

**APEC Services
Competitiveness
Roadmap
(2016 – 2025)**

Implementation Plan

APEC Services Competitiveness Roadmap (2016-2025) Implementation Plan

In November 2015, APEC Leaders endorsed the APEC Services Cooperation Framework¹, committing to develop the services sector as an enabler of economic growth and inclusion. Leaders instructed officials to develop a strategic and long-term Services Competitiveness Roadmap with the adoption of a concerted set of actions and mutually agreed targets to be achieved by 2025.

The Roadmap and this Implementation Plan gives effect to the instruction by APEC Leaders. It is the product of many years of discussions on services issues within APEC and with its constituent bodies. In this respect, credit should be given to the role played by the APEC Business Advisory Council (ABAC) and the Pacific Economic Council (PECC) in helping to develop the Roadmap.

The Centrality of Services to Economic Growth

Services are a major contributor to productivity and growth within APEC. Improved competitiveness in services sectors as well as growth in services trade through open, equitable and predictable economic environment are key factors for APEC to boost its economic growth.

Figure 1: Share of Services in GDP in APEC Economies²

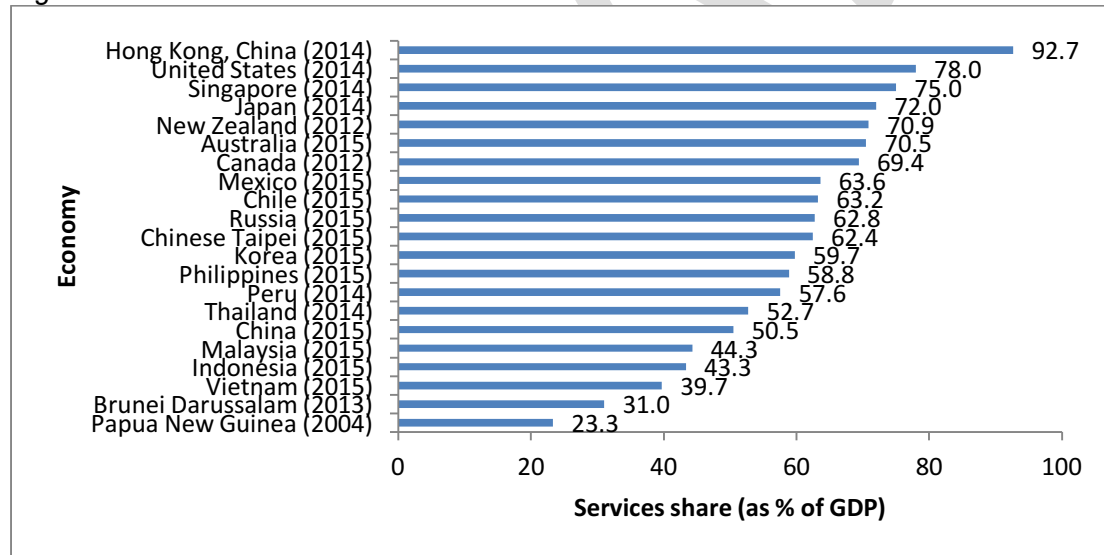


Figure 1 shows that the services sector – covering activities such as telecommunications, e-commerce, transportation, finance and banking, engineering, construction, legal, healthcare and education services - accounts for around 60

¹ Attached as Annex 1

² Source: World Bank Development Indicators. Chinese Taipei data is from Directorate-General of Budget, Accounting and Statistics

percent of the average GDP of APEC economies. For some economies the proportion is considerably higher than this.

There are a number of reasons why APEC Leaders are committed to the growth of their services sectors. These include the following:

Advances in information and communications technology enabling services trade

The internet is becoming a key platform for commerce that is increasingly occurring between buyers and sellers of goods and services located in different economies. This will underpin trade occurring between APEC economies and to the world as whole. This applies particularly to trade in services. Digital technologies are increasingly providing platforms for region-wide competition and integration in such areas as telecommunications, transport, financial and professional services.

Much of this competition is taking place on the basis of technologies that are disruptive in nature. Services employing disruptive technologies are already quite evident in such areas as finance, transport and accommodation but are rapidly being applied to other areas such as electricity provision. A key feature of disruptive technologies is that they permit service providers to achieve much greater productivity from existing physical resources. They also provide for much greater participation of previously more marginalized participants (eg MSMEs) in the provision of services.

Growth in Global Value Chains (GVCs)

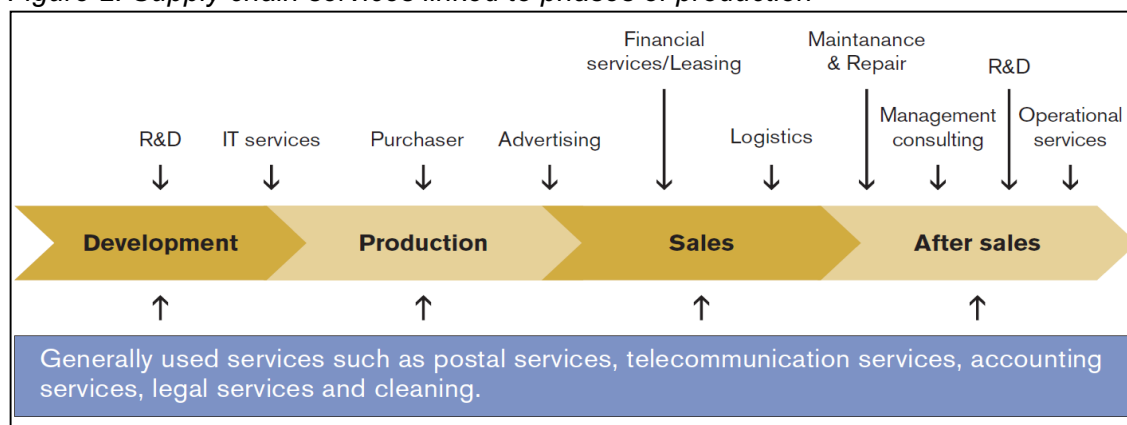
APEC is the hub for some of the world's biggest GVCs. International trade can no longer be understood in terms of trade in finished goods and services produced by a firm in one economy and then delivered to an unrelated party in another. Such trade increasingly involves a combination of intermediate inputs sourced globally to produce finished outputs that are sold to the world as whole. The rise of GVCs has been underpinned by improvements in information and communications technology.

Growing importance of embodied services

GVCs in manufacturing, mining and agriculture are increasingly characterized by the presence of both embedded and embodied services.³ For some firms, the provision of such services has become so prevalent that they have made the transition from predominantly supplying products to predominantly providing services. What is more, such services are provided at every stage of the value chain as is illustrated in Figure 2.

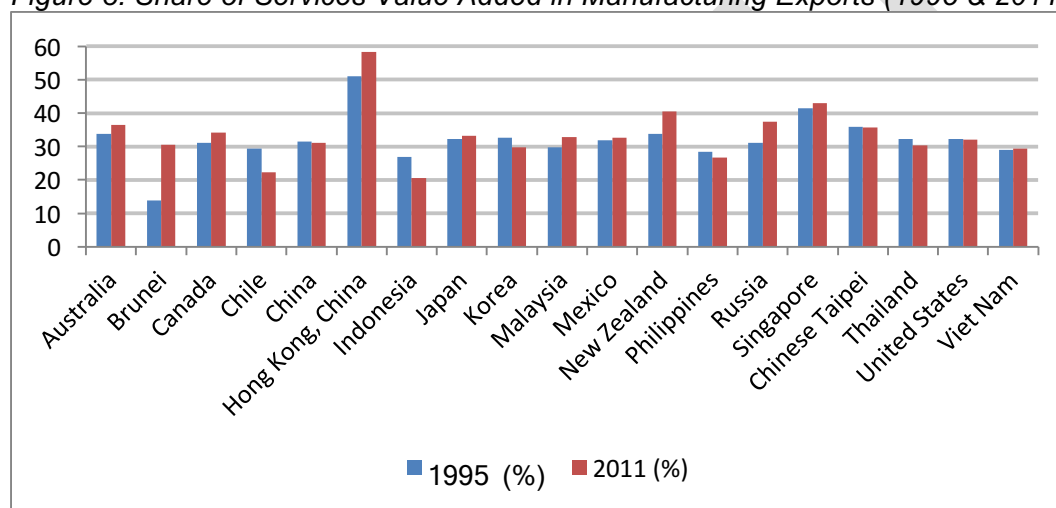
³ **Embedded** services can be thought of as those services that are bundled with goods such as customer care provided with the sale of a mobile phone. Embodied services are those services that are used to produce goods such as communications, transport, energy, R&D, insurance, etc.

Figure 2: Supply chain services linked to phases of production⁴



The prevalence of embedded and embodied services is particularly marked for trade in manufactured products for APEC economies and has been growing slowly over time as illustrated in Figure 3.

Figure 3: Share of Services Value Added in Manufacturing Exports (1995 & 2011)⁵



Furthermore, embodied and embedded services are particularly important for certain sectors such as paper and printing products, electrical and optical equipment and transport equipment.

Worldwide, exports of services in gross terms comprise about 23 percent of world exports and manufacturing 65 percent. But if embodied and embedded services are taken into account, services value added increases to 45 percent of world exports while the share of manufacturing exports goes down to 37 percent.⁶

Policies that promote growth in service sectors can lead to higher levels of employment incomes and standards of living

⁴ Source: Swedish Board of Trade

⁶ OECD/WTO TiVA Dataset

There is growing evidence of a strong positive relationship between the growth of services sectors, including through increased trade in services, and higher employment levels, incomes and standards of living.⁷ For example:

- Increased access to financial services can reduce transaction costs, facilitate the trading of risk, allocate capital to productive uses and mobilize savings through the use of financial instruments;
- Telecommunications services are crucial to the dissemination and diffusion of knowledge;
- Transport services affect the cost of shipping and airfreighting goods and the movement of workers within and between economies;
- Business services such as accounting, engineering and consulting services reduce transactions costs and help channel business process innovations across firms;
- Retail and wholesale services are a vital link between producers and consumers, influencing the competitiveness of firms in both local and international markets;
- Health and education services are key inputs into the stock and growth of human capital and skilled workers.

