

**APEC/CTI**  
**GROUP ON SERVICES**  
**CONVENOR'S SUMMARY RECORD OF DISCUSSION**  
**17-18 February 2001**  
**Beijing, People's Republic of China**

1. The 14<sup>th</sup> Meeting of the Group on Services was held in Beijing, People's Republic of China, on 17-18 February 2001. The GOS Convenor, Prof. Connie G. Yang of Chinese Taipei, chaired the Meeting.
2. Representatives from the following economies attended the Meeting: Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Peru; the Philippines; Russia; Singapore; Chinese Taipei, Thailand; the United States of America and Viet Nam. The APEC Secretariat was also present and PECC attended as Observer. A list of Participants is attached to this record as *Annex A*.

**I. CONVENOR'S OPENING REMARKS**

3. The Convenor welcomed all delegates and requested their full support for the GOS work plan for the current APEC Year. The Convenor underlined the fact that after SOM II, Chinese Taipei will be unable to continue to Chair the GOS. Thus the need for an Economy to inform the Group as soon as possible with regards to their intention to take the position of GOS Convenor. The Convenor also reported on the request by the CTI Chair for CTI Subfora to review their current OAA Guidelines and to update them as appropriate. This exercise will be one of the deliverables for 2001.

**II. ADOPTION OF THE AGENDA**

4. The Draft Agenda was adopted with some slight modifications, i.e., addition of "members to review and consider building upon the OAA Guidelines in Services" under Cap I b); addition of "Hong Kong, China to provide some thoughts on Innovation in Services to stimulate discussion in this regard" and "Australia to present the key outcome of the Joint OECD/Australia Workshop on Innovation and Productivity in Service held in October 2000", under Cap I c) instead of under Cap V, and the addition of "to review and finalize Convenor's Summary Report to CTI – Services" under point V of the Agenda. (2001/SOM1/CTI/GOS/001/Rev.1)

**III. IMPLEMENTATION OF THE SERVICES COLLECTIVE ACTION PLAN**

5. The Coordinator of the Team of Services Experts for the Phase II of the "Menu of Options", Dr. Sherry Stephenson of the PECC proceeded to present an overview of how the work had been organized under the project in order to conclude this GOS initiative by the end of the current APEC Year. Five papers were presented to the GOS for discussion. Three of these discussion papers deal with issues under the Trade Liberalization

- pillar of the Menu, while the other two discussion papers deal with issues under the pillar of Trade Facilitation. At the next GOS Meeting, five more discussion papers will be presented by services experts - three on Trade Facilitation Issues and two on issues under the ECOTECH pillar. By SOM III, the GOS will be in the position to discuss the revised Menu of Options document in order to complete Phase II.
6. The Panel of Experts who attended the First GOS Meeting of 2001, as well as the titles and numbers of the papers they presented for discussion are as follows:
    - (1) Professor Malcolm Bosworth, Australia : MFN and National Treatment (2001/SOM1/CTI/GOS/005)
    - (2) Dr. Sherry Stephenson (presenting in place of Ms. Alejandra Labarca, Chile): Market Access (2001/SOM1/CTI/GOS/006)
    - (3) Professor Monette Serafica, Philippines: Deregulation/Privatization (2001/SOM1/CTI/GOS/007)
    - (4) Ms. Soonhwa Yi, Korea: Transparency (2001/SOM1/CTI/GOS/008)
    - (5) Professor June-Dong Kim, Korea: Domestic Regulation (2001/SOM1/CTI/GOS/009)
  7. The GOS members welcomed and congratulated the Team of Services Experts on their papers. A productive round of discussion and question and answer session followed the presentation of each paper. Member economies also pointed out new ideas and experiences that could benefit the expansion of the Menu of Options for the GOS. The Coordinator of the Team of Services Experts informed the GOS that the papers presented would be revised to include comments and points that were noted by each of the presenters during their briefing to the GOS. These documents will be revised and circulated to GOS members by the middle of April 2001.
  8. The PECC Coordinator of the Team of Services Experts proceeded to summarize the main points arising from the round of discussions on the five papers presented at the meeting. Many of the points made by the various papers were inter-related and mutually reinforcing, stressing the importance of maintaining overall coherence in carrying forward the Menu of Options project. These points are to be set out in a document to be prepared by the Coordinator of the project and circulated to GOS members following the meeting for comment.
  9. The Coordinator expressed to the GOS that through this exercise, a set of common understandings should have emerged during the discussions at the meeting that could be incorporated into the expanded version of the Menu of Options, to be finalized during Phase II.
  10. Additionally, possible measures that might be taken by or through the GOS in order to add value to the WTO work on services were suggested by some members. The role of the E-IAP system and the establishment of a central registry for the identification of measures affecting services trade

