

**55<sup>th</sup> Group on Services (GOS) Meeting  
31 January 2015  
Clark, Philippines**

**Summary Record**

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The 55th meeting of the Group on Services (hereinafter referred to as “the meeting”) was held in Clark, on 31 January 2015. Dr. Emmanuel Esguerra, the GOS Convenor, chaired the meeting. Twenty (20) economies were represented: Australia; Brunei Darussalam; Chile; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; the Philippines; Peru; Papua New Guinea, Singapore; Chinese Taipei; Thailand; the United States and Viet Nam. The APEC Business Advisory Council (ABAC), Pacific Economic Cooperation Conference (PECC) and the APEC Secretariat were also present.

**I. Opening remarks**

1. The Convenor welcomed the members to Clark, Philippines and expressed his appreciation to the APEC Secretariat, representatives from ABAC, PECC, and PSU for their support and contribution to GOS. The Convenor also noted the successful culmination of the 54<sup>th</sup> GOS meeting, chaired by Ms Sondang Anggraini, and conveyed his appreciation for her efforts in leading the GOS in the past terms.

2. The GOS Convenor highlighted the fact that Services is the largest economic sector and is a major employer in most APEC economies. Noting the cross-cutting nature of services and underscoring the importance of collaboration with the private sector in achieving the collective goal of having a free and open trade and investment environment, the GOS Convenor informed the members of the two services-related activities lined up at margins of SOM1: the Joint EC-GOS-PECC Seminar on the Role of Regulatory Reform /Good Practices in Promoting Services Growth and Public-Private Dialogue on Services on 02 and 03 February, respectively.

3. In closing, the Convenor remarked that given the way services-related initiatives have expanded within APEC's various committees and working groups over the years, the Philippines as host would like to see this year at least the beginning of efforts to pull initiatives together under a coherent framework that will guide the work of all APEC committees and working groups.

**II. Adoption of the agenda**

4. The meeting adopted the draft agenda (2015/SOM1/GOS/001). GOS Convenor thanked economies that had provided comments to the draft agenda inter-sessionally.

**III. Adoption of the summary record of the previous meeting**

5. The meeting adopted the Summary Record of the 54th Group on Services Meeting, which was circulated and finalized inter-sessionally (2015/SOM1/GOS/002).

**IV. APEC 2015 Priorities**

6. Undersecretary Ferdinand Cui from the SOM Chair's Office presented the APEC 2015 priorities. Under the theme “Building Inclusive Economies, Building a Better World”, the four (4) priorities are i) Enhancing the Regional Economic Integration Agenda; ii) Fostering Participations of the SMEs in Regional and Global Market; iii) Investing in Human Capital Development; and iv) Building Sustainable and Resilient Communities.

**V. CTI 2015 Work Program**

7. The CTI Chair, Mr. John Larkin, briefed the meeting on the CTI's priorities for 2015. The main priorities of the CTI are: i) support for the multilateral trading system; ii) advancing regional economic

integrations; iii) strengthening connectivity and infrastructure; iv) regulatory cooperation; and v) contributions of CTI and sub-fora to APEC growth strategy and cross-cutting mandates. The CTI Chair also welcomed inputs from GOS on:

- Priorities and interests of sub-fora
- Ways to improve interaction with CTI
- New ideas and inputs to advance APEC's agenda in 2015 and support Philippines' host year priorities

8. One of the key elements agreed by Leaders, in view of taking forward the realization of the FTAAP, is to intensify information sharing on FTA/RTA outcomes. The CTI Chair encouraged the members to engage in information sharing as part of the GOS agenda. Services is also highlighted as an important element in the GVCs; thus the CTI Chair welcomed initiatives in this area.

9. Indonesia thanked the host as well as the CTI Chair for the updates on and the expectation from the GOS. Indonesia raised its concern regarding the process of tabling discussion papers, as well as relaying the inputs to relevant committee or fora. The CTI Chair responded that this matter has been a challenge as the economies have the prerogative to choose which committee or sub-fora to table the papers. The CTI Chair added that they are continuing to look at how the process can be better streamlined and managed in the various fora.

