
Business Environment	(2.00)	(18)

- Most Problematic Factors Facing Services Trade**
- (RE) Visa Work and Travel Restrictions
 - (IE) Government Bureaucracy
 - (IE) Inconsistent Monitoring and Enforcement
 - (IE) Corruption
 - (IE) Inefficiency of Visa Application Process
 - (IE) Coordination Among Government Agencies
 - (BE) Domestic Market Competitiveness
 - (BE) Access to Financing
 - (BE) Lack of quality Educational Institutions
 - (BE) Language Differences
 - (BE) Information on Service Providers
 - (BE) Business Cost of Crime and Violence

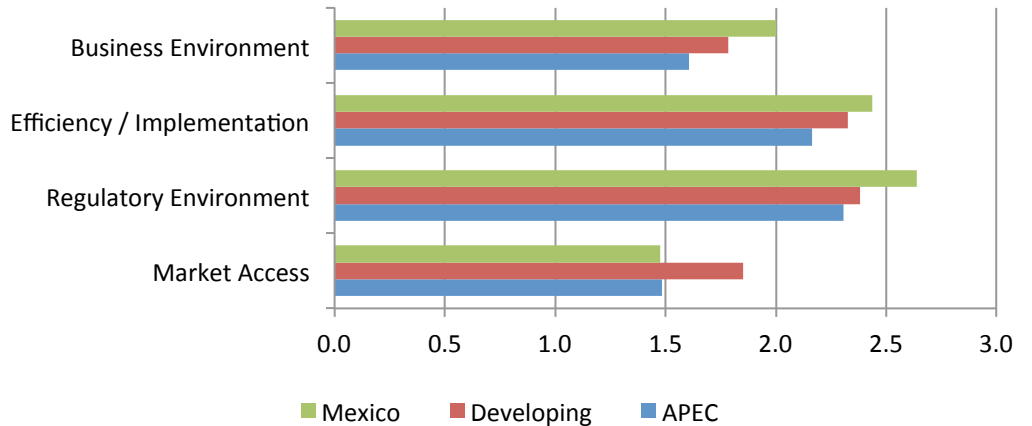
Key Service Sector Indicators



Top 3 Service Trade Sectors



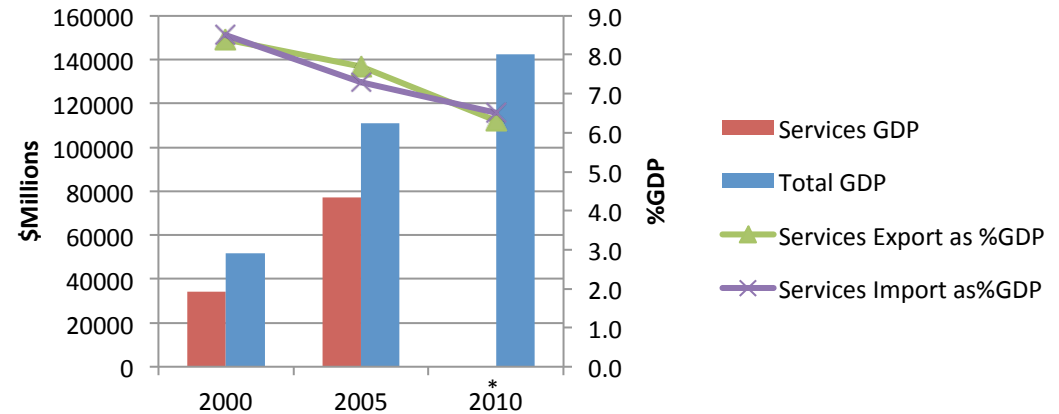
Restrictiveness Factors



New Zealand

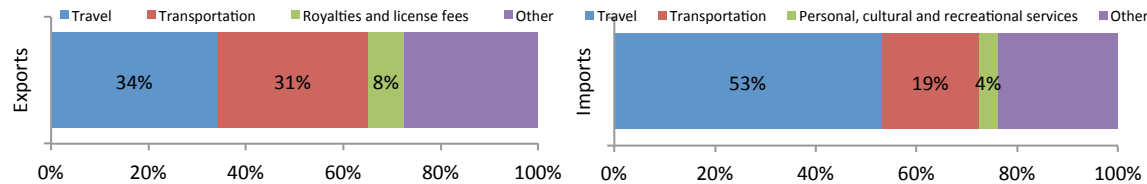
Key Indicators		Ranking in APEC
GDP	\$161,851 M	(18)
GDP per capita	\$36,648	(6)
GDP as share of APEC total	0.4 %	
Population	4.4 M	(20)
Service Sector Size (GDP)	\$99,083 M	(17)
as % of GDP	69.5 %	(7)
Total Exports	\$8,908 M	(17)
as % of GDP	6.3 %	(10)
Total Imports	\$9,227 M	(18)
as % of GDP	6.5 %	(9)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(4.13)	(3)
Market Access	(0.55)	(1)
Regulatory Environment	(1.44)	(3)
Implementation Efficiency	(0.98)	(3)
Business Environment	(1.16)	(6)

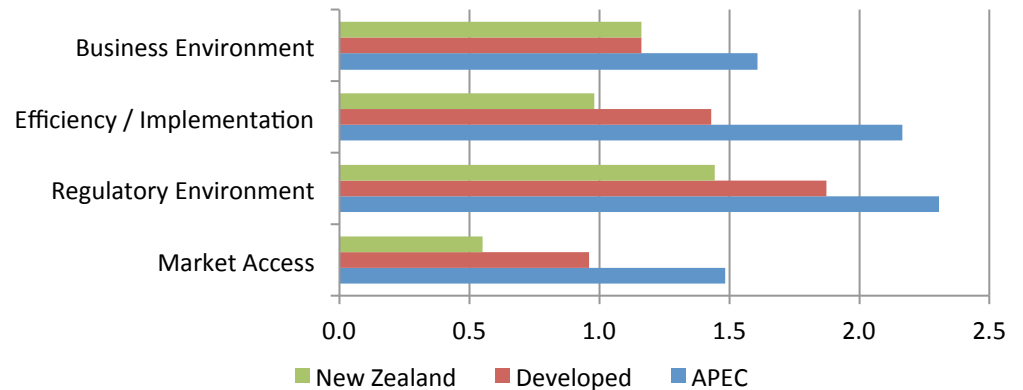
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Scope of Operation
- (RE) Inconsistent Regulations
- (RE) Domestic Only Focused Regulations
- (IE) Coordination Among Government Agencies
- (BE) Transportation Infrastructure

Restrictiveness Factors



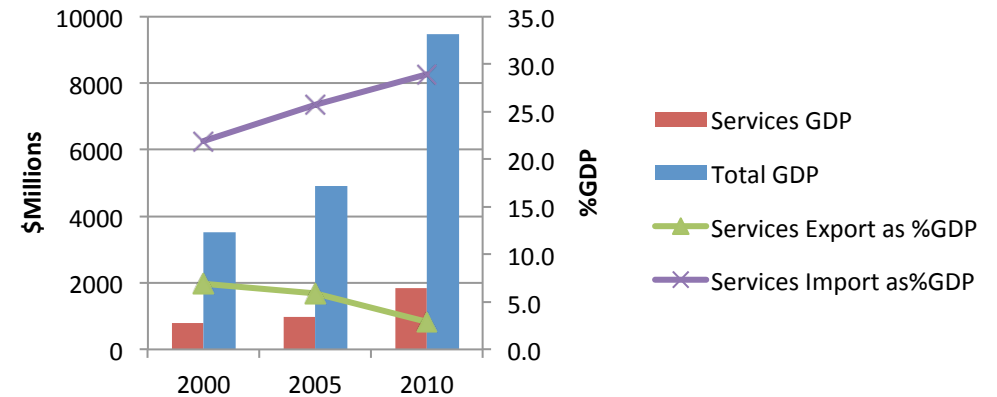
Papua New Guinea

Key Indicators

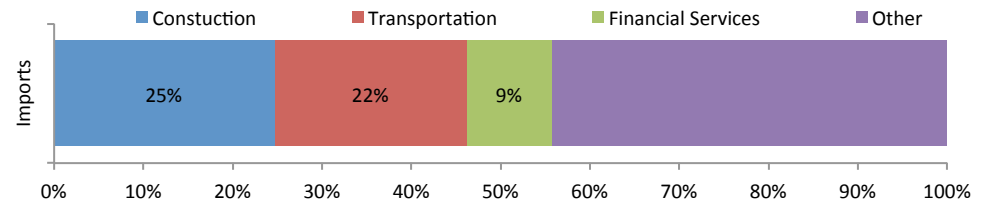
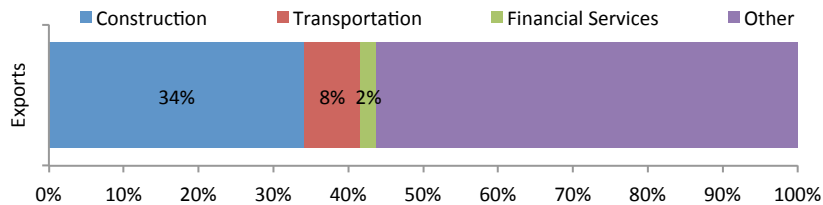
Ranking in APEC