at the national level were discussed in the context of APEC's possible role in promoting transparency. In the area of domestic regulation, the experience of several economies in analyzing the impact of regulations in services on their economies was mentioned. It was felt that this might also be one of the areas that APEC could usefully pursue and that would also be relevant to ECOTECH efforts. Another possible area of future work suggested to assist APEC economies was that of identifying how to restructure failing state-owned enterprises for the purpose of privatization and identifying in what order the sequencing of regulatory reforms should be undertaken.

11. The Convenor informed that during the Second Meeting of the GOS, discussion papers on the issues of Competition Policy; Recognition; Electronic Technology; ECOTECH: Development of Human Resources and Promoting Advanced Technologies as well as ECOTECH: Building Infrastructure would be presented by the team of Services Experts.

**CAP I b): *Gather and analyze information on the services section contained within the Individual Action Plans***

12. Australia briefed the Group that the progress of e-IAP so far was that SOM had adopted the three recommendations by the project team for the E-IAP and an E-IAP workshop was held on February 14 in Beijing. The three recommendations were to:
  - (1) Endorse continued work by the CTI to identify possible refinements and enhancements to the e-IAP system
  - (2) Instruct the CTI to develop, intersessionally, a comprehensive set of recommendations for improving the performance of the e-IAP system, and to report these recommendations to SOM2.
  - (3) Note that further refinement and enhancement of the e-IAP system may need to be funded from the USD 250,000 allocated by the BMC in March 2000 for development of the e-IAP system.
13. Given that services chapter of e-IAP could usefully be discussed by the Group, Australia undertook to pass on any comments about refinement of the chapter, if the need arose.
14. Acknowledging that some member economies had either completed or were in the process of completing their services chapter e-IAP based on the service template endorsed by the GOS in last May (2001/SOM1/CTI/GOS/010) and there was no need to modify in substance, the Group decided that for 2001, members continue to use the services template adopted last year.
15. A number of members sought clarification on whether each member economy was required to submit a complete set of e-IAP, including all sectors or sub-sectors in the services template. They also concerned about the consequence of not entering any information to these policy unattended categories, the cropping up of "blank box". Noting that Ministers had instructed members to submit e-IAP this year, which would

become one of the most meaningful deliverables for 2001, members were urged to provide as most information as they could in their e-IAP exercise, which would generate more relevant and updated information. Members were suggested to provide cross references, hyperlinks, explanatory notes of like policies over certain areas in the process of deliberation or contact points to alleviate the problem of "blank box". Aware that concern over "blank box" could be technically solved and of generic nature, not unique to the GOS, the Convenor suggested the Group to leave it to the CTI.