Policies that provide for the growth and development of these service sectors will promote productivity, competitiveness and employment growth and raise GDP across the APEC economies. This is because all firms can operate in markets where they can efficiently sell and distribute their products, obtain finance, employ skilled workers and obtain the advice they need to comply with regulations.

The growth of services sectors also provides for increasing specialization of economic activities. Many activities that were carried out “in-house” by firms can increasingly be outsourced. Such specialization provides for significantly increased opportunities for the growth of MSMEs within the economy. Given that many MSMEs are owned and operated by women, employment opportunities for women should also improve⁸. As the competitiveness of such MSMEs improves, there are opportunities for many to expand through the export of services.

There is also growing evidence that developing economies are focusing on services sooner and at a lower per-capita income than has been the case in the traditional development trajectory. For example, some economies are now focusing on the provision of outsourced business services at the same time as seeking to develop their manufacturing sectors. The growth of ICT technologies means that there is potential for some developing economies to “leapfrog” straight into the export of modern high value services.

⁷ Hoekman and Mattoo *Services Trade and Growth*, World Bank, 2007

⁸ Women in APEC economies on average own 37% of total SMEs. Source: PSU computation based on ILOSTAT Database. APEC data exclude Australia, China, PNG, and Peru.

The benefits of competition

Competition can be a powerful force in generating productivity improvements in services sectors. It exerts pressure on firms to offer products at lower prices and improved quality as well as to innovate to meet consumer demands. Competition, however, is limited in many services sectors, particularly infrastructure services which have some or all of the characteristics of natural monopolies. Improving competitive conditions in such sectors, both through improved domestic and international competition, presents a major challenge to APEC policy makers.

In 2011 the APEC Policy Support Unit (PSU) presented a major study⁹ on improving competition in infrastructure sectors of transport, energy and communications. It found many examples of success stories in this area including:

- Rail fares in Chile were 40 percent lower after the government-owned rail corporation divested some of its operations;
- Freight rates between Thailand and Laos fell by 20-30 percent when quotas on cross-border freight licenses were removed;
- In Viet Nam, a transparent and predictable regulatory environment to foster competition in telecommunications reduced prices and increased mobile phone penetration to 80 percent;
- The number of mobile subscribers rose by 700 percent after the introduction of competition in Papua New Guinea. Charges fell by 11 percent during peak times for local calls and 51 percent in off-peak periods.

When it came to policy recommendations from the study, a common theme was the introduction of more competition both domestically and through trade in services. Competition arising from freer trade, over time, promotes more innovative and efficient local providers. Overall the study estimated that a package of reforms to promote increased competition in the transport, energy and communications sectors had the potential to generate US\$175 billion in additional real income across APEC. It estimated that the gains from improved competition in these sectors alone would be almost twice as great as could be achieved from further liberalization of goods trade.

Factors Constraining the Growth of Trade in Services for APEC Economies

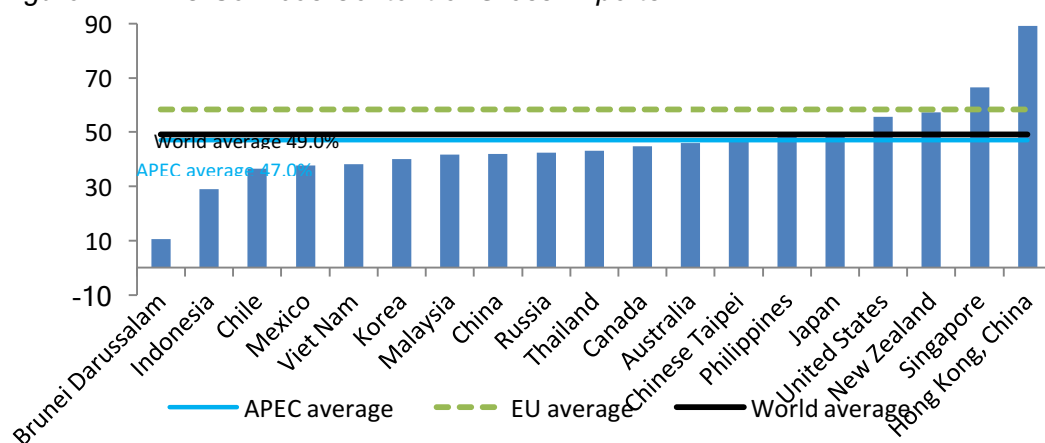
Growth in services trade and its associated benefits will not happen automatically. There is evidence of a range of constraints facing growth of this trade. At the outset, as Figure 1 shows, the size of the services sector for many APEC economies sits below 60 percent of total GDP. Growth of this sector should be pursued as part of the development strategy of many APEC developing economies given that the

⁹ APEC PSU The Impacts and Benefits of Structural Reforms in the Transport, Energy and Telecommunications Sectors in APEC Economies

services sector typically accounts for more than 70 percent of higher income developed economies.¹⁰

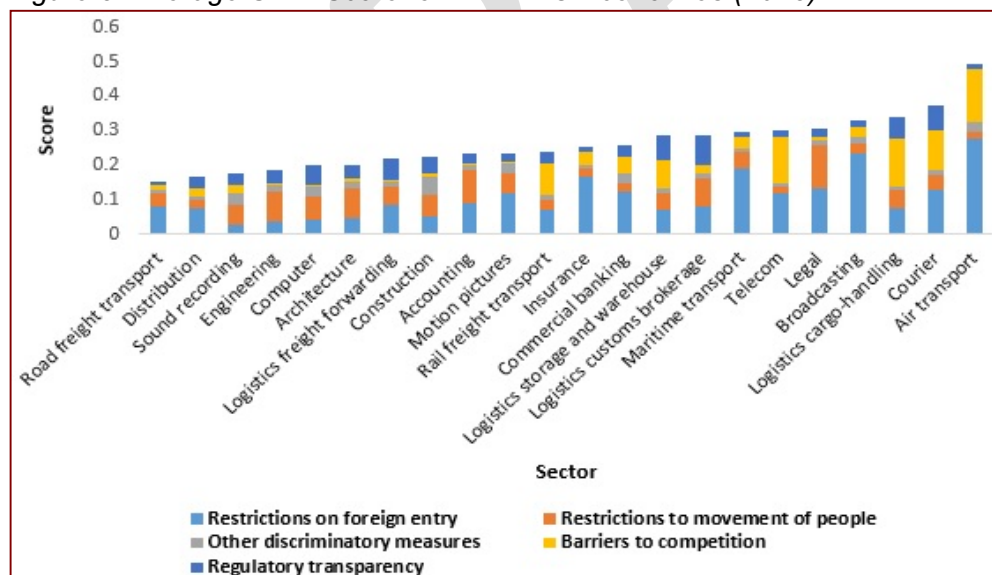
The fact that the services sector is smaller in many APEC economies is reflected in trade. Figure 4 shows that only five APEC economies (Japan, United States, New Zealand, Singapore and Hong Kong, China) sit above the world average of 49 per cent of services-value added share of gross exports.

Figure 4: APEC Services Content of Gross Exports¹¹



Evidence on the overall trade restrictiveness of APEC economies is relatively limited but what evidence is available indicates many APEC markets are relatively restricted. Figure 5 provides an STRI measure for 11 APEC economies where data is available

Figure 5: Average STRI Score for 11 APEC Economies (2015)^{12,13}



¹⁰ Services account for 75 percent of GDP in OECD economies. *STRI Policy Brief* 2014

¹¹ OECD/WTO TiVA Dataset

¹² Prepared by APEC PSU using OECD STRI database. Economies covered are AUS; CDA; CHL; PRC; INA; JPN; ROK; MEX; NZ; RUS; and USA.

¹³ The Chinese Government has not verified the OECD STRI's authenticity and thus holds reservations about STRI-related data.

Unnecessary domestic regulation

The extent to which barriers are inhibiting this trade is a complex issue given that trade barriers in services arise in many cases from domestic regulation¹⁴. There are legitimate reasons for domestic regulations in many services sectors.¹⁵ The transport sector must be regulated to ensure passenger safety. An increasing challenge in the ICT sector is regulation that will enable flow of data across borders while providing appropriate prudential oversight and consumer and security protections, including in the area of national security. Other sectors such as electricity and telecommunications with natural monopoly characteristics are regulated to provide for competition through access to networks.

Policies to promote the growth of services sectors and of trade in services need to recognize the rights of governments to regulate to achieve legitimate policy aims. What is more, approaches to regulation will differ depending on the circumstances of individual economies and sectors. Large economies may take a different approach to small economies where competition is more limited and additional regulation is required to ensure such competition. Developing economies may take a different approach to developed economies given that the former may have fewer resources at their disposal for the development of regulatory policies and institutions.

Where problems can arise is when regulations are more burdensome than is required and or limit competition more than is necessary to achieve the objectives of the regulation. In particular, regulators need to ask whether they are limiting competition more than is necessary.