GDP	\$12,655 M	(21)
GDP per capita	\$1,900	(20)
GDP as share of APEC total	0.03 %	
Population	6.7 M	(18)
Service Sector Size (GDP)	\$1,844 M	(21)
<i>as % of GDP</i>	19.5 %	(21)
Total Exports	\$279 M	(21)
<i>as % of GDP</i>	2.9 %	(16)
Total Imports	\$2,737 M	(20)
<i>as % of GDP</i>	28.9 %	(2)

Key Service Sector Indicators



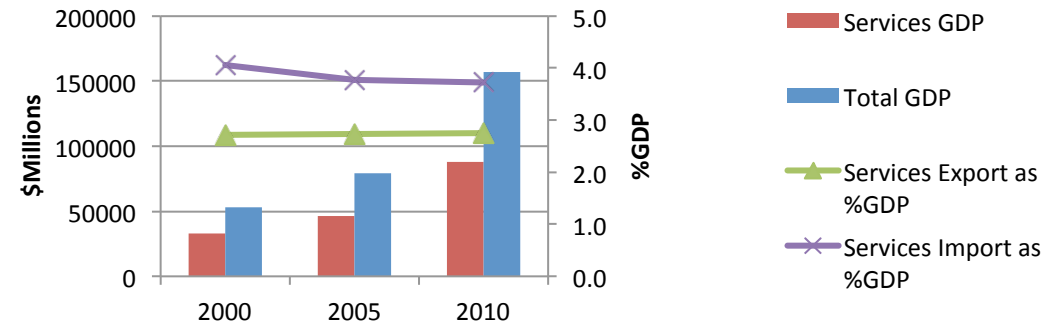
Top 3 Service Trade Sectors



Peru

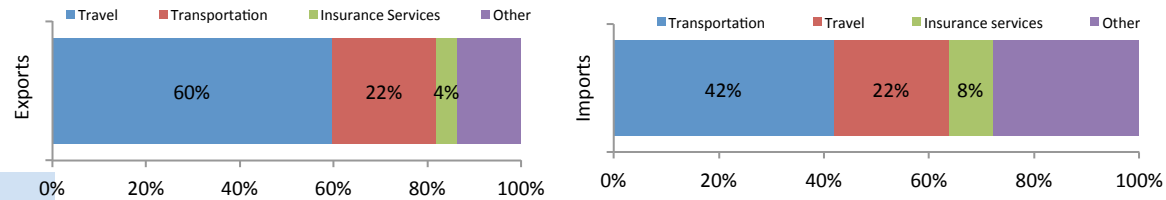
Key Indicators		Ranking in APEC
GDP	\$173,502 M	(17)
GDP per capita	\$5,782	(15)
GDP as share of APEC total	0.4 %	
Population	30.0 M	(12)
Service Sector Size (GDP)	\$90,251 M	(18)
as % of GDP	57.5 %	(12)
Total Exports	\$3,816 M	(19)
as % of GDP	2.4 %	(19)
Total Imports	\$5,843 M	(19)
as % of GDP	3.7 %	(16)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(7.75)	(11)
Market Access	(0.82)	(4)
Regulatory Environment	(2.37)	(12)
Implementation Efficiency	(2.40)	(13)
Business Environment	(2.16)	(19)

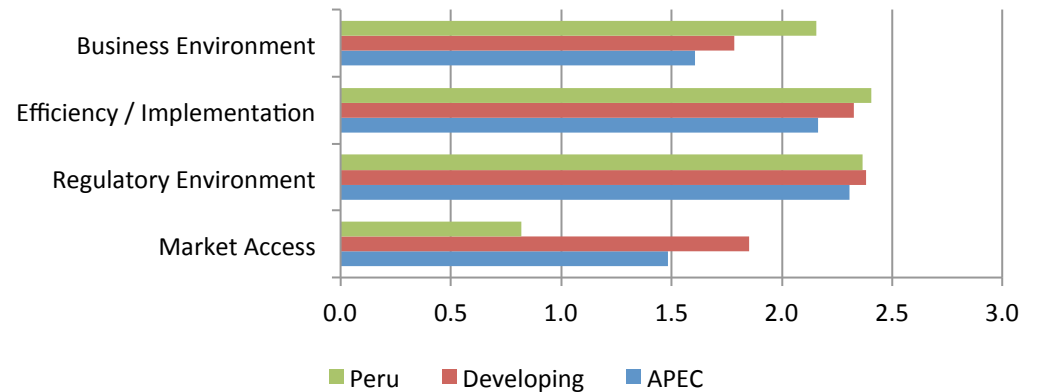
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Scope of Operation
- (RE) Inconsistent Regulations
- (IE) Government Bureaucracy
- (IE) Regulatory Transparency
- (IE) Corruption
- (IE) Coordination Among Government Agencies
- (BE) Access to Skilled Talent
- (BE) Access to Human Capital (General)
- (BE) Transportation Infrastructure
- (BE) Language Differences
- (BE) Cultural Differences
- (BE) Information on Service Providers

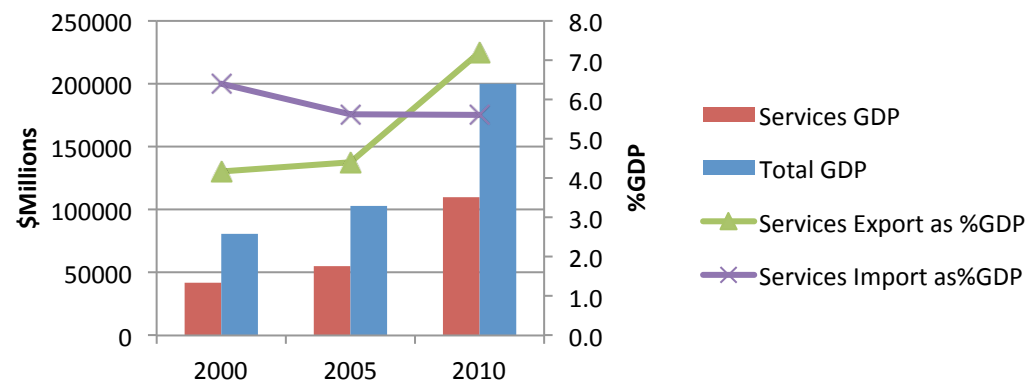
Restrictiveness Factors



The Philippines

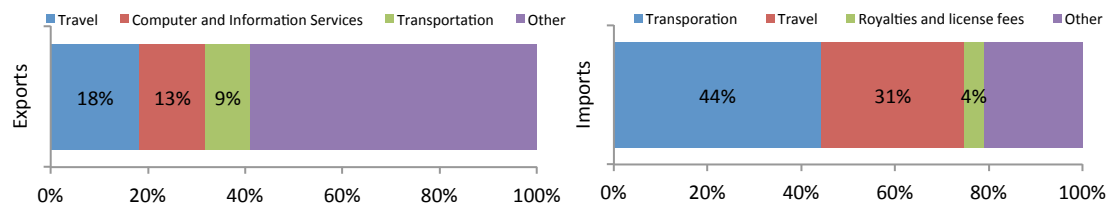
Key Indicators		Ranking in APEC
GDP	\$213,129 M	(16)
GDP per capita	\$2,223	(19)
GDP as share of APEC total	0.5 %	
Population	95.9 M	(7)
Service Sector Size (GDP)	\$110,008 M	(15)
<i>as % of GDP</i>	55.1 %	(13)
Total Exports	\$14,358 M	(15)
<i>as % of GDP</i>	7.2 %	(8)
Total Imports	\$11,188 M	(16)
<i>as % of GDP</i>	5.6 %	(11)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(10.01)	(19)
Market Access	(2.68)	(19)
Regulatory Environment	(2.49)	(15)
Implementation Efficiency	(2.97)	(19)
Business Environment	(1.88)	(16)