16. The GOS Summary Record of the 13th meeting (Doc. 2001/SOM 1/CTI/GOS/002) reflects that the GOS considered whether to recommend changes to the OAA guidelines and did not do so. The Convenor noted however that the CTI is conducting a review of the OAA guidelines, as announced in his letter of January 12 and as discussed and agreed at CTI 1. The Convenor took the initiative to prepare "Proposed Modifications to the Osaka Action Agenda Guidelines" (2001/SOM 1/CTI/GOS/017), which contains the Convenor's preliminary suggestions on possible modifications to the OAA objective, guidelines and collective actions on services. The Convenor's proposed modifications also append some background notes with *inter alia* the ministerial statements from 2000 regarding the review of the OAA guidelines.
17. The Convenor asked economies to comment on her preliminary suggestions by March 6 so that the GOS could provide some preliminary thoughts for the CTI to consider before April 6, something which other sub-fora have already done. This was not a workable timeframe for some economies. Some economies also noted that the CTI had agreed to a process for making comments on the OAA guidelines, and suggested that these same deadlines be followed for commenting on the Convenor's preliminary suggestions, as these deadlines were already agreed in the CTI (The CTI agreed that economies should comment on the OAA guidelines to the CTI chair and APEC secretariat by April 6, and that economies' comments would be transmitted to the sub-fora for sub-fora comment back to the CTI by May 11). Ultimately the GOS agreed that there would be two opportunities for GOS contacts to provide their comments on the Convenor's preliminary suggestions. GOS contacts' comments on the Convenor's preliminary suggestions provided by March 21 will be sent to the CTI chair and APEC secretariat with a cover note explaining that these are some economies' preliminary comments on the Convenor's preliminary suggestions, but that GOS contacts retain the ability to participate in the comment process according to the timeframe agreed in the CTI. This way GOS contacts that do not provide preliminary comments by March 21 on the Convenor's preliminary suggestions still may provide comments on the OAA guidelines, including on the Convenor's preliminary suggestions, according to the timeframe for comments agreed in the CTI.

**CAP I c): *Identification of measures affecting trade and investment in all service sectors***

18. Australia briefed the Group that the project (2001/SOM1/CTI/GOS/015) had been coordinated by Australia and New Zealand within the GOS to identify measures affecting the flow of education services in the Asia-Pacific region, with an aim of studying the impact of further liberalizing trade and investment in the education services sectors.
19. In the report, a number of recommendations for the development of the APEC work program in relation to trade and investment in education services were proposed, from which Australia volunteered to further more detailed recommendations for members' consideration in the next Meeting. The Convenor thanked Australia's effort and encouraged the following-up to be interessionally circulated.
20. Hong Kong, China shared the Group with her experience on innovation in services (2001/SOM1/CTI/GOS/020). The keys to success were four guiding principles, free and open economy, least government intervention and minimum regulation, solid institutional and infrastructural support, and innovative entrepreneurship and sensitive towards business trends.
21. Australia briefed the Group that the main conclusions drawn from the Workshop was that services were highly integrated with the manufacturing, resources and agriculture sectors and a more integrated approach was advocated to capturing growth opportunities in the new economy environment. (2001/SOM1/CTI/GOS/019)
22. The Convenor thanked the presentation made by Hong Kong, China and Australia, and drew members' attention to the interaction between education, innovation and new economy, which was one of the themes in Leader/Ministers Statement last year, and sought volunteers to prepare a list of elements/questions drawn from innovation papers presented to the Group and in the Joint OECD/Australia Workshop on innovation and Productivity in Service to facilitate members' discussion in the next Meeting on how to accommodate innovation into members' overall services policy. APEC Secretariat indicated that he was willing to assist in this regard.

**CAP I f): *Continue discussion of issues related to possible APEC Principles of Guidelines that may be necessary to achieve free and open trade and investment in this area***

23. The Meeting welcomed the APEC Secretariat's work on Trade Facilitation Issues from ABAC Report to Leaders and Ministerial Statement/APEC Leaders Declaration (2001/SOM1/CTI/GOS/011).
24. Australia commented that with reference to the adoption of international standards proposed by ABAC, the experience of the Standards and Conformance Group in this regard should be a good model for the GOS.
25. New Zealand, the appointed liaison point for the Ad Hoc Taskforce on the Development of APEC Trade Facilitation Principles, reported on her

comments on the draft trade facilitation principles, which focused on, inter alia, strengthening the service-related aspects of the draft. A number of other suggestions for the inclusion of references to such issues as licensing and registration requirements, and the need for appropriate professional bodies to be consulted in reforming the regulation of services sectors. Most of New Zealand's proposals had been adopted in the current draft under consideration by the Ad Hoc Taskforce on the Development of APEC Trade Facilitation Principles. New Zealand also pointed out that the strongest feature of the draft principles was their use of illustrative examples, and encouraged the Group to identify as many examples relating to services trade as it could for submission to the Taskforce Lead, Hong Kong, China.