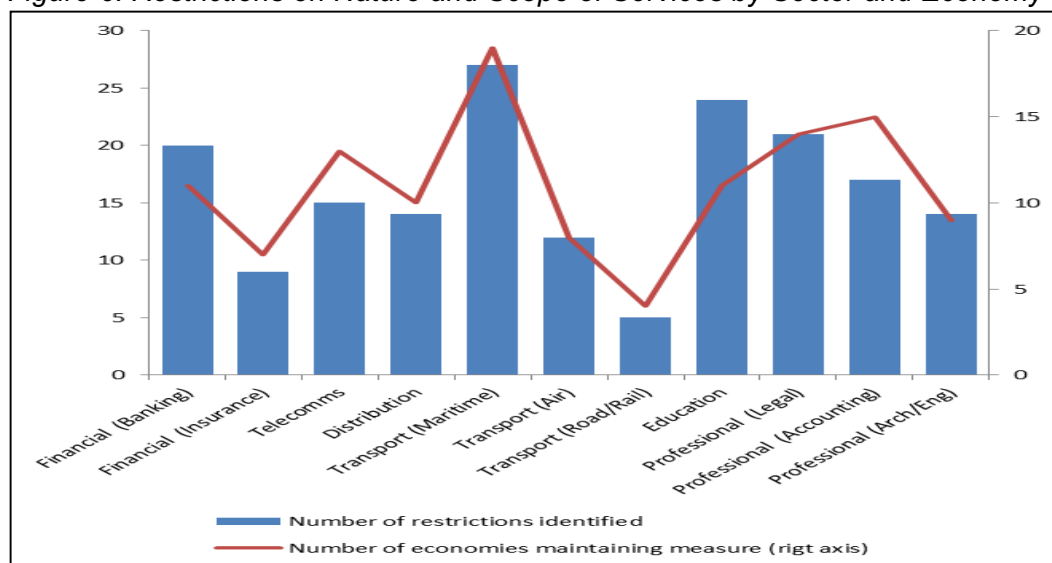
Discriminatory regulation

Some regulations affect all competitors but such regulations can become more problematic for trade in services when they act in a discriminatory fashion by imposing restrictions on competitors that are not experienced by domestic competitors. Figure 6 shows that such restrictions are relatively prevalent in APEC economies.

¹⁴ This statement does not assume that all domestic regulations comprise barriers to trade.

¹⁵ Philippa Dee Deepening East Asian Economic Integration in Services ERIA Policy Brief 2010

Figure 6: Restrictions on Nature and Scope of Services by Sector and Economy¹⁶



Measures which restrict the nature and scope of services by foreign providers are found in all sectors, although they are concentrated in transport, professional, financial, and telecom services. Maritime transport is heavily regulated. Certain services (such as cargo handling, storage and warehousing) are limited or closed to foreign competition. Almost all economies maintain prohibitions on cabotage.

Numerous measures constrain professional services that can be delivered by non-citizens. Foreign lawyers are commonly precluded from the practice of domestic law. Controls on branch networks impede the delivery of commercial banking and insurance. The type of investment products that can be offered in the market, and the type of activities which can be conducted (such as marketing) are limited. The supply of education services is also restricted – particularly in relation to innovative online/blended learning delivery models. Measures include controls on teaching of non-citizens, prohibitions on repatriation of profits and discriminatory restrictions that prevent citizens from having foreign academic qualifications accredited in their home economies.

Objectives

In order to implement Leaders' commitments in 2015 and address the challenges identified in the previous section, this Roadmap Implementation Plan commits APEC to concrete actions that will facilitate services trade and investment and enhance the competitiveness of the services sector through:

- Increased services value-adding capacity of APEC economies;
- Cultivation of globally competitive services sectors of APEC economies;
- Expansion of trade and investment in services in APEC economies via improvements in physical, institutional, and people-to-people connectivity;

¹⁶ Source: ITS Global using APEC Star Database, OECD STRI Index

- Enhancement of GVC participation of all businesses especially micro, small, and medium enterprises (MSMEs);
- Wider access to more efficient and greater variety of services for APEC and its people;
- Job creation and growth while promoting social inclusion and human development; and
- Addition of measures in pursuit of the APEC Leaders' Growth Strategy for inclusive, innovative, balanced, secure, and sustainable growth.

Principles

Implementation of the Roadmap will be guided by the principles of:

- **delivering on Leaders' commitments** made under the APEC Services Cooperation Framework (attached as Annex 1);
- **building on existing APEC work** on services (including the work outlined in Annex 2);
- **recognition of differences** in economic and social circumstances across APEC economies that will necessitate That the nature and pace of reform will be economy-specific;
- emphasis on the APEC culture of cooperation and concerted unilateralism through **demand-driven assistance** to interested member economies in implementing APEC-wide and economy-specific reforms, including capacity building support for developing member economies and sharing of good practices and lessons learned across all economies;
- **collaboration** in areas of common interest, both between economies and collectively as a region; and
- **measurement and regular reporting** of progress made under the Roadmap.

Targets

Leaders committed APEC to increasing competitiveness in the services sector by 2025. To deliver on this commitment, APEC members committed to the targets of:

- Increasing openness of services markets in the region, through removal of substantially all restrictions on trade in services by 2025, with limited number of legitimate exceptions;
- Raising trade in services so that by 2025, exports and imports of services from APEC as a whole increase by more than the historic compound average annual growth rate of 6.8 per cent¹⁷;

¹⁷ PSU analysis of WTO Statistics Database

- Increasing the share(%) of trade in services in the total exports and imports of APEC economies so that it exceeds the average level of the services trade share in world trade by 2025;
- Increasing the share (%) of value-added of the services sector in the total GDP of the APEC region so that it exceeds the global average level by 2025.

Meeting these targets will require APEC to develop some of the most dynamic and efficient services markets in the world. APEC-wide action including enhanced levels of cohesion within APEC and collaboration between APEC members is crucial. APEC bodies that work on services trade, domestic regulatory and sectoral services issues will need to work closely together.

Unilateral action is also important and should be undertaken by APEC member economies because it is in their interests to do so. Concerted unilateralism has proved to be a strength in APEC's approach. The Roadmap will facilitate unilateral action by setting up platforms for peer learning and support as its members undertake reforms. In addition, capacity building support will be offered to APEC developing members seeking to undertake reforms.

Enabling Factors of Competitiveness in the Services Sector

Developing and sustaining competitive services sectors requires a range of enabling factors that are central to boosting services competitiveness at both an APEC-wide and individual economy level. These factors include:

Regulatory and Institutional Quality

At the heart of APEC's work on regulatory and institutional quality has been the efforts made to promote Good Regulatory Practices including:

- Coordination of rule-making activity —in particular processes to ensure inter-ministerial review of draft regulations among all relevant agencies (including trade and competition authorities)— to help ensure that any regulation issued by a government reflects the views and priorities of the entire administration and prevents the creation of unnecessarily duplicative regulatory requirements;
- Transparency and public participation - to improve regulatory outcomes by giving governments access to the wealth of expertise and ideas possessed by the general public and to increase government accountability by informing the public about what the government plans to do and foster a sense of public ownership of regulations through stakeholder participation in the rulemaking process;
- Regulatory Impact Analysis - to allow regulators to assess and improve the quality of regulations and allow oversight bodies to properly review and understand regulatory proposals and their expected outcomes;
- Regulatory Planning - to increase predictability and help public stakeholders prepare to participate in the development of future regulations;

- Ex-post Evaluation - to help assess whether regulatory objectives of a certain policy have been achieved through ex-post evaluations of existing legislation

Effective competition policy is vital component of regulatory and institutional quality. Properly applied, competition policy and law increases companies' efficiency and productivity and provides a level playing field where new entrants are assured equal opportunities. APEC's 2016 APEC Economic Policy Report on Structural Reform and Services focused on how services regulatory and institutional quality can be improved. Its key recommendations included:

- Structural reforms should be pursued unilaterally, informed by international experience to determine good practices.
- Reforms should focus on productivity, aiming to improve the economic performance of services sectors.
- Establishing or strengthening frameworks that permit and promote new entry to markets should be a core element of structural reform initiatives
- The positive spill over effects of services reforms are significant (for example the benefits of increased access to smartphones on production, productivity and access to goods and services) and should be part of the story to 'sell' reform. Taking a value chain approach to reform helps identify complementarities and linkages between and across sectors.
- Bringing governments, stakeholders and regulators together is crucial to identify priorities, monitor progress in implementation and build broad support to achieve and sustain reform.
- Reform programs should consider whether compensation mechanisms are required to address adjustment costs, although these costs are likely to be small for many services.
- Structural reforms should be designed to be flexible and dynamic to take changing circumstances and take lessons learned into account. APEC offers a solid platform for international collaboration and cooperation, providing an avenue for learning and knowledge exchange in implementing reforms. APEC has a comparative advantage in bringing stakeholders and regulators together to discuss 'new' and cross-cutting issues of common interest.
- Measuring progress and the impacts of structural reform is vital to success. Data on services policies and performance (productivity, employment, trade, investment etc.) lags far behind that for goods. Better data at the economy and APEC-wide levels should be prioritized to assess the impact of reforms and the extent of positive spill over effects.

Openness of Services Markets

In 2009, APEC endorsed the APEC Principles for Cross Border Trade in Services. They are non-binding and recognize the right of each APEC economy to regulate and introduce new regulations on the supply of cross-border services to meet each economy's policy objectives. Key principles relating to the promotion of open services markets are:

1. Most Favoured Nation Treatment - APEC economies should accord or endeavor to accord to service suppliers of another APEC economy treatment no less favorable than that accorded, in like circumstances, to service suppliers of any other economy.
2. National Treatment - APEC economies should accord or endeavor to accord to service suppliers of other APEC economies treatment no less favorable than that accorded, in like circumstances, to their own service suppliers.
3. Local Presence - To the extent possible, APEC economies should not require service suppliers of other APEC economies to establish or maintain a representative office or other form of enterprise in their territory, or require service suppliers to be resident in their territory, as a condition of supplying a service.
4. Number of Service Suppliers - APEC economies should not place numerical limitations on the number of suppliers of any service that is permitted within their territories, whether in the form of numerical quotas, monopolies, or exclusive service suppliers.
5. Progressive Liberalization - APEC economies acknowledge that- due to domestic policy constraints - each economy may not be able to adhere to the principles in paragraphs 1-4 with respect to all sectors, subsectors, or areas of activity. APEC economies should endeavor to:
 - (a) refrain from introducing new measures that would have the effect of making measures not consistent with the principles in paragraph 1-4 more restrictive as to the service suppliers of other APEC economies; and
 - (b) eliminate existing measures not consistent with the principles in paragraphs 1-4 or make those measures progressively less restrictive as to the service suppliers of other APEC economies.