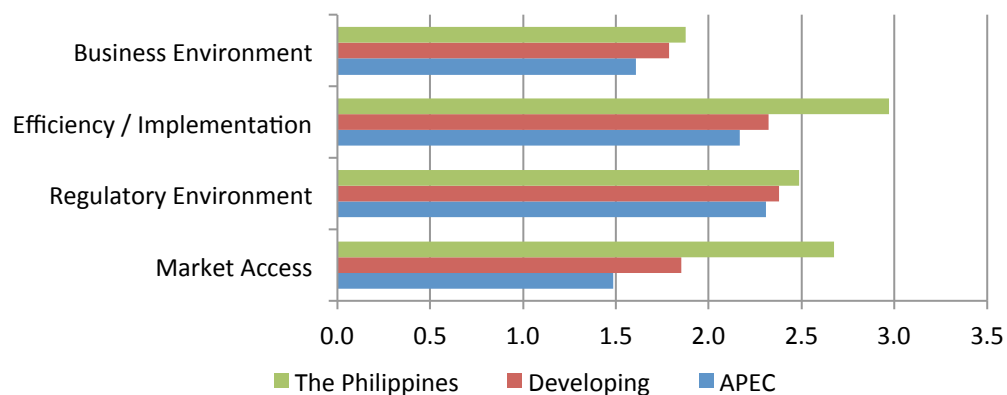
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (MA) Limits on Mode of Entry
- (MA) Limits on Foreign Ownership
- (MA) Quotas on Foreign Service Providers
- (MA) Limits on Scope of Operation
- (MA) Foreign ownership size limits
- (RE) Poor Regulations
- (RE) National Favoritism
- (RE) Domestic Only Focused Regulations
- (IE) Government Bureaucracy
- (IE) Corruption
- (BE) Domestic Market Competitiveness
- (RE) Legal Dispute Resolution

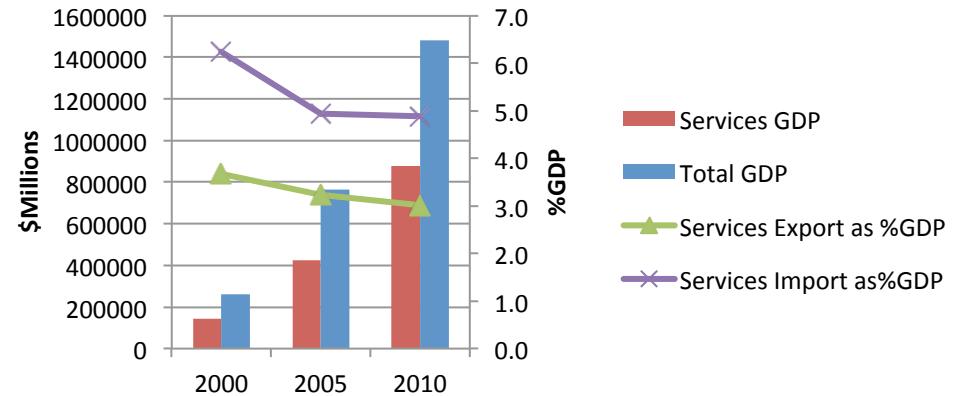
Restrictiveness Factors



Russia

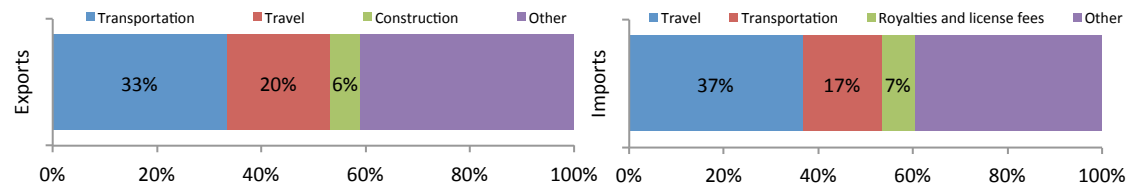
Key Indicators		Ranking in APEC
GDP	\$1,850,401 M	(4)
GDP per capita	\$12,993	(12)
GDP as share of APEC total	4.7 %	
Population	142.4 M	(4)
Service Sector Size (GDP)	\$877,242 M	(6)
as % of GDP	59.3 %	(10)
Total Exports	\$44,605 M	(9)
as % of GDP	3.0 %	(15)
Total Imports	\$72,279 M	(7)
as % of GDP	4.9 %	(13)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(9.04)	(16)
Market Access	(1.29)	(11)
Regulatory Environment	(2.98)	(19)
Implementation Efficiency	(2.87)	(18)
Business Environment	(1.91)	(17)

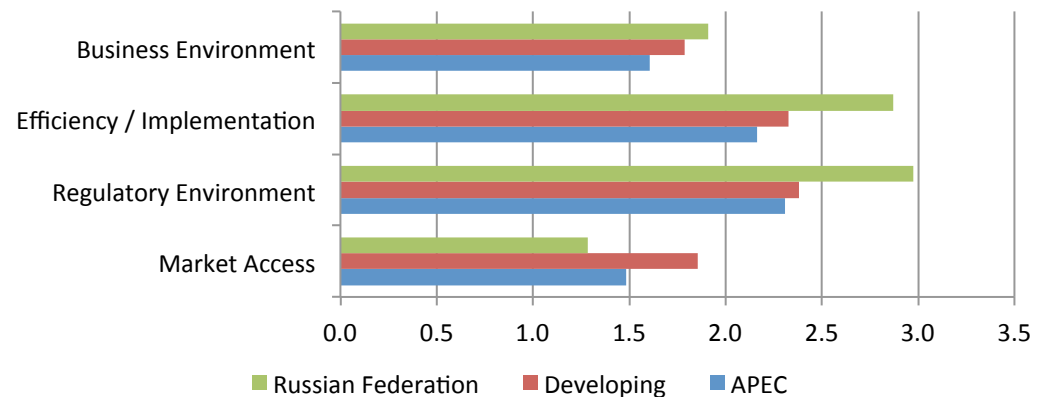
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Investment Protection
- (RE) Excessive Tax Burden
- (RE) Standards and Specifications
- (RE) Government Bureaucracy
- (RE) Corruption
- (RE) Poor Regulations
- (RE) National Favoritism
- (RE) Inconsistent Monitoring and Enforcement
- (RE) Regulatory Transparency
- (RE) Legal Dispute Resolution
- (BE) Domestic Market Competitiveness
- (BE) Transportation Infrastructure
- (BE) Access to Skilled Talent

Restrictiveness Factors

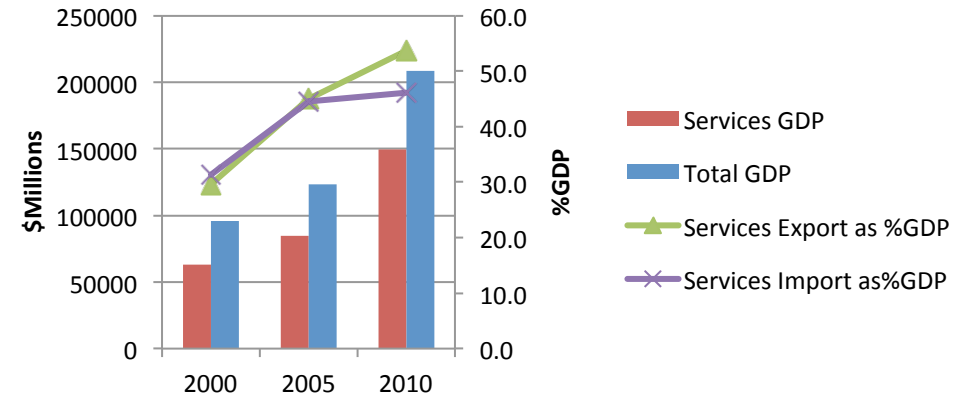


Singapore

Key Indicators

		Ranking in APEC
GDP	\$259,847 M	(13)
GDP per capita	\$49,270	(3)
GDP as share of APEC total	0.7 %	
Population	5.3 M	(19)
Service Sector Size (GDP)	\$149,678 M	(12)
as % of GDP	71.7 %	(4)
Total Exports	\$112,060 M	(4)
as % of GDP	53.7 %	(1)
Total Imports	\$96,255 M	(4)
as % of GDP	46.1 %	(1)