## **VI. GOS Work Plan for 2015 in Response to 2014 APEC Priorities: Advancing Regional Economic Integration**

### **1. Support for the Multilateral Trading System**

10. The meeting was updated on the informal session of the Special Council on Trade in Services which was held on 17 December 2014 in response to the call of DG Azevedo for negotiating groups to resume discussion on coming up with a post-Bali DDA work program. It is following the General Council decision last November 2014 which extended the deadline for agreeing on the work program which was mandated initially in Bali by end of 2014 to July 2015.

11. On the matter of LDC waiver, Thailand updated the Group that they have been working on the request to open up the market in the area of 7 sectors.

### **2. Working Towards the realisation of an FTAAP or Promoting Investment Liberalisation and Facilitation**

#### **(i) Environmental Services**

##### **i.i Workshop on Environmental Services in the 21<sup>st</sup> Century; Challenges and Opportunities by Malaysia**

12. Malaysia updated the meeting on the workshop held on 14-15 of October 2014 in Kuala Lumpur, Malaysia. Close to 150 participants from local and the various APEC economies attended the workshop. The report of the workshop will be forwarded to the Secretariat and be considered inter-sessionally.

##### **i.ii Environmental Services Initiative: Drafting of an Environmental Services Action Plan**

13. Japan presented its proposal on an action plan on environmental services following the approval of the proposal at CTI3 in 2014 and the Leaders' Statement on the action plan. Economies were invited to provide comments on the scope of the proposal, which is to be considered as an indicative list of environmental services to serve as a basis for the actions beyond 2015. Four (4) possible approaches were highlighted in the proposal:

- (i) Services listed in CPC94(WTO W/120)
- (ii) Services related to environmental functions
- (iii) Services pertinent to the use of 54 environmental goods
- (iv) Services contributing to green growth

14. Recognizing the fact that the environmental services has been overlooked for a period of time, the United States expressed its strong support for the work plan and emphasized that the ES is an important sector that can contribute to the global economic system.

15. Several economies also expressed support to the proposal but highlighted their concerns on scope and elements of Phase 2. The need to get the action plan ready by GOS2 and CTI3 this year was also underscored as environmental goods and services is an important agenda, as well as the contribution by EGS to the global economic system. Korea suggested that the concept note also consider focusing on improving domestic rules and regulations of the economies and reducing NTBs related to ES. Peru and Russia requested for more information on the implementation of Phase 2 of the action plan.

16. Noting the substantial progress on the environmental goods but little on environmental services, PECC welcomed the proposal. The meeting took note of PECC's suggestion that Japan may wish to consider looking into the methodology behind the OECD's Services Trade Restrictiveness Index (STRI) and have the proposal's methodology comparable to latter. Echoing PECC's comment, Australia expressed its interest to work with Japan on the initial survey check list and raised the possibility of adding ES to the STAR Database.

17. Chile proposed to have the action plan define the scope of environmental services first, then look into the elements of the initial survey checklist. The comment was supported by Singapore and Thailand.

18. Indonesia requested for additional time to consider the proposed action plan and recalled that, following the discussion at GOS2 2014, the proposal will be discussed further at GOS1 this year. In view of this, Indonesia requested that inputs received at the meeting be included in the revised paper. Australia informed the GOS that it had provided written comments to Japan last year.

19. On the matter of process, the meeting also took note of Indonesia's comment of the need to identify under which fora, whether CTI or GOS, the proposal should be submitted to and considered.

20. Japan to consider inputs given by economies and based on these inputs, it is expected that Japan may come up with its revised proposal to be discussed inter-sessionally.

## **(ii) Transparency in Services Sectors**

### **a. APEC Star Database Phase 4**

21. Australia updated the meeting on the STAR Database Phase 4. Six of the eight sectors have now been updated and/or expanded. Australia called on all GOS members to review and verify the most recently added sectors, namely: mining and energy, financial, and education services. Australia further emphasized that changes on the information can only be made on those that are factually incorrect.