APEC economies acknowledge that they also bound to most of these principles under the GATS. Problems can arise, however, with the application of principles on cross border trade in services if APEC members have in place regulatory processes that place undue restrictions on trade in services in committed sectors. APEC members should, therefore, seek to address the following questions when putting in place regulatory regimes¹⁸:

- To what extent are there mechanisms in regulatory decision making to foster awareness of trade and investment implications?
- To what extent are there effective public consultation mechanisms and procedures (including prior notification as appropriate) and do such mechanisms allow sufficient access for all interested parties including foreign stakeholders?
- Do regulatory requirements discriminate against or otherwise impede investment, ownership or supply of services from other economies?

¹⁸ These questions have been derived from the market openness section of the APEC-OECD Checklist on Regulatory Reform

What consideration has been given to eliminating or minimizing them to ensure equivalent treatment with domestic service providers and investors?

- To what extent are harmonized international standards being used as the basis for primary and secondary domestic regulation?
- To what extent are measures implemented in other economies accepted as being equivalent to domestic measures?

It is recognized that there will be significant information gaps in many APEC economies to providing answers to the above questions. Such gaps will apply particularly when it comes to understanding the regulatory regimes of other APEC members. To promote such understanding and the eventual convergence and/or cross recognition of regulatory regimes, international regulatory cooperation (IRC) has a particularly important role to play.

IRC allows economies to exchange experiences and ideas to improve regulation and, with respect to regulatory issues, allow regulators to collaborate on approaches to address common risks, emergencies, and challenges. IRC can also help improve capability and capacity issues, and address issues with regulatory reach. IRC can lead to the exploration and establishment of regulatory cooperation mechanisms, from unilateral steps, through information sharing, mutual reliance on work products and on to mutual recognition and harmonization.

Transparency in Services Relating to Government Procurement

Transparency in the government procurement of services benefits both domestic and foreign suppliers by providing certainty and clarity in procurement opportunities, requirements and procedures. This facilitates higher quality bids, which produces better value for money in the use of public funds. Transparent procedures also make it easier for interested suppliers to find opportunities and assess their capability to meet requirements. This is particularly important for MSMEs as they often do not have dedicated resources available to identify and respond to government contracting opportunities. The publication of comprehensive procurement-related information on a single internet-based portal is especially helpful to MSMEs, as is the provision of tender documentation on the internet and the use of electronic communication technologies.

Meeting the Workforce Needs of the Services Industry

International experience shows¹⁹ that economies that have succeeded in linking skills development to gains in productivity, employment and development have targeted skills development policy towards three main objectives:

¹⁹ G20/ILO A Skilled Workforce for Skilled, Sustainable and Balanced Growth, November 2010

- matching supply to current demand for skills – through: labor market information systems that generate, analyse and disseminate reliable and up-to-date sectoral and occupational information; institutions that connect employers with training providers; and equal access to education, training, employment services and employment.
- helping workers and enterprises adjust to change - easing the movement of workers and enterprises from declining or low-productivity activities and sectors into expanding and higher productivity activities and sectors through learning new skills, upgrading existing ones and lifelong learning; and
- building and sustaining competencies for future labor market needs - anticipating the skills that will be needed in the future and engendering a virtuous circle in which more and better education and training fuels innovation, investment, technological change, economic diversification and competitiveness, and thus job growth.

These objectives are of particular importance to services workforce needs because of the overall growth of services and the importance of new technologies to individual services sectors. A coherent workforce strategy is essential if inclusive growth objectives around the participation of women, MSMEs and indigenous businesses in the growth of services are to be met.

In 2014, the APEC Human Resources Development (HRD) Ministerial Meeting adopted the APEC Action Plan 2015-18 Promoting Quality Employment and Strengthening People-to-People Connectivity through HRD. Ministers agreed that HRD work on the development of employment and skills strategies should be linked to the needs of industry and supply chains. Ministers stressed the need to deepen the HRD capacity of developing economies to compete on a level playing field in the global marketplace. In 2015, the Port Moresby Joint Statement of the APEC High Level Policy Dialogue on Human Capacity Building encouraged economies to continue improving the quality of education and training, and to work in partnership with the private sector, towards ensuring alignment of training with industry needs which facilitates trade and investment and employment.

Facilitating the flow of professional services will also be vital to meet workforce needs. APEC economies should promote cooperation to facilitate trade in professional services and support growth in this important sector. Professional services underpin both goods and services trade and are critical to GVCs. APEC economies should work together to address barriers that make it difficult for professionals to operate in APEC markets.

Fostering Dynamic, Competitive and Effective Telecommunications, Innovation and ICT Policies

New telecommunications and ICT technologies have provided the platform for many rapidly growing services industries. In particular they provide the means by which trade in services can grow or by which services can support GVCs for manufactured and agricultural products. They have also dramatically lowered the barriers to

economic participation in both developed and developing economies, allowing many new services providers to innovate and grow.

Fostering dynamic, competitive and effective telecommunications, innovation and ICT policies will require effective action at the sectoral level as well as appropriate structural reform and trade policies. At the individual economy level, priority needs to be given to actions to:

- develop and support ICT innovation – requiring continued investment in R&D, ICT infrastructure and connectivity to support innovation by firms and individuals;
- deliver a resilient, secure and trusted ICT environment – requiring action to improve the quality of infrastructure as well as to make progress on issues such as cyber security and privacy;
- promote regional connectivity – requiring action to improve physical connectivity, technical harmonization and trust and cooperation amongst regulators, including approaches that enable the flow of data across borders while appropriately protecting privacy and security requirements.²⁰

APEC work has shown that competition law, corporate governance and regulatory policies can all have a significant impact in this area.²¹ For example, sound competition policies are needed to ensure that new entrants can gain access to telecommunications networks.

Trade policies also have a strong role to play in this area. For example, the telecommunications sector has seen significant liberalization of FDI and there has been a significant reduction in the presence of public monopolies. But a significant number of WTO members are yet to fully open up the establishment of commercial presence to foreign providers, meaning that significant restrictions persist in this sector.²²

Enabling the flow of data across borders is a significant issue. It is important for APEC economies to ensure that trade conducted electronically strikes the right balance between efficiency, optimizing innovation and economic growth and providing with appropriate prudential oversight, consumer and security protections, including in the area of national security. A commitment by governments to enable the movement of data would mean that businesses of all sizes are able to capitalize on new cloud computing technologies with confidence. This would help businesses, including small and medium-sized businesses, to overcome barriers and take advantage of the opportunities the internet and digital economy provides.

Effective Intellectual Property Rights (IPR) Regimes

²¹ APEC Economic Policy Report on *Structural Reform and Innovation 2015*

²² Borchert, Gootiiz and Mattoo, *Policy Barriers to International Trade in Services*, World Bank 2012

Effective and adequate IPR regimes are important to promoting trade in services. On the one hand, such regimes provide appropriate protection to services exporters' intellectual property in APEC markets. On the other, IPRs are important for incentivizing much of the innovation on which the rapid growth of specific services markets depends. IPR regimes should be developed in a manner that promotes knowledge and technology diffusion.

Facilitating Effective Financial Markets

The growth of financial services within an economy can reduce transaction costs and improve the allocation of resources, facilitate the trading of risk and allocate capital to productive uses. It can mobilize savings through the use of financial instruments, which can allow the aging public to reduce dependency on social welfare. With the developments of new technologies, it has become increasingly possible to lend quite small sums of money, even with limited or no collateral. The internet has also provided a platform for increasing recourse to crowd funding and peer-to-peer lending. These mechanisms promote financial inclusion by increasing participation in the economy by MSMEs, women and indigenous businesses.

Financial sector growth can contribute to increased innovation and opportunities within economies but also creates risks that must be addressed. Regulation is required in the financial sector to meet a variety of objectives, including for management of systemic risk, prudential oversight and ensuring the integrity of the financial system. It is important, however, that such regulation does not restrict trade and competition in the sector more than is necessary if the full potential of the sector is to be realized. Regulatory reform is also required in some APEC economies to harness the full potential of crowd funding and peer-to-peer lending.

Improved People-to-People, Physical and Institutional Connectivity

In 2014, APEC Leaders adopted the APEC Connectivity Blueprint for 2015-2025. There are three pillars under the APEC Connectivity Blueprint: People-to-People, Physical and Institutional Connectivity. There are a range of action areas under these pillars that are critical to the success of the APEC Services Cooperation Framework, including:

- striving to facilitate the movement of people across borders, and to facilitate the exchange of innovative ideas;
- promoting efficient transport logistics and energy sectors;
- promoting smart, high quality urban development;
- improving the resilience and quality of and access to critical physical and ICT infrastructure; and
- addressing the gap in the ability of existing institutions to promote connectivity due to regulatory constraints or lack of capacity through structural and regulatory reforms and regulatory cooperation.

APEC-wide Action

The enabling factors identified above cannot be achieved only by unilateral actions by individual economies. They also require close cooperation at the regional level. Action at the APEC-wide level, in light of these enabling factors, can help spur the trade and investment necessary to improve the competitiveness of the services sector across APEC economies. APEC is well-placed to drive much of this work with a view to achieving the agreed APEC targets by 2025. APEC can do this by building on ongoing existing or planned work in services (such as the initiatives listed in Annex 2).