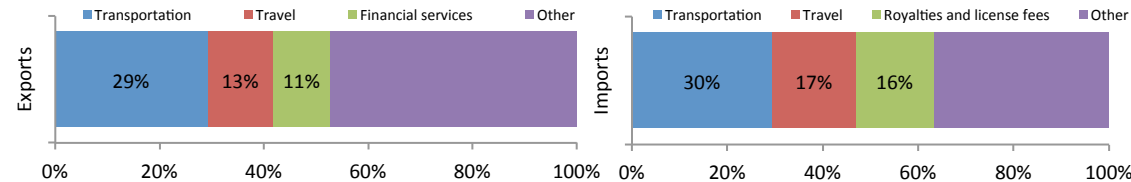
Key Service Sector Indicators



Services Trade Indices

	Index	Ranking in APEC
Total	(3.08)	(1)
Market Access	(0.70)	(2)
Regulatory Environment	(0.93)	(1)
Implementation Efficiency	(0.65)	(1)
Business Environment	(0.80)	(1)

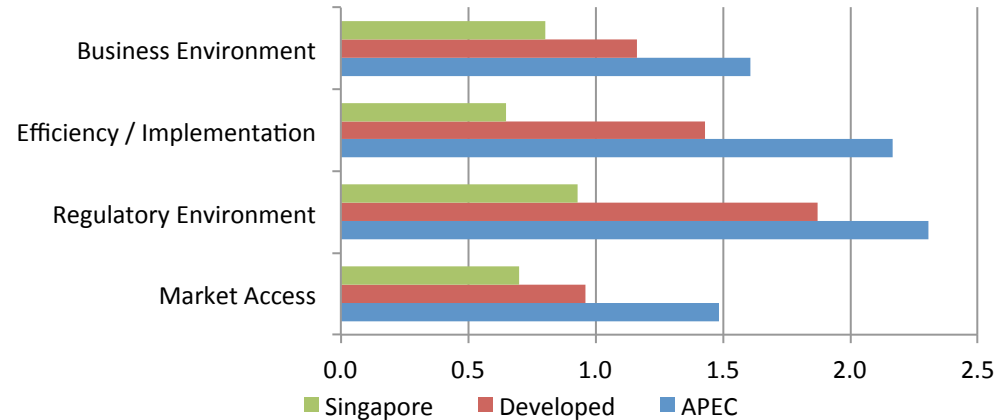
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Investment Protection
- (RE) Standards and Specifications
- (RE) Double Taxation
- (IE) Inconsistent Monitoring and Enforcement
- (IE) Regulatory Transparency

Restrictiveness Factors



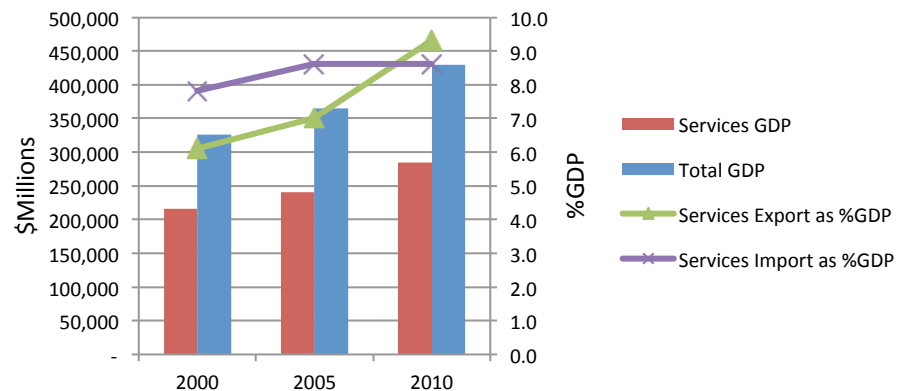
Chinese Taipei

Key Indicators

Ranking in APEC

GDP	\$466,832 M	(10)
GDP per capita	\$20,101	(10)
GDP as share of APEC total	1.2 %	
Population	23.2 M	(14)
Service Sector Size (GDP)	\$284,960 M	(9)
<i>as % of GDP</i>	66.2 %	(8)
Total Exports	\$40,104 M	(10)
<i>as % of GDP</i>	9.3 %	(5)
Total Imports	\$37,117 M	(11)
<i>as % of GDP</i>	8.6 %	(9)

Key Service Sector Indicators



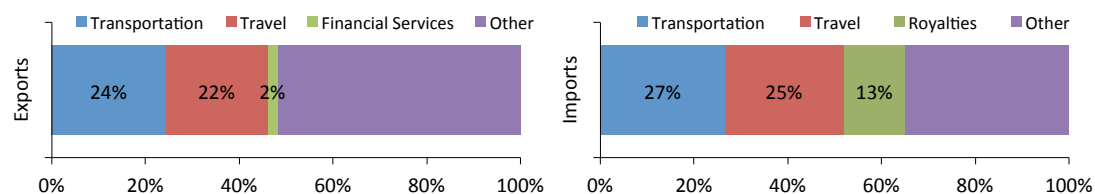
Services Trade Indices

Index

Ranking in APEC

Total	(6.21)	(7)
Market Access	(1.40)	(12)
Regulatory Environment	(2.11)	(8)
Implementation Efficiency	(1.60)	(7)
Business Environment	(1.10)	(3)

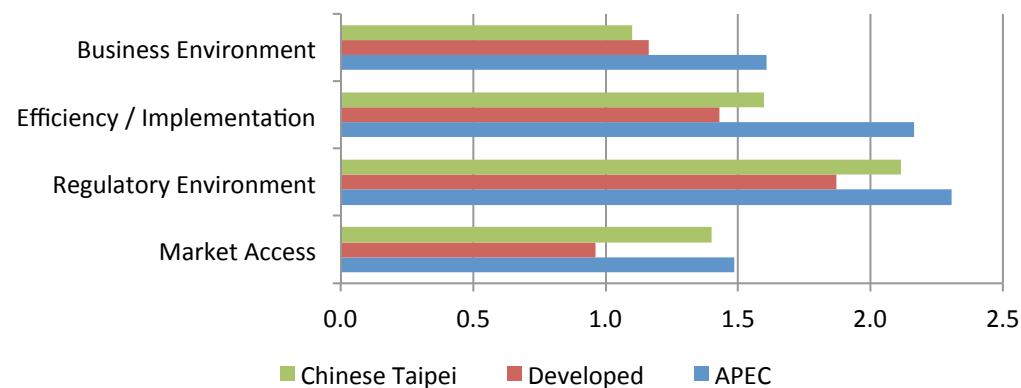
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Visa Work and Travel Restrictions
- (RE) Recognition of Skills and Qualifications
- (RE) Double Taxation
- (BE) Access to Skilled Talent