26. The Convenor requested members to reflect on a revised draft APEC Non-binding Trade Facilitation Principles, which would be circulated to member economies after the Taskforce could provide it with the Convenor, along with the above mentioned APEC Secretariat's list of trade facilitation issues and New Zealand's report on her comments on the draft trade facilitation principles. Members were encouraged to provide their further comments intersessionally.

**CAP III): *To improve the understanding of the impact of the liberalization of services***

27. Dr. June-Dong Kim, on behalf of Korea, made a presentation on Korea's liberalization of trade in services and its impact(2001/SOM1/CTI/GOS/012), which focused on changes in the growth rates of productivity with an view to evaluating the economic effects of the liberalization of trade in services on the Korean economy. Two questions concerning tourism and air transportation in Korea were addressed.
28. To expedite the process of evaluating Indonesia's project proposal (2001/SOM1/CTI/GOS/016), the Convenor instructed Indonesia to report main modified elements of substance to the Group and to circulate a revised project proposal for the Group's endorsement intersessionally after incorporating members' comments raised this time. Meanwhile APEC Secretariat reminded Indonesia that the BMC Guidebook should be strictly followed.
29. Indonesia began the report by thanking members providing constructive comments and stressing that the original idea of the project was to examine the impact of liberalization on economy-specific basis in terms of costs and benefits. Such an idea was proposed in SOM II last year and the proposal was still under consideration by the Group. The scope of the project will cover a number of services sectors suggested by members. Tentatively, five services sectors in five member economies respectively will be examined. Among them, insurance in Indonesia and distribution in Korea had been confirmed. Mexico and Thailand agreed to consult with the capital for the possibility of participation. Further consultation with

interested member economies was required. As per the methodology of the project, there were two key components. One was research work conducted on each of the designated services sectors in corresponding member, the other was a seminar held in Jakarta in which all outcome of study on the five services sectors in five member economies will be presented. Each elements of the project would be itemized and budgeted according to the BMC Guidebook.

30. The Convenor thanked Indonesia's effort to refine the project proposal and commented that once main elements were agreed, the budget part of the project would be easy to be taken care of. Therefore there was no merit of discussing budget here.
31. Korea indicated that intersessionally it consented to participate in the project with a view to proceeding such an important assessment exercise and looked forward to seeing this project endorsed by the Group.
32. The United States noted that paragraph 14 of Indonesia's draft TILF proposal states that "Indonesia will provide the lead investigator and one of Indonesia's economic research institute[s] will carry out a review of the insurance sector." The United States noted that the level of funding involved in this project would mean that the selection of research institutes would need to be by open APEC bidding procedures. The result could be that the research institute doing the work would not be from Indonesia. The United States requested that paragraph 14 be revised accordingly. Noting that a number of comments had been made by various delegations, and that Indonesia had stated that it intended to revise its proposal, the United States indicated that it would be pleased to review a revised version upon its circulation.
33. The People's Republic of China expressed the reservation about whether the project, examining five services sectors in five member economies could deliver a comprehensive result on costs and benefits of liberalization and urged the project overseer to improve the methodology to guarantee the desirable outcome.
34. Chile explained that given the resource constraint, it had declined Indonesia's offer to take part in the project. Nonetheless, with Indonesia's revision on the project, Chile would be glad to take part.
35. The Convenor welcomed members to participate in the project if their economies had had experience of liberalizing certain services sectors and encouraged Indonesia to take into consideration the People's Republic of China's comment to further refine the methodology.

**CAP IV): *Pursuant to SOM instructions, GOS will provide support to the ongoing EVSL initiatives***

36. The United States reported to the GOS on the recent developments of WTO negotiation on environmental services since the last GOS Meeting.

The Meeting was briefed that additional progress had been made in the GATS Committee on Specific Commitments. The EC Paper continues to be the primary area of focus. It was stated that the "definition" of the sector had been revised based on comments made during the CSC Meetings. For example, some sectors that were originally included in the core of the proposal had been reclassified as "related" services. It is possible that the work on the definition will be finalized during meetings in Geneva in March 2001. Additionally, the Meeting was informed that in December 2000, the US and the EC tabled negotiating proposals for environmental services. Both papers outlined general approaches that would build on existing GATS principles and commitments using both sector-specific and horizontal approaches.