The following are agreed APEC-wide actions to improve services competitiveness under the Roadmap:

- Enhancing **global value chains**, including increased participation of MSMEs and women, under the agreed Strategic Blueprint for Promoting Global Value Chains Development and Cooperation.
- Supporting **cross-border mobility for professionals**, building on initiatives such as the APEC Architects and Engineers Registers to facilitate mutual recognition arrangements.
- Enhancing **flexibility for business visitors and intra-corporate transferees**, building on initiatives such as the APEC Business Travel Card.
- Implementation of the Renewed APEC Agenda on Structural Reform (**RAASR**), including progressing the 2016 APEC Economic Policy Report (AEPR) on Structural Reform and Services.
- Supporting liberalization, facilitation and cooperation of **environmental services**, under the agreed Environmental Services Action Plan.
- Progressive liberalization and facilitation of **manufacturing-related services**, under the agreed Manufacturing Related Services Action Plan.
- Supporting **cooperation in the education sector**, including promoting internship schemes, overseas student exchange programs, mutual recognition of credits among APEC universities and collaborative policy studies as well as measures that harmonize quality standards and qualifications (learning from measures such as the ASEAN Qualifications Reference Framework).
- Collaboration in responding to the rapid developments in **internet-based technology**, including cloud computing, to promote a regulatory approach that helps businesses take advantage of the opportunities the internet and digital economy provides while appropriately protecting consumers.
- Supporting **cross-border provision of certain financial services**, including through engagement by interested economies in the Asia Region Funds Passport initiative.
- Supporting APEC's work on developing **air, sea and land transportation** in line with the APEC Connectivity Blueprint 2015-2025.
- Supporting APEC's work on developing the **travel and tourism** sector for sustainable and inclusive growth, building on the work of the APEC Tourism Strategic Plan.

- Development of **services data and statistics** to measure and support implementation of the Roadmap and improve tracking of services trade and investment more broadly.

We also note potential further APEC-wide actions that will be subject to further work by relevant committees:

- Developing a set of good practice principles on **domestic regulations** in the services sector²³, subject to further consideration by CTI.
- Progressive liberalization and facilitation of services to improve the regional **food system** to ensure access to safe, high quality food supplies across the Asia-Pacific.²⁴

Tasking statements for each of these Actions are set out in Annex 3: An Accountability Framework for APEC-wide Actions. In this Annex, accountability is defined for each action along with the main outputs to be delivered, target dates for delivery of key outputs and indicators that will be used to judge whether each action is succeeding. In many cases, the work program for each action will need to be further defined by the lead APEC body reporting to the SOM.

It will be important that those APEC sub-fora that are accountable for delivering the outputs under the actions allow for adequate capacity building activities in the process of implementation. Such capacity building activities are important to enable APEC developing economies to participate in and benefit fully from these actions.

The agreed and proposed APEC-wide actions outlined above represent initial action under the Roadmap. Sub-fora are encouraged to develop further APEC-wide actions to advance the Roadmap, consistent with the enabling factors.

Individual Economy Action

Services are critical to growth in all APEC economies. Many economies' future growth strategies depend on the growth of services sectors, particularly where such growth can be underpinned by innovation and the use of new technologies. Even where economies are seeking to base their growth on manufacturing and/or primary production, the quality of their services sectors will be a vital underpinning to this growth.

Meeting the targets and enabling factors set out in this Roadmap will require significant unilateral action on the part of individual economies to implement structural reform in individual services sectors as well as across the economy as a whole. The importance of unilateral structural reforms for services was underlined by APEC Structural Reform Ministers when they met in 2015. These Ministers encouraged economies to implement unilateral reforms aimed at further improving the services sector, as part of their structural reform plans under RAASR. Where

²³ subject to further consideration by CTI

²⁴ subject to further consideration by the CTI and the Policy Partnership on Food Security

relevant, APEC economies will strive to advance reforms at both a central and sub-central level.

Under the Roadmap and this Implementation Plan, interested individual economies will be supported to identify and progress domestic reform actions to improve the competitiveness of their services sector. In this respect, each APEC economy will seek to include at least one unilateral reform measure in their RAASR Action Plan aimed at improving the competitiveness of a services sector or sectors, taking into account the circumstances of individual economies such as level of development, readiness and appropriate timing. Such measures should seek to have a high positive impact, both within individual economies and across APEC as a whole. Actions by individual economies should be consistent with the enabling factors of services competitiveness and include clear and measurable targets to gauge progress.

Individual economies can draw on the support mechanisms outlined in the next section when considering or implementing unilateral reforms in the services sector.

Implementation of the Roadmap

Implementation of the Roadmap will be completed as follows:

- All APEC-wide actions set out in Annex 3 will be carried out in the time frames defined. From the outset, it will be possible to add new actions to support achievement of the Roadmap's objectives. Individual action plans under the RAASR are timed to conclude in 2020.
- A light-touch mid-term review of the Roadmap will be carried out in 2021 and reported to the 2021 APEC Ministerial Meeting. The review will seek to ensure that APEC-wide and individual actions are in place to complete achievement of the objectives of the Roadmap to 2025. The review will take place in the context of the Roadmap being a living document where an ongoing dialogue will be maintained on the achievement of its objectives and new activities can be added at any time.

Implementation of each APEC-wide action under the Roadmap will be led by the relevant APEC fora, as identified in Annex 3. Each APEC-wide action will include a clear plan for implementation and measurable targets against which progress can be tracked.

Peer Learning

Individual economy action will be the responsibility of individual economies. To support action at this level, APEC will facilitate a process of peer learning. The process will provide APEC economies with the tools and information necessary to undertake unilateral reforms on a voluntary basis, having regard to their individual economy circumstances. It will enable economies to share experiences regarding

services regulation and reform, to generate information on the substance of regulation and enforcement in different economies.

Under the process of peer learning, APEC economies will be encouraged to collaborate in areas of mutual interest. Economies with experience in implementing reforms (either successful or unsuccessful) will be encouraged to share this experience with other economies. Economies interested in implementing future reforms can seek “peer support” from other economies in the area concerned.

The system of peer learning will be coordinated by the APEC Secretariat reporting to the SOM.

Capacity Building

APEC will also manage a program of capacity building for interested developing economies that request support with implementation of the Roadmap at both the APEC-wide and individual economy level. Funding for capacity building can be sought from relevant existing APEC funds (including the Sub-fund on Services and Structural Reform). Additional funding from economies for capacity building will be welcomed. Capacity building assistance activities will be overseen by the SOM Steering Committee on ECOTECH with the support of the APEC Secretariat.

Monitoring and Evaluation

Senior Officials will have overall responsibility for monitoring and evaluating progress under the Roadmap. Senior Officials will report periodically to Ministers on progress.

Responsibility for monitoring progress under each APEC-wide initiative under the Roadmap will lie with the chair of the responsible forum, who will be required to report annually to Senior Officials. Reporting on individual economy actions will be incorporated into existing reporting processes such as reporting on progress against the Bogor Goals or reporting on progress under RAASR individual action plans.

APEC will facilitate improved measurement of trade and investment in services both to support implementation of the Roadmap and to improve the collective understanding of key issues that arise in this area. This work will be led by the Committee on Trade and Investment reporting to the SOM and supported by the PSU. Initially the PSU is tasked with reporting on what statistics and indicators need to be generated to monitor progress under the Roadmap and the options for generating this. In scoping the options, the PSU may seek to make use of material from non-APEC sources as long as this is of sufficient quality.

A particular priority will be the development of an APEC index to measure services trade restrictions in APEC economies, as instructed by Leaders under the APEC Services Cooperation Framework. The APEC index will be used to gauge the progress of the Roadmap. Leaders agreed that the work on this index could take

into account the indices already developed by other fora such as the OECD and World Bank.

Another priority is the establishment in APEC of an ad hoc group on services statistics to identify the issues that constrain better collection and reporting of services statistics. The AEPR report on Structural Reform and Services underscores that better data will support the structural reform agenda. Collection of such data could build on similar programs in the current ad hoc working group for TiVA statistics. It could also involve engaging with other multilateral organizations such as the WTO, UN, World Bank and the OECD as well as developed economies with advanced work on services statistics collection and reporting.

The PSU should also work with the fora responsible for carrying out APEC-wide actions to ensure that the data required to measure progress in each area is available. This will require collection of data for individual service sectors, both in terms of levels of trade and barriers faced. Given the size of this task, SOM will give particular priority to ensuring the PSU has the resources to carry it out.

The views of PECC, ABAC, the Asia-Pacific Services Coalition and other private sector entities will be invited in monitoring and evaluating progress under the Roadmap. Such input will be sought on a regular basis with these entities being invited to evaluate how well targets have been met at both an APEC and individual economy level as well as to make recommendations on how implementation activities under the Roadmap might be improved.

ANNEX 1: APEC Services Cooperation Framework

We, the Leaders of APEC, gathered in Manila on 19 November 2015 to reaffirm our commitment to achieve inclusive growth in the APEC region. We recognize the important role of services in realizing this goal.

The services sector accounts for a dominant share of our economies, providing high quality jobs and new avenues for growth. Efficient and competitive services sectors provide whole-of-economy benefits.

We acknowledge that international trade in services facilitates the transfer of technology and management know-how, spurs innovation, boosts competition and productivity, raises the standard of domestic services suppliers, reduces costs, and widens the range of choice for consumers.