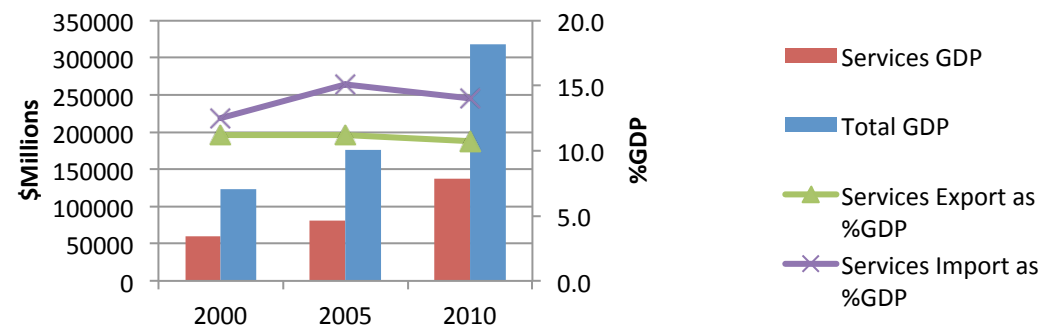
Restrictiveness Factors



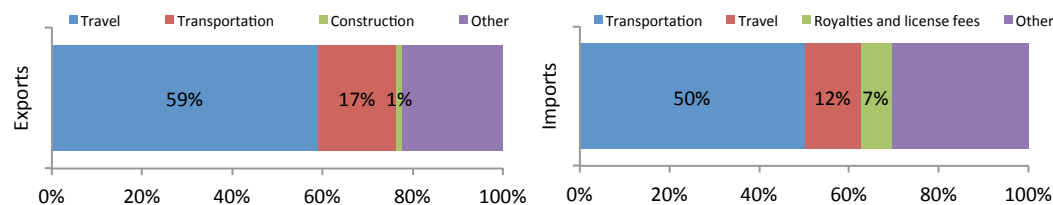
Thailand

Key Indicators	Ranking in APEC	
GDP	\$345,649 M	(11)
GDP per capita	\$5,394	(17)
GDP as share of APEC total	0.9 %	
Population	64.1 M	(9)
Service Sector Size (GDP)	\$149,679 M	(13)
as % of GDP	43.0%	(17)
Total Exports	\$34,057 M	(11)
as % of GDP	10.7%	(4)
Total Imports	\$44,592	(10)
as % of GDP	14.0%	(4)

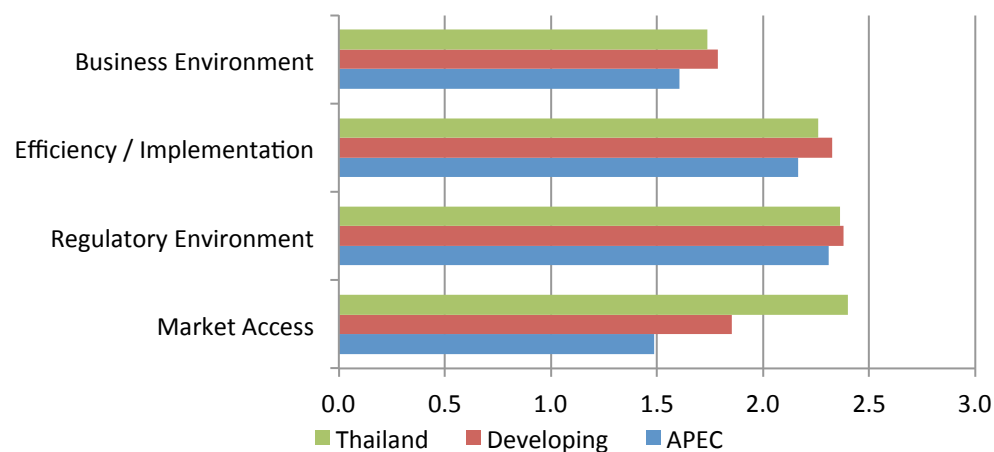
Key Service Sector Indicators



Top 3 Service Trade Sectors



Restrictiveness Factors



Restrictiveness	Index	Ranking in APEC
Total	(8.76)	(15)
Market Access	(2.40)	(17)
Regulatory Environment	(2.36)	(11)
Implementation Efficiency	(2.26)	(12)
Business Environment	(1.74)	(13)

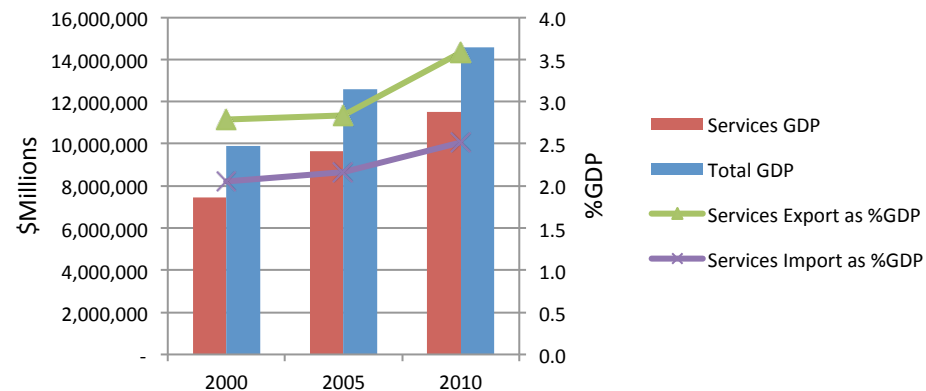
Most Problematic Factors Facing Services Trade

- (MA) Limits on Foreign Personnel
- (MA) Limits on Mode of Entry
- (MA) Limits on Foreign Ownership
- (RE) Inconsistent Regulations
- (IE) Government Bureaucracy
- (IE) Inconsistent Monitoring and Enforcement
- (IE) Regulatory Transparency
- (IE) Corruption
- (IE) Legal Dispute Resolution
- (IE) Regulatory Instability
- (BE) Access to Skilled Talent
- (BE) Information and Communication Technology
- (BE) Domestic Market Competitiveness
- (BE) Language Differences
- (BE) Business Cost of Crime and Violence

The United States

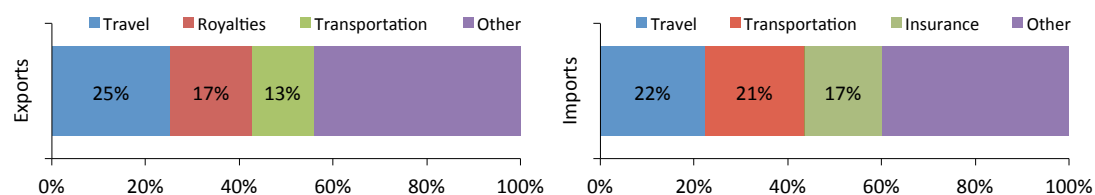
Key Indicators		Ranking in APEC
GDP	\$15,094,025 M	(1)
GDP per capita	\$48,387	(4)
GDP as share of APEC total	38.7 %	
Population	311.9 M	(2)
Service Sector Size (GDP)	\$11,497,802 M	(1)
<i>as % of GDP</i>	78.8 %	(2)
Total Exports	\$522,510 M	(1)
<i>as % of GDP</i>	3.6 %	(14)
Total Imports	\$367,018 M	(1)
<i>as % of GDP</i>	2.5 %	(20)

Key Service Sector Indicators



Services Trade Indices	Index	Ranking in APEC
Total	(6.29)	(9)
Market Access	(0.89)	(5)
Regulatory Environment	(2.40)	(13)
Implementation Efficiency	(1.85)	(10)
Business Environment	(1.15)	(5)

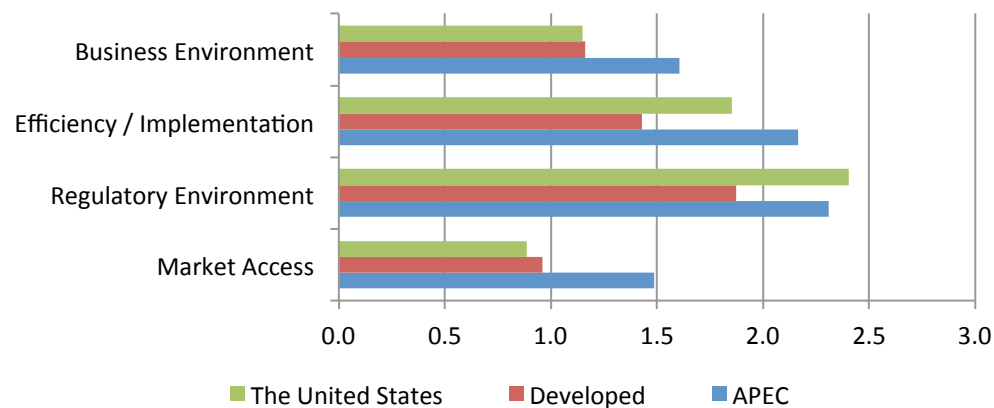
Top 3 Service Trade Sectors



Most Problematic Factors Facing Services Trade

- (RE) Domestic Only Focused Regulations
- (RE) IP Protection
- (IE) Inefficiency of Visa Application Process
- (IE) Government Bureaucracy
- (RE) Standards and Specifications
- (RE) Double Taxation
- (RE) Excessive Tax Burden
- (RE) National Favoritism