37. The Convenor commented that while the cluster and definition were complex issues in the WTO, APEC could make a concrete progress by exerting on capacity building and encouraged Canada to add environment service to its CTI project of capacity building on telecommunication and financial services.

**CAP V): *Monitor, and where possible and appropriate, contribute to the WTO's work on Services***

38. To keep the Group abreast of the WTO's work on services, the Convenor proposed to set up a watch group composed of at least three active WTO members and charged with the responsibility of reporting on the current services negotiation. Each member of the watch group could take turns at such reporting. Members welcomed such a proposal with the United States immediately volunteering to take the task. Other volunteers will be welcomed to contact the Convenor's office intersessionally.

**IV. Review the Restructure of CAP Items**

39. Since the new structure of CAP Items so far had proved fitting well with the GOS's work, the Group agreed to continue to use this format.

**V. Other Business**

40. Canada briefed the Meeting on two draft project proposals that it had tabled a few days earlier for discussion in the CTI. The proposals are entitled "Training Program on the General Agreement on Trade in Services: Telecommunication Services", and "Training program on the General Agreement on Trade in Services: Financial Services". These two project proposals will be finalized shortly after SOM I and tabled in CTI and BMC intersessionally. Canada hopes that the BMC in March will grant urgent TILF funding to both proposals. (2001/SOM1/CTI/GOS/018)
41. In view of the scarcity of available information on environmental service for negotiators and thus leaving a lot of room for capacity building in that area, the Convenor suggested that Canada also consider offering a



training program on environmental services under this initiative. Canada replied that it would consider the Convenor's request.

42. Replying to a question by one member on how many participants would be invited to take part in the training programs, which economies they would come from, and on whether their travel, accomodation and per diem expenses would be fully covered, Canada answered that it was still working this out, and that it would consider past APEC practices in this regard when designing its projects. One possibility was to focus on the nine APEC members that have invited Japan to conduct needs assessment surveys of their economies under the APEC Strategic Plan for Capacity Development for the Implementation of WTO Obligations.
43. After taking into consideration the theme of New Economy Action Agenda, the relation between new economy and services innovation, education service, along with one member's comment (2001/SOM1/CTI/GOS/014), the Group agreed to modify Convenor's Summary Report to CTI as 2001/SOM1/CTI/GOS/003/Rev.2.

#### **VI. Future Meetings**

44. The Secretariat reported that the next GOS meeting would be held in Shenzhen, China on May 28-29.

#### **VII. Meeting Documents Distribution**

45. The list of Meeting Documents was marked with notes along the sides of the documents for public release (2001/SOM1/CTI/GOS/021).

#### **VIII. Summary and Conclusion**

46. The GOS Convenor thanked the Team of Services Experts for the Phase II of the Menu of Options for their hard work. She welcomed further comments by Members to any of the Papers presented.
47. The Convenor also expressed her appreciation to all members for their participation and especially the Peoples' Republic of China for its hosting. She also reminded members of the upcoming inter-sessional activities as follows:
- (1) Members should submit their comments on Convenor's proposed modification to the service-related OAA guidelines or any modification they wished to propose by March 21.
  - (2) Any project seeking TILF fund for 2002, including Indonesia's project of Study on the Costs and Benefits of Services Trade Liberalization and the Menu of Options phase III, should have the draft proposal submitted to the Convenor by April 12.
  - (3) Australia and APEC Secretariat would prepare papers on education service and services innovation for members' comments intersessionally.

- (4) The Convenor would circulate to member economies for comments a draft Non-binding APEC Trade Facilitation Principles revised by the Ad Hoc Taskforce of Trade Facilitation Principles, along with APEC Secretariat's list of trade facilitation issues compiled from ABAC reports to Leaders and Ministerial Statement / APEC Leaders Declaration and New Zealand's report on its comments on the draft trade facilitation principles.
- (5) In the end of April Convenor following CTI Chair's request might invite members to comment on GOS 2001 deliverables.
- (6) Any member wishing to propose text on Ministerial Statement this year was encouraged to circulate the proposed text to members well before the next GOS Meeting.