Recognizing that the development of services including their efficient delivery requires a strategic approach, we therefore adopt this APEC Services Cooperation Framework (ASCF) as follows:

Advancing the Services Agenda

1. As part of our commitment to realizing APEC's vision as outlined in the Bogor Leaders' Declaration and achieving APEC's goal of free and open trade and investment in the Asia-Pacific no later than the year 2020, we recognize the importance of advancing regional cooperation in services.
2. We value APEC's past and ongoing work on services across the various APEC sub-fora, contributing significantly to efforts towards implementing the APEC Leaders' Growth Strategy, the APEC Connectivity Blueprint, and the 2014 APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation.
3. We welcome the outcomes of the second meeting of the APEC Ministers Responsible for Structural Reform and the emphasis they placed on services.
4. We commend APEC for its work in services trade and investment, such as the Services Action Plan, the APEC Principles for Cross-Border Trade in Services, and the Services Trade Access Requirements (STAR) Database. We also recognize the significant contribution of the Manufacturing Related Services Action Plan, the Environmental Goods and Services Work Programme, the Environmental Services Action Plan, and the establishment of the APEC Public Private Partnership on Environmental Goods and Services (PPEGS) to APEC's ongoing work on services.
5. We have explored ways to further deepen cross-fora collaboration on services such as through the first joint meeting of the Economic Committee, the Group on Services, and the Pacific Economic Cooperation Council (PECC) on Regulatory Reform and Services held in 2015. The Public-Private Dialogues on Services, initiated by Indonesia in 2013, were undertaken in cooperation with the APEC Business Advisory Council (ABAC) and PECC, to broaden the base for consultation. These dialogues stressed the value of intensified focus on services and facilitated the sharing of regulatory experiences and challenges, as well as generated views on ways to improve services competitiveness taking into account APEC economies' circumstances.
6. We recognize the rapid changes taking place in the delivery of services, such as through digitally-enabled trade. To boost services trade and investments in the region, APEC needs to further deepen and build momentum in its work on services.

Vision

7. We agree to set our long-term vision for services in APEC.
8. Recalling the Bogor Goals of 1994, we resolve to strengthen our efforts in services through the following principles of cooperation:
 - Free and open trade and investment in services consistent with World Trade Organization (WTO) principles;
 - Transparent and improved communication;
 - Collaboration and engagement across the APEC platform and with various stakeholders;
 - Competitiveness in services through human and institutional capacity building and increased participation of developing member economies; and
 - Cross-sectoral and sector-specific approaches.
9. In line with the 1995 Osaka Action Agenda, the 2000 Policy Framework for Work on Services, and the 2009 APEC Principles for Cross-Border Trade in Services, taking into account individual economies' situations, we affirm the importance of the following strategic directions:
 - Transparency of laws, regulations, and administrative procedures;
 - Progressively reducing restrictions to services trade and investment, including unnecessary localization requirements;
 - Non-discrimination between domestic and foreign service suppliers;
 - Good regulatory practices and effective competition policy;
 - Facilitating the mobility of service suppliers and business persons; and
 - Supporting capacity building to develop the ability of economies to competitively supply services.
10. We believe that the 2015 ASCF will play a pivotal role in fully achieving the Bogor Goals, in providing a common strategic direction and in promoting coherence in APEC's work on services. The ASCF will ensure that APEC's multi- fora and multi-stakeholder services agenda will remain dynamic and responsive to economic, market, and technological developments of each APEC member economy.

The Way Forward

11. We agree to develop a strategic and long-term APEC Services Competitiveness Roadmap in 2016 with the adoption of a concerted set of actions and mutually agreed targets to be achieved by 2025. The process of drafting the Roadmap will begin with discussion of the elements of the Roadmap followed by deliberations on actions and mutually agreed targets. The Roadmap will, among others:
 - Build on APEC's past and ongoing work on services;
 - Promote increased and strengthened APEC cross-fora dialogue and collaboration such as joint meetings, projects, and initiatives;
 - Pursue close collaboration with ABAC, PECC, and other stakeholders through regular Public-Private Dialogues on Services;

- Broaden multi-stakeholder engagement through the APEC Virtual Knowledge Center on Services – a virtual knowledge-sharing platform on information and best practices of services-related policies and programs of APEC;
 - Foster exchange of good regulatory practices and promote effective competition policy;
 - Seek better ways to produce services-related statistics and increase the number of APEC economies with indices for measuring the regulatory environment in services including by providing capacity building and exploring the development of an APEC index, taking into account, as appropriate, existing indices maintained by other fora such as the OECD;
 - Regularly organize, through the relevant APEC Working Groups and Committees, discussion fora among services regulators; officials responsible for trade, investment, and competition policies; and the private sector; and
 - Leverage partnerships with regional and global bodies such as the World Trade Organization (WTO), United Nations (UN) Bodies, International Trade Center (ITC), the Organization for Economic Cooperation and Development (OECD), the Economic Research Institute for ASEAN and East Asia (ERIA), the Asian Development Bank (ADB), Inter-American Development Bank (IADB), and the World Bank, among other institutions, to implement the Roadmap, and avoid duplication and ensure coherence with existing initiatives.
12. The desired outcomes of the ASCF are:
- Increased services value-adding capacity of APEC economies;
 - Cultivation of globally competitive services sectors of APEC economies;
 - Expansion of trade and investment in services in APEC economies via improvements in physical, institutional, and people-to-people connectivity;
 - Enhancement of GVC participation of all businesses especially micro, small, and medium enterprises (MSMEs);
 - Wider access to more efficient and greater variety of services for APEC and its people;
 - Job creation and growth while promoting social inclusion and human development; and
 - Addition of measures in pursuit of the APEC Leaders' Growth Strategy for inclusive, innovative, balanced, secure, and sustainable growth.
13. We urge our Ministers and Senior Officials to mainstream this Framework into the strategic and long-term planning of APEC's work program through all the relevant Committees and Working Groups, in particular the Group on Services (GOS).
14. Finally, we instruct Senior Officials to develop a mechanism for implementing the ASCF beginning 2016.

ANNEX 2:

Sample of Existing & Proposed APEC Work on Services Relevant to the Roadmap

1995 Osaka Action Agenda

2000 Policy Framework for Work on Services

2009 APEC Principles for Cross-Border Trade in Services

2016 AEPR on Structural Reform and Services

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

APEC Architects and Engineers Registers to facilitate mutual recognition arrangements

APEC Business Travel Card

APEC Connectivity Blueprint 2015-2025

APEC Education Strategy (for endorsement by 6th APEC Education Ministerial Meeting on 4-6 Oct.16)

APEC Food Security Business Plan (2014-2020)

APEC Food Security Roadmap toward 2020

APEC Action Plan 2015-18 Promoting Quality Employment and Strengthening People-to-People Connectivity through HRD

APEC Global Supply Chain Resilience Initiative

APEC Principles for Cross-Border Trade in Services

APEC Services Action Plan

Asian Region Funds Passport initiative

APEC Services Cooperation Framework

APEC Tourism Strategic Plan 2012-2015

APEC's work on developing aviation routes to improve connectivity

Bogor Goals Individual Action Plans

CTI Workshop on Measuring Regulatory Environment in Services Trade of APEC

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

Environmental Services Action Plan

GoS Policy Dialogue: Sharing Economy, Services Trade and Global Production Value Chain

Manufacturing Services Action Plan

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

Strategic Blueprint for Promoting Global Value Chains Development and Cooperation

Renewed APEC Agenda on Structural Reform (RAASR)

Report on APEC Work on Services and Baseline Indicators

ANNEX 3: ACCOUNTABILITY FRAMEWORK FOR APEC- WIDE ACTIONS

APEC-Wide Action: Enhancing the critical role of trade in services in **global value chains**, including through increased participation of MSMEs and women, under the agreed Strategic Blueprint for Promoting Global Value Chains Development and Cooperation²⁵.

Accountability: Committee on Trade and Investment

Background: The 2015 AMM Progress Report on the implementation of the Blueprint noted that a Work Plan had been agreed to deliver on the work on the Critical Role of Trade in Services within GVCs (led by Australia). This consisted of 1) A stocktake of related initiatives, 2) Consideration of better support for GVCs and to avoid duplications between initiatives 3) An action plan for new initiatives.

So far an initial stocktake of initiatives has been prepared and Australia and the PSU are implementing case studies under this work stream (related to the case studies being performed under the AEPR on Structural Reform and Services).

Following these an Action Plan of new initiatives will be developed.

Outputs:

- Development and implementation of an Action Plan of new initiatives, including capacity building activities.
- Inclusion of initiatives that will seek increased participation by MSMEs and women service providers in global value chains.

Targets:

- Action plan to be developed by CTI and agreed by SOM by conclusion of SOM1 in 2017;
- At least a third of initiative under the Action Plan to target improved participation by women and MSMEs in GVCs.
- Implementation of Action Plan to be completed and a final report delivered to Ministers by the end of 2019.

Indicators:

- Indicators of MSMEs access to global trade including retail platforms.

²⁵ Not all activities under this Action have as yet been agreed by the relevant subgroup.

APEC-Wide Action: Supporting **cross-border mobility for professionals**, building on initiatives such as the APEC Architects and Engineers Registers to facilitate mutual recognition arrangements²⁶

Accountability: Human Resources Development (HRD) Working Group

Background: The APEC Architect Project defines a Framework for becoming an APEC Architect based on education, experience, licensing and professional practice. The names of APEC Architects are recorded on an online register maintained by participating economies. These economies are Australia, Canada, China, Hong Kong, China, Japan, Korea, Malaysia, Mexico, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States.

APEC Engineer is an agreement between participating economies for the purposes of recognising “substantial equivalence” of professional competence in engineering. APEC economies can apply to become members of the agreement by demonstrating that they have in place systems which allow the competence of engineers to be assessed to the agreed international standard set by the APEC Engineer agreement. Participating economies are Australia, Canada, Hong Kong, China, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Russia, Singapore, Chinese Taipei, Thailand and the United States.

Both arrangements arose from the priority accorded by the HRDWG to facilitate the movement of skilled professionals through mutual recognition of professional qualifications. Most recently this priority was restated in the APEC Action Plan 2015-18 Promoting Quality Employment and Strengthening People-to-People Connectivity through HRD endorsed by APEC HRD Ministers in 2014.

Outputs:

Given the importance of improved mobility of professional services, the HRD Working Group should seek to do an evaluation of the efficacy and usefulness of the current APEC Engineer and APEC Architect to possibly strengthen these arrangements and establish similar frameworks for other professions. In doing so, the HRD Working Group may seek to work with other APEC bodies where applicable. Participation in such arrangements will be on a voluntary basis.