Restrictiveness Factors



Viet Nam

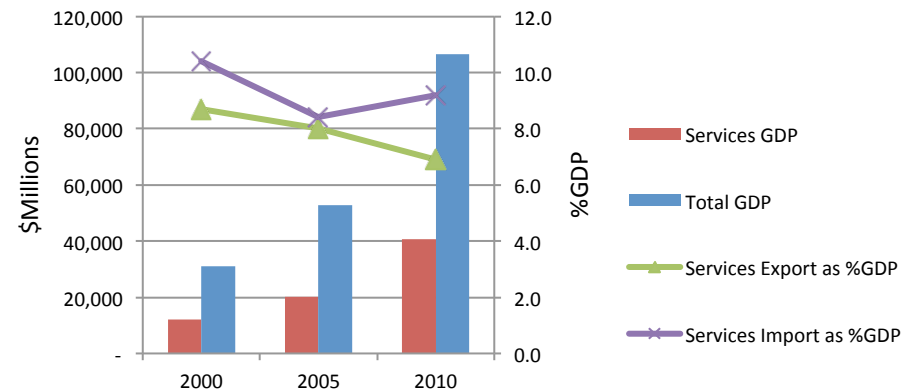
Key Indicators		Ranking in APEC
GDP	\$122,722 M	(19)
GDP per capita	\$1,374	(21)
GDP as share of APEC total	0.3 %	
Population	89.3 M	(8)
Service Sector Size (GDP)	\$40,788 M	(19)
<i>as % of GDP</i>	38.3 %	(18)
Total Exports	\$7,354 M	(18)
<i>as % of GDP</i>	6.9 %	(9)
Total Imports	\$9,771 M	(17)
<i>as % of GDP</i>	9.2 %	(8)

Services Trade Indices	Index	Ranking in APEC
Total	(9.25)	(18)
Market Access	(2.08)	(15)
Regulatory Environment	(2.72)	(18)
Implementation Efficiency	(2.60)	(17)
Business Environment	(1.86)	(15)

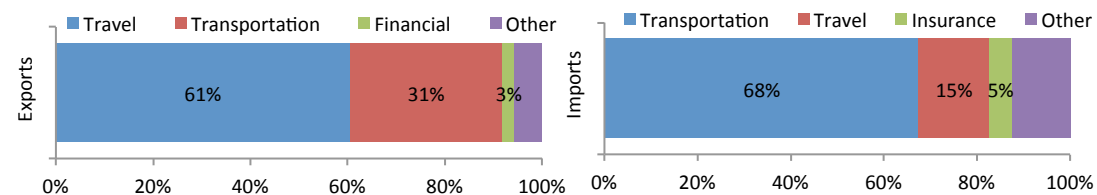
Most Problematic Factors Facing Services Trade

- (MA) Limits on Mode of Entry
- (MA) Limits on Foreign Ownership
- (MA) Quotas on Foreign Service Providers
- (MA) Limits on Scope of Operation
- (MA) Foreign ownership size limits
- (RE) Inconsistent Regulations
- (RE) Poor Regulations
- (RE) National Favoritism
- (RE) IP Protection
- (IE) Government Bureaucracy (IE) Inconsistent Monitoring and Enforcement
- (IE) Regulatory Transparency (IE) Corruption (IE) Regulatory Instability (IE) Coordination Among Government Agencies (BE) Transportation Infrastructure (BE) Educational Institutions

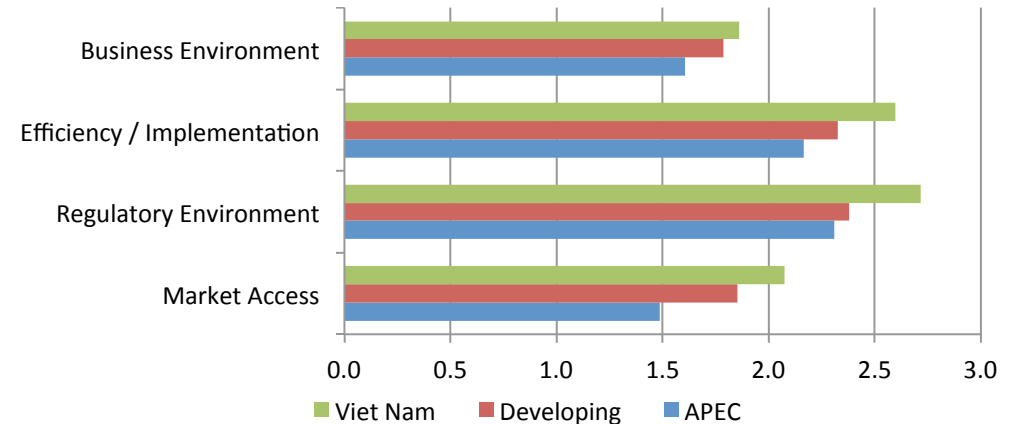
Key Service Sector Indicators



Top 3 Service Trade Sectors



Restrictiveness Factors





Appendix D | Free Trade Agreements

Free Trade Agreements in APEC: a positive effect on trade in services

Free Trade Agreement (FTA) is an important instrument for promoting liberalization in trade in services, particularly, given the lack of progress in the Doha Development Agenda negotiations. APEC economies actively utilized this framework to facilitate intraregional trade with more than 40 bilateral and multilateral free trade agreements in force at the moment.

The majority of the FTA's in force includes provisions on services, though the main focus remains on liberalizing cross-border movement of goods. Such services sectors as tourism and business services are covered extensively, whereas others did not receive as much attention.

Proliferation of FTA's had a positive impact on trade in services:

- Allowing APEC economies to intensify pursuit of openness in services trade and move beyond GATS commitments.
- Reducing market access barriers in the Region.
- Initiating commitments to align internal economies' regulations to facilitate services trade.
- Primarily focusing efforts on a number of services sectors (business, retail, tourism) and modes (2,3).
- Providing a platform for a dialogue on liberalization issues and exchange in best services regulatory practices.

Free Trade Agreements in APEC: Opportunities to Increase Impact on Liberalization.

We believe that there are ways to increase the effect of FTA's on the regional economic performance:

1. **More focus on the barriers behind the border.** Reducing market access barriers, though essential for cross-border trade development, does not provide comprehensive solution for eliminating impediments to regional trade in services. Our analysis indicated that regulatory and business environment barrier are of no less importance.
2. **Expand the scope of FTAs.** Many services sectors, specifically, financial, medical and transportation, did not receive appropriate attention in bilateral and multilateral free trade commitments. Mode 4 (movement of people) could also be covered more extensively.
3. **Promote multilateral agreements.** The multilateral framework is more beneficial in creating robust services markets in the Region because it promotes competition among services provider from several economies. It also allows developing collective approach to trade negotiations with third parties, thus, reducing heterogeneity in services regulations and unifying the level of commitment to liberalization in the Region.
4. **Improve and unify the structure of agreement.** Different formats, agreement structures, allocating provisions on services to different chapters, for example, in Investment and Services sections, reduce transparency and create confusion among businesses.
5. **Promote negative list approach.** This approach widens the scope of an FTA and facilitates trade for emerging services sectors.
6. **Clear future commitments.** Stating specific liberalization commitments with hard deadlines will bring more tangible results.

