One of the main goals of APEC is to approach trade in a non-traditional way. Traditional approaches to liberalization include reducing tariffs and eliminating quotas. While much progress has been made in these traditional areas through bilateral agreements and the World Trade Organization, the rise of the internet and increasing interconnectedness among economies has created new trade challenges.

Although APEC is a non-binding forum, it will play a critical role in meeting trade challenges and developing a next generation trade and investment agenda. This is because APEC breaks down barriers, such as geographical, linguistic and cultural differences, in order to facilitate cooperation. In turn, policy measures and regulations can be developed, which will then affect APEC economies. That is, coordination allows for economic and social gains at a lesser economic cost.

About APEC Theme II

Why are services important?

Within APEC, services account, on average, for over 50 percent of GDP in member economies, according to the APEC Policy Support Unit. By calculating value added, services overwhelmingly account for the biggest chunk of economic activity. In Hong Kong and China, services value added equal 90 percent of all economic activity, and over 75 percent in the United States, and 67 percent in Australia, Canada, Japan, New Zealand and Singapore. Services also play a critical role in developing economies, with value added accounting for one-third of economic activity in Viet Nam and one-half in the Philippines.

In Hawaii, where 80 percent of workers are employed in the services sectors, according to the Department of Business, Economic Development and Tourism, the need for openness is even greater. This is because, in a global economy, the openness of an economy to services directly impacts the ease with which foreigners can do business. In bringing tourists to Hawaii, it is important that the movement of people is not restricted through cumbersome entry/exit processes, like obtaining multiple visas. APEC facilitates trade by providing a framework for member economies to discuss lowering service barriers—talks that have implications on the regional, national and local economy.

What are services?

Services are basically anything that is not a tangible good. Tangible goods are usually agricultural or manufactured goods; unlike tangible goods, services come in many different forms—such as management, legal and financial services, and education. Services often involve more intensive human capital, hence the need for more education. Thus, in industrialized economies, a service-oriented economy is generally the next progression out of an agricultural or manufacturing-oriented economy. As an economy becomes wealthier and people have more access to education, professions become more specialized and technical, requiring more human capital.

How are services counted in an economy?

The 1995 General Agreement of Trade in Services, a treaty under the World Trade Organization, defines how services can be traded and counted toward one’s economy. There are four ways of trading services.

1. Cross border supply: services supplied from one country to another
2. Consumption abroad: consumers or firms making use of a service abroad
3. Commercial presence: foreign company setting up branches
4. Presence of natural persons: individuals travelling to supply services in another country

How does APEC impact services?

APEC helps to shape the domestic policy of its member economies. Studies have shown that membership in a trade agreement is strongly associated with increased trade flows in services; that is, economies in agreements trade twice as much as those without.
A HISTORY OF SERVICES WITHIN APEC

1994 Bogor Declaration - promotion of free flows of services
1995 Osaka Action Agenda - progressive reduction of market access restrictions, extension of MFN/national treatment, fairness/transparency, recognition of e-commerce
1997 APEC Business Travel Card - gives pre-cleared entry to business professionals in participating APEC economies and acts as a fast track visa. Only two members do not participate: the U.S. and Canada.

2009 Principles for Cross-Border Trade in Services - These principles recognize the movement of natural persons (for business mobility and the recognition of education and licenses for professionals), as well as the importance of delivering and protecting electronic services (consumer protection, copyright, etc.).

2009 Services Action Plan - a living document that targets and sets goals for specific sectors (e.g. education and energy).

SAVING THE TREES
The Paperless Trading Sub-group is dedicated to reducing/eliminating paper documents in customs and other administrative functions related to trade. In fact, 18 economies already have Individual Action Plans on Paperless Trading.

APEC’S PROGRESS IN SERVICES

Electronic Commerce Steering Group
Within APEC, there are many working groups, each of which target a specific area. The Electronic Commerce Steering Group has been one of the leaders in tackling “next generation” trade and investment issues.

APEC Blueprint for Action on E-Commerce
This 1998 ministerial declaration outlines the role of government and businesses in e-commerce. The Blueprint recognizes “the enormous potential of e-commerce,” such as lowering costs, improving quality of life, etc. The aim is to enhance members’ capacity to take advantage of e-commerce.

APEC Data Privacy Pathfinder
The Pathfinder achieves two objectives: 1) creates an overarching framework for economies to follow and 2) develops Cross Border Privacy Rules that allow for the safe exchange of information over the web. This project led to the APEC Cross-border Privacy Enforcement Arrangement, which provides information and assistance for cross-border privacy enforcement.

APEC Digital Prosperity Checklist
A major effort within APEC is to foster members’ participation in the digital, global economy. Members must be able to take advantage of Information and Communication Technologies (ICT), which would allow for economic growth and new jobs: ICTs are more efficient, operate in economies of scale and allow for wider dissemination. APEC also has a voluntary Checklist, which establishes a standard for regulatory, legal and trade policies to promote ICTs.

The Checklist:
1. Infrastructure
2. Investment
3. Innovation
4. Intellectual Capital
5. Information Flows

Data courtesy of APEC Policy Support Unit