Targets: The HRD Working Group Chair to submit proposals by SOM2 in 2017 on:

- The development of voluntary frameworks for up to three further professional groups in the APEC region.
- The implementation of such frameworks by the end of 2021.
- Capacity building activities to support the adoption of these frameworks.

Indicators

- Reductions are measured in the number of barriers affecting the movement of professional services between APEC economies, including through a services trade restrictiveness index for professional services.

²⁶ Not all activities under this Action have as yet been agreed by the relevant subgroup

APEC-Wide Action: Enhancing flexibility for **business visitors and intra-corporate transferees**, building on initiatives such as the APEC Business Travel Card (ABTC)²⁷.

Accountability: CTI/Business Mobility Working Group (BMG)

Background: The ABTC allows business travellers pre-cleared, facilitated short-term entry to fully participating member economies. The ABTC removes the need to individually apply for visas or entry permits, saving valuable time, and allows multiple entries into fully participating economies during the time the card is valid. Card holders also benefit from faster immigration processing on arrival via access to fast-track entry and exit through special APEC lanes at major airports in participating economies.

Nineteen APEC economies are full members of the ABTC Scheme. Canada and the United States are transitional members of the ABTC scheme. Transitional members grant ABTCs to domestic applicants for access to fast-track lanes at major airports, but do not participate in pre-clearance.

As of mid-2016 there are over 200,000 ABTC holders, with numbers having increased in recent years.

Recently, the validity of the ABTC was extended from three years to five years.

Outputs

CTI/BMG to present a strategic plan on enhancing flexibility for business visitors and intra-corporate transferees to SOM that includes :

- Suggestions to further enhance flexibility for business visitors and intra-corporate transferees.
- An outline of progress towards implementing the BMG-endorsed recommendations of the ABTC scheme.

Targets

- Strategic plan to be presented to SOM2 in 2017.
- The BMG is committed to the growth of the ABTC scheme to continue to better facilitate business travel in the Asia-Pacific region.
- 500,000 ABTC holders by 2025. Progress to be reviewed in 2021.

Indicators

- The development and implementation of APEC-wide online lodgement for the ABTC.

²⁷Not all activities under this Action have as yet been agreed by the relevant subgroup

APEC-Wide Action: Developing a set of good practice principles on **domestic regulations** in the services sector.²⁸

Accountability: GOS, Committee on Trade and Investment, Economic Committee

Background: APEC has already adopted principles to cover the general area of domestic regulatory reform including the 1999 APEC Principles on Competition and Regulatory Reform and the 2002 APEC-OECD Integrated Checklist on Regulatory Reform. APEC has also adopted principles to cover the area of trade in services in the form of the 2009 APEC Cross Border Principles for Trade in Services. The Group on Services has recently completed a series of ten workshops on good practice principles on services and regulation reform and a Compendium of the results and a set of possible good practice principles has been prepared. APEC has yet to adopt a set of principles that apply specifically to the domestic regulation of services in the APEC area. The APEC Good Practice Principles on Domestic Regulations should be without prejudice to APEC economies' positions in WTO negotiations.

Outputs: APEC Good Practice Principles on Domestic Regulations in the Services Sector, building on existing principles in agreements such as APEC members' FTAs, GATS. Recognising the necessity of regulation of services, the key objective of these principles would be to improve the quality of regulations so that they are fit for purpose, promote innovation and minimise unnecessary business compliance costs. A secondary objective would be to assist in the process of reducing regulatory heterogeneity in the APEC region through a focus on efficient regulation.

A process will be needed to achieve such agreement. This should consist of two phases:

- Phase 1: Discuss and Identify the elements to be Contained in the Principles
- Phase 2: Develop and Draft the Principles.

Targets: Outputs should be delivered as follows:

- Draft detailed work programme circulated to CTI and EC delegates – end 2016
- Detailed work programme approved at SOM1 in 2017
- Phase 1 Completed – end 2017
- Phase 2 Completed – end 2018

Indicators:

- Lower ratings in APEC index as quality of regulation improves.
- Reduced regulatory heterogeneity observed in the APEC region.

²⁸ Not all activities under this Action have as yet been agreed by the relevant subgroup

APEC-Wide Action: Implementation of the Renewed APEC Agenda on Structural Reform (**RAASR**), including progressing the 2016 APEC Economic Policy Report (AEPR) on Structural Reform and Services.

Accountability: the Economic Committee, GOS

Background: In endorsing the RAASR in September 2015, APEC Structural Reform Ministers (later endorsed by APEC Leaders) made the following instructions:

- (a) Work on structural reform and services as one of the priorities for APEC, specifically:
- To raise the importance of services in the RAASR;
 - To encourage economies to implement unilateral reforms aimed at further improving the services sector, as part of their structural reform plans under RAASR;
 - For the 2016 APEC Economic Policy Report to focus on Structural Reform and Services.
- (b) Support the initiative to develop the APEC Services Cooperation Framework (ASCF), specifically, to closely collaborate with the CTI and GOS and other fora as appropriate:
- To conduct public-private dialogues;
 - To conduct dialogues with sectoral regulators and business (through APEC cross-fora dialogue and cooperation); and
 - To consider developing a joint programme with the GOS, which may include producing a set of recommendations, for domestic regulation of services.²⁹

Outputs: Structural Reform Ministers also agreed that a mid-term review of RAASR should take place in 2018 to be considered by high-level structural reform officials and that a final review should be considered by a further meeting of Structural Reform Ministers in 2020. (It is expected that this meeting will consider future APEC work on structural reform after 2020.)

Recently the AEPR on Structural Reform and Services has been completed and its key recommendations are: *[insert recommendations when finalised]*.

Targets:

- The EC will report to SOM1 on how the recommendation of the AEPR on Structural Reform and Services will be implemented, leading to their integration in both the mid-term and final reviews of the RAASR.
- Each economy will be encouraged to include at least one case study on structural reform of services in the RAASR action plans by 2018.

Indicators

- Lower ratings in APEC index for APEC members as the quality of regulation improves.
- Reduced regulatory heterogeneity observed in the APEC region.

²⁹ This instruction can be seen as closely aligned with the APEC-wide action to develop a set of good practice principles on domestic regulations in the services sector.

APEC-Wide Action: Supporting liberalisation, facilitation and cooperation of **environmental services**, by implementing and building on the agreed Environmental Services Action Plan (ESAP).

Accountability: CTI/Group on Services

Background: ESAP was endorsed in 2015 to promote liberalisation, facilitation and cooperation in the area of environmental services. It was agreed that action under ESAP would be without prejudice to APEC economies' positions in WTO negotiations.

Outputs: The plan provides for key actions under three phases of work:

- Phase 1 (2016) – conduct a survey on the regulatory and policy measures adopted by APEC members under CPC 94. This will be accompanied by studies which outline the types of services that are provided in this area;
- Phase 2 (2017) – identify key challenges in promoting liberalisation, facilitation and cooperation and recommend actions to address these challenges;
- Phase 3 (2018-20) – collect and share information related to actual cases that relate to the recommended actions. Review phases 1 and 2 and consider the way forward as necessary by the end of 2020.

Economies may also discuss if there is scope for additional work on services related to the environment but outside of the umbrella of CPC 94.

The outputs should ensure that adequate provision is made for capacity building activities, particularly under phase 3.

Targets:

- Complete Phase 1-3 according to schedule;
- Agree and implement concrete actions under Phase 3.
- Explore if there is scope for additional work on services related to the environment but outside the umbrella of CPC 94.

Indicators:

- Currently no data exists either for trade or trade barriers in environmental services. The development of indicators under this activity will need to be discussed in the ad hoc group on services statistics.

APEC-Wide Action: Progressive liberalization and facilitation of **manufacturing-related services**, by implementing and building upon under the agreed Manufacturing Related Services Action Plan (MSAP).

Accountability: CTI/Group on Services

Background: MSAP was endorsed in 2015. The 2016 APEC MRT meeting emphasised that the CTI should seek to implement the Plan. The plan lists specific regulatory or policy measures to be addressed, including restrictions on foreign equity ownership and other market entry conditions, mobility of foreign service providers.

Outputs: Under the MSAP, the CTI is committed to taking the following steps:

- Collect and analyse information on regulatory regimes and the policy environment in member economies;
- Based on the analysis and cooperation activities, develop an indicative menu of cooperation/capacity building activities;
- Conduct an interim review in 2018 and final review in 2020 with respect to implementation;
- Consider future steps in the final review as appropriate.

The outputs should ensure that adequate provision is made for capacity building activities.

Targets:

- Complete MSAP steps according to schedule;
- Agree and implement concrete actions under the interim and final reviews.

Indicators:

- Reduced barriers to trade in manufacturing-related services, based on sectors included in existing STRIs.

APEC-Wide Action: Supporting **cooperation in the education sector**, including promoting internship schemes, overseas student exchange programmes, and measures that promote equivalence in quality standards and qualifications (learning from measures such as the ASEAN Qualifications Reference Framework)³⁰.

Accountability: Human Resources Development Working Group

Background: The HRDWG already runs a number of activities in this area, particularly through its Education Network (Ednet). For example, the APEC Scholarship and Internship Initiative was launched in February 2015.³¹ Most recently the need for cooperation in the education sector was emphasised in the APEC Action Plan 2015-18 Promoting Quality Employment and Strengthening People-to-People Connectivity through HRD endorsed by APEC HRD Ministers in 2014.

The ASEAN Qualifications Reference Framework (AQRF) results from an AANZFTA Economic Cooperation Support Program and is a common reference framework that enables comparisons of educational qualifications across ASEAN members. It invites voluntary engagement and does not require changes to each member's qualification systems. The AQRF respects members' specific structures and processes, which continue to be responsive to each member's priorities.

Outputs: HRDWG to develop a proposal for a package of measures, to be undertaken on a voluntary basis, that will provide for cooperation and capacity building in the education sector in support of the ASCF. Where appropriate, this proposal should integrate measures where they exist already. It should also seek to draw on the approach provided for under the AQRF.