“Though Mexico signed FTAs with many countries, the effect is not fundamental: majority is still focused on the US”

Government, Mexico

“FTA’s are a good initiative, though not a practical. They are often undermined by domestic regulations”

Transportation, Chile

Free Trade Agreements Regulating Trade in Services in the APEC Region

APEC ECONOMIES	Australia	Brunei Darussalam	China	Chile	Canada	Hong Kong	Indonesia	Japan	South Korea	Mexico	Malaysia	New Zealand	Papua New Guinea	Peru	Philippines	Russia	Singapore	Taiwan (Chinese Taipei)	Thailand	United States	Viet Nam	ASEAN	AANZFTA	NAFTA	TPP/TPSEPA	China-Japan-Korea FTA
Australia			In Force	In Force			In Force	In Force	In Force	Proposed / Under Study	In Force	In Force					In Force		In Force	In Force						
Brunei Darussalam								In Force														In Force				
China				In Force		In Force		In Force	In Force					In Force			In Force	In Force	In Force			In Force				In Force
Chile																										
Canada																										
Hong Kong																										
Indonesia																										
Japan																										
South Korea																										
Mexico																										
Malaysia																										
New Zealand																										
Papua New Guinea																										
Peru																										
Philippines																										
Russia																										
Singapore																										
Taiwan (Chinese Taipei)																										
Thailand																										
United States																										
Viet Nam																										
ASEAN																										
AANZFTA																										
NAFTA																										
TPP/TPSEPA																										
China-Japan-Korea FTA																										

Agreements in Force:
 •Bilateral 40
 •Multilateral 8

Potential Agreements:
 •Under Negotiation 22
 •Proposed 8

In Force	Ratification Pending	No Free Trade Agreement
Under Negotiation	Proposed / Under Study	



Appendix E | Bilateral Trade Agreements

Bilateral trade data availability (Transportation Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VI	
E x p o r t i n g E c o n o m y	AUS																						
	BRU																						
	CAN																						
	CHI																						
	CHN																						
	TPE																						
	HKG																						
	INA																						
	JPN																						
	MAS																						
	MEX																						
	NZL																						
	PNG																						
	PER																						
	PHI																						
	KOR																						
	RUS																						
	SNG																						
	THA																						
	USA																						
	VI																						

Chile has substantial bilateral data on transportation, but not for other service sectors.

Bilateral trade data availability (Travel Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE	
Exporting Economy	AUS																						
	BRU																						
	CAN																						
	CHI																						
	CHN																						
	TPE																						
	HKG																						
	INA																						
	JPN																						
	MAS																						
	MEX																						
	NZL																						
	PNG																						
	PER																						
	PHI																						
	KOR																						
	RUS																						
	SNG																						
	THA																						
	USA																						
	VE																						

Canada has substantial bilateral data on travel service.

Bilateral trade data availability (Financial & Insurance Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VI	
Exporting Economy	AUS																						
	BRU																						
	CAN																						
	CHI																						
	CHN																						
	TPE																						
	HKG																						
	INA																						
	JPN																						
	MAS																						
	MEX																						
	NZL																						
	PNG																						
	PER																						
	PHI																						
	KOR																						
	RUS																						
	SNG																						
	THA																						
	USA																						
	VI																						

Financial service trade data is available for specific economies. These economies are typically large financial centers.

Bilateral trade data availability (Construction Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE	
Exporting Economy	AUS																						
	BRU																						
	CAN																						
	CHI																						
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Bilateral trade data availability (Communication Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE	
Exporting Economy	AUS																						
	BRU																						
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	THA																						
	USA																						
	VE																						

Bilateral trade data availability (Computer & Information Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE	
E x p o r t i n g E c o n o m y	AUS																						
	BRU																						
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	USA																						
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Bilateral trade data availability (Royalties & Fees Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE	
E x p o r t i n g E c o n o m y	AUS																						
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	THA																						
	USA																						
	VE																						

Bilateral trade data availability (Recreational Services)

		Importing Economy																					
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE	
E x p o r t i n g E c o n o m y	AUS																						
	BRU																						
	CAN																						
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	RUS																						
	SNG																						
	THA																						
	USA																						
	VE																						

Bilateral trade data availability (Other Business Services)

		Importing Economy																				
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE
E x p o r t i n g E c o n o m y	AUS							Blue		Blue			Blue					Blue				
	BRU	Blue																Blue				
	CAN	Blue	Blue					Blue		Blue			Blue					Blue				
	CHI	Blue	Blue	Blue						Blue								Blue				
	CHN	Blue	Blue	Blue	Blue			Blue		Blue								Blue				
	TPE	Blue	Blue	Blue	Blue	Blue				Blue								Blue				
	HKG	Blue	Blue	Blue	Blue	Blue	Blue			Blue			Blue					Blue				
	INA	Blue	Blue	Blue	Blue	Blue	Blue	Blue		Blue								Blue				
	JPN	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue				Blue					Blue				
	MAS	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue			Blue					Blue				
	MEX	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue							Blue				
	NZL	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue						Blue				
	PNG	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue					Blue				
	PER	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue				Blue				
	PHI	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue			Blue				
	KOR	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue		Blue				
	RUS	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue					
	SNG	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue				
	THA	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue			
	USA	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue		
	VE	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	

Bilateral trade data availability (Government Services)

		Importing Economy																				
		AUS	BRU	CAN	CHI	CHN	TPE	HKG	INA	JPN	MAS	MEX	NZL	PNG	PER	PHI	KOR	RUS	SNG	THA	USA	VE
Exporting Economy	AUS																					
	BRU																					
	CAN																					
	CHI																					
	CHN																					
	TPE																					
	HKG																					
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	RUS																					
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	THA																					
	USA																					
	VE																					



Appendix F | Participating Companies

Participating Companies*

3M	Bank of The Philippine Islands	Citibank Taiwan
G4S	Bapepam- LK	CLI Almacenaje y Distribución S.A
5 Plus Design	BBVA Bancomer	CLSA Capital Partners
88DB.com & Faims Media	BDO Capital Markets Management Association of the Philippines	Co.op Mart
AA International	BDO Consultants Pte Ltd	Codelco
ABN AMRO	Beristain y Asociados	COMCE
APEC PSU	Bingham McCutchen LLP	Comercia Consulting S. A. C
Abott Labs	Boeing	COMEXI
AECOM	Bangko Sentral ng Pilipinas (BSP)	ComexPeru
Alexco Resources	Philippines Bureau of Local Employment	ConAgra US
Alfa –Bank	Business Processing Association of the Philippines	CONCAMIN
AmCham China	CANAIVE	Conference of Asia Pacific Express Carriers (CAPEC)
American Institute in Taiwan	CANAME	CONFIEP / IPN Investments
Animation Council of The Philippines, Inc.	Cathay Financial	Corporación Financiera de Desarrollo (COFIDE)
Antamina	Centerview Partners	COX
Apoyo Consultoria	Chamber of Commerce	Creeks and Rivers Co Ltd
Asan Medical Center	Chiba Univ	CRO PSI
Australian Services Roundtable	Chilean ABIF	Crowe Horwath LLP
AvtoVAZ	China Credit Services	Dairy Farm
Banco Financiero	CIE	DBS Bank
Bank of New Zealand		

*Some companies which participated in the research requested not to be publically identified.

Participating Companies*

Deloitte & Touche Taiwan	Interbank	OPUS International
Deloitte Tohomatsu	IPE - The Peruvian Institute of Economics	Orient Overseas Container Line (OOCL)
DHL Chile	Jardine Matheson	Pacific Andes Enterprises (HK) Ltd
DHL Singapore	JLT	Pacific Pathways
Ernst & Young China	Korean Air	Parsons
Ernst & Young Peru	KPMG Japan	Paul Hastings
Estafeta	LA Chamber of Commerce	PermataBank
Fast Forward	LAN Airlines	Peru Customs
Fedex Chile	LatinAsia	Practice Consulting & ICT Projects Associates
Financial Services Council	Merryll Lynch	Prima (Shanghai) Co. Ltd.
Fin Services Inst. of Australasia	MINCETUR	Procapitales
HAFFA: Hong Kong Association of Freight Forwarding & Logistics Ltd.	Minter Ellison Rudd Watts law firm	ProChile
Harsco Rail	Moody's	PROMPERU
Hilton Hotels	Motorola	PwC
HK Trade Development Council	Philippines National Economic Development Authority	PwC Philippines
HSBC Hong Kong	Nissan Maquinarias S.A.	PwC Taiwan
HSBC Peru	NZ Bankers Association	Repro International
HSBC Shanghai	NZ Post	RetailCo
IBM Australia		
Insurance Commission of the Philippines		

*Some companies who participated in the research requested not to be publically identified.

Participating Companies*

Roland	UXC Connect
Roosdiono & Partners	Vopak Perú S.A.
Saga Falabella	Walmart Chile
Secretaria de Economia	Wan Hai Lines
Service Trade Division Ministry of Foreign Affairs	Wells Fargo
Sheppard Mullin Richter & Hampton LLP	William E. Connor & Associates Ltd
SOFOFA	World Bank
Solidiance	World Trade Organization
Southern Peru Copper Corporation	
St. Petersburg State University	
Telefónica del Perú	
The Society of Actuaries of Indonesia	
Thomas Tong & Company	
Ultramar	
Union Bank	
Universidad Del Pacifico	
University of Illinois	
USC	
USCBC	
USITO	

*Some companies who participated in the research requested not to be publically identified.