Another output should be a framework for discussion of how APEC economies are using innovative education policies to address current and emerging issues in their education systems.

APEC should focus on vastly increasing the amount of cross border students within the APEC region.

Proposals presented at SOM2, 2017 should feature projects centred on the following ideas:

- Raising quality of teaching and leadership
- Improving student achievement through improved student-centred education pathways
- Ensuring education systems are equipped to prepare students with advanced skills and knowledge required for participating productively in the 21st century economy, including STEM and technical and vocational training.

This proposal should include a programme of activities and appropriate milestones to achieve these activities.

Target:

- The HRDWG Chair to present package of proposals to SOM2 in 2017.
- The programme of activities under this package should conclude by the end of 2020.

Indicators:

- Evidence of growth of student exchange and internship programmes.
- Increasing cross recognition of educational standards and qualification.
- Increased mobility of educated workers within the region.

³⁰Not all activities under this Action have as yet been agreed by the relevant subgroup

³¹It may be desirable to leave some space here to integrate any initiatives that emerge from the APEC Education Ministerial to be held in Lima on 4-6 October, 2016.

APEC-Wide Action: Collaboration in responding to the rapid developments in **internet-based technology**, including cloud computing, to promote a regulatory approach that helps businesses take advantage of the opportunities the internet and digital economy provides while appropriately protecting consumers.

Accountability: AHSGIE/CTI/E-Commerce Steering Group

Background: AHSGIE was established in 2014 under the APEC Accord on Innovative Development, Economic Reform and Growth. Its role is to serve as a mechanism that will act as a steering and coordinating group that will identify cross-cutting objectives of the internet economy. It has been tasked with developing a cross-APEC programme on internet economy issues which identifies potential initiatives to address these issues and suggests which group may contribute. After its initial meeting in September 2015, emerging areas of focus for the group were: infrastructure interconnectivity and interoperability; cloud computing; investigating the issues around cross border data flows; and payments and transactions.

Outputs: AHSGIE can give effect to this action as part of its terms of reference and work programme. However AHSGIE only has a mandate to operate for two years and so the CTI and other fora will need to take this work forward. In providing for this outcome, AHSGIE, CTI and ECSG should seek to work particularly closely with other APEC bodies, such as the EC and Telecommunications and Information Working Group (TEL) with a focus on the regulatory and capacity building issues involved. It should also seek to pay particular attention to the provisions outlined in the Roadmap in areas such as consumer protection and privacy.

Targets:

- AHSGIE and CTI to report to SOM1 and in 2017 on the approach it will take to coordinate APEC activities under this Action.

Indicators:

- Growth of services trade through the internet.

APEC-Wide Action: Supporting **certain cross-border provision of financial services** including by engagement by interested economies in the building on the Asia Region Funds Passport initiative.

Accountability: CTI/Group on Services in consultation with Finance Ministers Process

Background: The Asia Region Funds Passport will, once implemented, provide a multilaterally agreed framework to facilitate the cross border offering of high quality managed funds across participating economies in the Asia region. On 28 April 2016, representatives from Australia, Japan, Korea and New Zealand signed the Asia Region Funds Passport's Memorandum of Cooperation (MoC). Thailand has now also signed the MOC. Signing of the MoC is an outcome of more than six years international negotiation on the passport arrangements. Australia, Japan, Korea, New Zealand, the Philippines, Singapore and Thailand have contributed expertise to developing the framework in the working group. The MoC came into effect on 30 June 2016. The MoC also ensures that any other eligible APEC economies are able to participate in the passport even after it comes into effect. Participating economies have up to 18 months from the 30 June 2016 to implement domestic arrangements. Activation of the passport will occur as soon as any two participating economies implement the arrangements under the MoC.

Outputs: With ARFP now in place, giving effect to this APEC wide action will require the CTI and FMP representatives to coordinate on next steps. These could include advising on:

- Prospects for further expanding membership of the ARFP;
- Other activities to improve the regulation of financial services in APEC members.

Targets: CTI to report to SOM1 in 2017 on options for taking forward this work.

Indicators:

- Reduced barriers to trade in financial services.
- Number of transactions or cross-border sales between participating economies.

APEC-Wide Action: Supporting APEC's work on developing **air, sea and land transportation** in line with the APEC Connectivity Blueprint 2015-2025.

Accountability: Transportation Working Group

Background: The Transportation Working Group has in place a significant and tangible work programme which contributes to the implementation of the APEC Connectivity Blueprint 2015-2025.

This includes current projects on:

- Assessing APEC gateway port connectivity;
- Attracting investment to transport infrastructure through PPPs;
- Continue implementation of Phase 3 of the APEC Supply Chain Resilience Framework;
- Enhancing aviation connectivity and emissions reduction via implementation of the Performance-Based Navigation (PBN) Assistance Program;
- Promoting cruise visits to ports within the APEC region.

When they met in Cebu in October 2015, APEC Transportation Ministers welcomed the plan to have an APEC Services Cooperation Framework, noting that it would be a valuable guide in aligning efforts to provide more inclusive, innovative, competitive and productive transportation services.

Outputs Increased collaborative efforts between the Transportation Working Group and the EC and CTI on structural reform and regulatory issues in the transportation sector.

Targets:

At SOM1 in 2017, the Chair of the Transportation Working Group should report to the SOM:

- Current efforts to implement the APEC Connectivity Blueprint 2015-2025 and how such efforts can be developed further in support of the ASCR;
- Future APEC work, including capacity building activities, that can be undertaken on structural reform and regulatory issues in the transportation sector, to be carried out in collaboration with the EC and CTI.

Indicators:

- Decreased costs and improved sustainability of air, sea and land transport in and between APEC members.
- Reduced barriers to the provision of transport services from between APEC member economies.

APEC-Wide Action: Support APEC’s work on developing the **travel and tourism** sector for sustainable and inclusive growth, building on the work of the APEC Tourism Strategic Plan.

Accountability: Tourism Working Group (TWG)

Background: One of the TWG key priority areas in its Strategic Plan 2015-19 is to promote competitiveness and regional economic integration through policy alignment and structural reform. The TWG is working on improving connectivity that will stimulate economic growth through its projects:

- Developing traveller-friendly airports and improving air connectivity in the APEC region;
- Developing smart traveller programmes to ensure traveller safety and improve crisis communications in APEC economies.
- Publishing an annual state of tourism report in the APEC region.

Outputs: The TWG’s Strategic Plan 2015-19 provides for target start and completion dates for each of its projects as well lead fora and cooperating bodies that have agreed to undertake the projects.

Targets: TWG to provide annual updates to SOM on the achievement of objectives under the APEC Tourism Strategic Plan and on progress of projects under the Plan in light of the targets set.

Indicators:

- Growth in tourist numbers in APEC economies.
- Reduced visa requirements amongst APEC economies.

APEC-Wide Action: Development of **services data and statistics** to measure and support implementation of the Roadmap and improve tracking of services trade and investment more broadly.

Accountability: CTI, Group on Services supported by PSU

Background: There is significant scope for improved statistics and indicators to measure services trade and investment. Lack of such statistics and indicators hampers analysis and the development of policy options for improving the regional environment for services trade and investment.

Outputs: APEC will facilitate improved measurement of trade and investment in services both to support implementation of the Roadmap and to improve the collective understanding of key issues that arise in this area. Under the APEC Services Cooperation Framework (ASCF), Leaders agreed to seek better ways to produce services-related statistics and increase the number of APEC economies with indices for measuring the regulatory environment in services including by providing capacity building and exploring the development of an APEC index. Members agreed that the work on this index could take into account the indices already developed by other fora such as the OECD and World Bank.

The PSU should also work with the fora responsible for carrying out APEC-wide actions to ensure that the data required to measure progress in each area is available. This will require collection of data for individual service sectors, both in terms of levels of trade and barriers faced. Given the size of this task, SOM will give particular priority to ensuring the PSU has the resources to carry it out.

Targets: Initially the PSU is tasked with reporting on what services data and statistics and indicators need to be generated to monitor progress under the Roadmap and the options for generating this based on close consultation with members. In scoping the options, the PSU may seek to make use of material from non-APEC sources.

Indicators:

- Establishment of an ad-hoc group on services statistics.
- Improvement of services data availability compared to the baseline.

APEC-Wide Action: Progressive liberalization and facilitation of services to improve the regional **food system** to ensure access to safe, high quality food supplies across the Asia-Pacific³².

Accountability: Policy Partnership on Food Security/CTI

Background: The policy partnership has identified a range of services that are important to achieving access to safe, high quality food supplies across APEC. These include professional services, agriculture services, environmental services, extension services, R&D etc. Like manufacturing, it will be important to achieve open and competitive markets for the provision of such services if agricultural products are to be produced and traded in a safe and efficient manner.

In addition to the range of standard services that are required to develop and maintain sound food security structures, there are a range of specific food related services that are widely needed across both developed and developing economies to enhance the efficiency, productivity and safety of the food chain.

Outputs: Using APEC Food Security Roadmap toward 2020 and the Manufacturing Services Action Plan as a guide and subject to CTI's endorsement, PPFS and CTI to produce an Agriculture and Food-Related Services Action Plan (AFSAP) to:

- Discuss and define the scope of agricultural-related services;
- Collect and analyse information on regulatory regimes and the policy environment in member economies;
- Based on the analysis and cooperation activities, develop an indicative menu of cooperation/capacity building activities;
- Conduct an interim review in 2018 and final review in 2020 with respect to implementation;
- Consider future steps in the final review as appropriate.

Targets:

Produce an agreed draft Action Plan for approval by SOM by SOM2 in 2017.

Indicators:

- Reduced barriers to trade in agriculture-related services, in terms of data availability under existing STRI measurements and when available an APEC index.
- Reduced barriers to trade distribution related services.

³² Not all activities under this Action have as yet been agreed by the relevant subgroup