Appendix G | Services Mode Classification

Services trade is categorized into four modes of service delivery

Four modes of services are identified by the General Agreement of Trade in Services (GATS).



Mode 1: Cross-Border Supply

- Service flows which are transmitted by a resident of one economy to a resident of another economy via telecommunications and internet linkages.



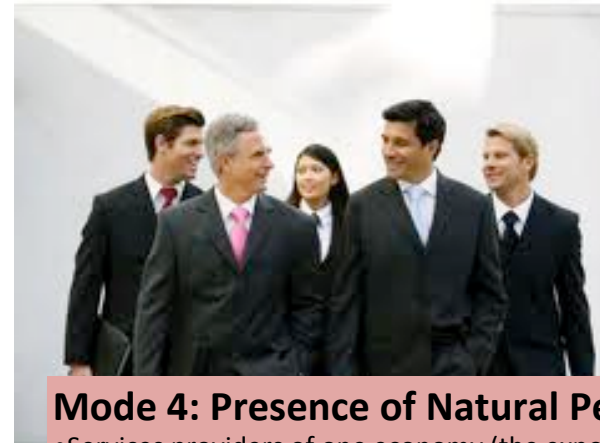
Mode 2: Consumption Abroad

- Situations where a non resident services client travels temporarily into another economy's territory to obtain a service abroad.



Mode 3: Commercial Presence

- Services supplier of one economy establishes a local presence in another economy's territory to provide a service in that market.



Mode 4: Presence of Natural Persons

- Services providers of one economy (the exporter) travelling temporarily to the territory of another economy to supply a service.



Appendix H | Novy's Trade Transaction Costs Model

One such measure of trade cost, Novy's, is all encompassing because it is the product of trade flows

Tipping Point for Services Trade

Looming concerns-

- For other regional alliances to surpass APEC in services development and trade
- For economies to become regressive in nature with services legislation
- For APEC to neglect the importance of unified action
- For APEC to fail to measure and capture the gains possible in services trade

Need for consistent measurement

Best option: Novy's trade costs model

- Based on work of Novy, Miroudot, Sauvage, and Shepherd in 2010
- Does not make any assumptions about the variables to include/exclude but is focused on the flow of trade
- Models bilateral relationship where available trade costs can be modeled as τ
- Where x_{ijkt} is the production from country i consumed in country j
- Sector is k
- Year is t
- And γ is the shape parameter of the Pareto distribution which indicates the degree of heterogeneity prevailing in a given sector

$$\tau_{ijkt} = \left(\frac{x_{iikt} \cdot x_{jjkt}}{x_{ijkt} \cdot x_{jikt}} \right)^{\frac{1}{2\gamma}}$$

τ = Trade Costs





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Appendix J | Research Team Biographies

2012 Research Team Biographies



James Connor Bascue, United States

Connor joins the ABAC Research Team with experience in the legal services field. He has worked as the arbitration coordinator of an alternative dispute resolution firm in Los Angeles prior to obtaining his MBA. Connor has focused his attention on finance with plans to obtain a graduate certificate in Financial Analysis and Valuation. He is currently interning for a private equity firm in Beverly Hills specializing in telecom related acquisitions. Connor holds a B.A. in General Business from Southern Methodist University and is a native of Santa Monica, California.



Carlos C. Canepa, Peru

Carlos is a native of the city of Arequipa, Peru. He joins the ABAC research team with 7 years of experience as a project manager leading software development projects across 22 countries in the financial services industry for a Fortune 100 company. He graduated from the University of Maryland with a Bachelor's degree in Management Information Systems. He is now pursuing a career in strategy/consulting in international business with a focus on Latin America and emerging markets.



Andrew Chen, United States

Andrew joins the ABAC Research Team with several years of experience in a variety of industries including aerospace, education, and interactive entertainment. He has worked at world-class organizations such as The Boeing Company and Blizzard Entertainment, and served in a multitude of functions including supply chain management, global business operations, strategic business development, and contract negotiations. Originally from Seattle, Washington, Andrew received his B.A. in Business Administration from the University of Washington. His hobbies include traveling, basketball, golf, and gaming.

2012 Research Team Biographies



Jonathan Choumas, United States

Jonathan is a San Francisco , California native with a background in global services. He joins the ABAC Research Team with 3 years experience at Deloitte Consulting LLP where he focused in project management and finance/controlling transformations. He has consulted for five Fortune 500 companies, primarily in the high tech and manufacturing industries. Jonathan holds a Bachelor of Science in Financial Management and Management Information Systems from California Polytechnic State University in San Luis Obispo, California. He looks forward to obtaining his graduate degree in the near future.



Bertram Foster (Team Lead) , United States

Bert joins the ABAC Research Team with experience in technology consulting and project management. In his previous role Bert traveled internationally, including engagements in a number of APEC economies. Bert obtained a Bachelor of Science degree in Business from Miami University and is a Certified Public Accountant.



Philipp Galkin, Russia

Philipp joins the ABAC Research Team with 7 years of experience in economics and finance. He graduated from the World Economy Department of the St. Petersburg State University and holds a PhD in Economics degree from the St. Petersburg State University of Economics and Finance. His dissertation focused on the analysis of the Euroregion framework in the context of economic cooperation between Russia and the EU. After obtaining his MBA, Philipp will pursue a Strategy/Consulting career in international business.

2012 Research Team Biographies



Hiroki Ito, Japan

Hiroki received a Bachelor of Science degree in Chemical Engineering from the Johns Hopkins University. With 6 years of professional experience at Mitsubishi Chemical Corporation in Japan, Hiroki has experience in the manufacturing of performance chemicals, technology licensing and Research & Development. Although he is a native of Japan, Hiroki has also lived in South America, North America and Europe, and is now looking to transition his career towards management in international business.



Vikramjeet Kaur, India

Vinnie joins the ABAC Research Team with over 5 years of Information Technology consulting experience. Vinnie holds a Bachelor of Technology degree in Computer Science from India. She has keen and personal interest in the services industry. Vinnie spent the summer in the hospitality industry working on operations efficiency.



Cristian Liu, Canada

Cristian joins the ABAC team with experience in technology, healthcare, and public policy sectors. In the technology industry, his work focused on open source software development and business process engineering. With public policy, Cristian served with the Obama Administration at the U.S. Department of Health and Human Services, focusing on healthcare service delivery and healthcare technology. Most recently, he interned with the healthcare practice of Booz & Co., a global strategy consulting firm. Cristian earned his Bachelor of Science in Electrical, Computer, and Biomedical Engineering from Duke University.

2012 Research Team Biographies



Britt McEachern, United States

Britt McEachern joined the ABAC team after working for 6 years in Washington, DC for a Member of Congress. Britt was a policy analyst and legislative aid on Capitol Hill, where he became interested in trade policy. Britt holds a BA from the University of Maryland with a major in Government and Politics.



Carolyn Lavelle Rearick, United States

Carolyn received a Bachelor of Arts degree in Communication Studies from the University of California, Los Angeles (UCLA). With almost 7 years experience in higher education career services, she is now transitioning into a career in the human resources function. This past summer, Carolyn interned in HR Operations and Global Functions at a consumer packaged goods company. Throughout this research project, Carolyn has enjoyed expanding her depth of knowledge in human capital and global talent mobility.



Sandeep Rajagopal, India

Sandeep joins ABAC team with over 5 years of experience in Computer Software, Internet and Consumer electronics industry. His experience covers broad areas of engineering, product management and business strategy. A native of India, Sandeep worked at a startup after graduating in Telecommunications Engineering from PESIT, Bangalore. Most recently he worked at Samsung Electronics and Google.

2012 Research Team Biographies



Warren Wong, United States

Warren joins the ABAC Research Team with 7 years of strategy, consumer insight, and financial planning experience. Warren holds a Bachelor of Science degree in Economics and Political Science from Trinity College in Connecticut. Warren has an informal interest in econometrics and development economics. After obtaining his graduate degree Warren will pursue a career in Strategy and Business Development.