22. Australia also tabled a non-paper to discuss the way forward on maintaining the STAR Database over the longer term, particularly on the funding element. Possible options are for APEC economies to fund or seek contributions for support. The United States supported the paper and agreed that an APEC/economy funding model would be preferable.

23. The meeting also took note of the comments made by PECC on the importance of the STAR Database as a reliable and credible source to attain information related to services.

24. GOS agreed to continue the discussion inter-sessionally.

**(iii) Trade in Services Statistics**

25. Members were informed that the APEC Action Plan on Trade in Services Statistics (APTSS), which was endorsed at GOS 3 meeting in Kazan, Russia in 2012, is an initiative to address existing gaps and issues in trade in services statistics. The GOS Convenor invited members to give their views on the way forward on the implementation of the Statistics Action Plan.

26. With respect to the activities listed in the matrix, Indonesia informed that it conducted and completed a Workshop on FSIM in 2013 and requested that the activity be included as a 'completed' item in the plan. In addition, Indonesia suggested that the CTI members could also be updated on overall status of the Statistics Action Plan.

27. PECC emphasized the importance of statistical collection—in which the absence of data results in difficulty of formulating policies. It was noted that the data collection on services has seen improvements in last five years. PECC also highlighted that there is a need to improve the statistical collection across the board and explained that while statistical data collection involves funding at the national level, the training and capacity building for statisticians can be relatively inexpensive as there are available resources such as the WTO e-learning and internship programmes.

28. The GOS Convenor invited economies to look at available resources for programmes under statistical collection of Trade in Services and welcomed initiatives by economies for any proposals relating to statistics.

**(iv) Education Services**

**iv.i. APEC Work Plan on Promoting Cross-Border Education Cooperation**

29. The meeting took note of the revised work plan presented by Australia – which now contains 34 projects from eight APEC economies, including 12 new projects in 2014 – and cited that any updates could be forwarded to Australia. The work plan initiated in 2013 collated inputs from GOS as well as EDNET. Australia expressed its appreciation to members for inputs as well as support given to the work plan.

**iv.ii. Enhancing provider mobility in cross order education in the APEC region**

30. Australia updated the meeting that the study on “Enhancing Provider Mobility in Cross-Border Education Cooperation” has been concluded. The final draft report, which already incorporates comments received from economies inter-sessionally, was approved by the GOS (2015/SOM1/GOS/010). Korea commented that the report, especially its recommendations, can be utilized by the relevant agencies in Korea.

31. A workshop has been scheduled in Viet Nam on 3-4 March 2015 to present the findings of the study. Interested GOS Members were requested to submit names who will participate at the workshop.

**(v) Expanding Regulatory Cooperation and Advancing Regulatory Convergence**

**vi.i Case Studies on Services Regulatory Reform Project**

32. The United States updated the members on the completion of the study on telecommunication regulatory reform, in which Thailand, Peru and Colombia voluntarily participated. The final draft report has been circulated to GOS Members for purpose of information sharing.

33. Australia welcomed the case study and remarked that the report could contribute to their project on case studies on GVCs. Citing the importance of the study, Indonesia inquired whether the study can be shared with other agencies. The United States suggested that the report can be made available to public

upon receipt of comments from members, including Thailand and Peru. The United States also reiterated that the study was undertaken by a consultant and is not reflective of the views of the United States.

34. Members were invited to provide and submit comments to the United States before GOS2, 2015.

(vi) **Self-funded project on Telecommunications and ICT Services Symposium: Facilitating good regulatory practices for trade and investment in telecommunications and ICT services in APEC**

35. Australia updated the meeting on the workshop held on 9-10 December 2014 in Manila, Philippines. It was attended by policy makers, regulators, industry representatives and experts from 13 economies.

36. Meeting also took note that the outcome of the report will form part of a compendium of reports by Australia. The meeting endorsed the workshop report of the telecommunication and ICT services symposium (2015/SOM1/GOS/011).

(vii) **Self-funded project on Mining and Energy; Architecture and Engineering Services**

37. Australia updated the meeting on its proposed self-funded project on a Mining and Energy Symposium: Facilitating Good Policy and Regulatory Practices for Facilitating Trade and Investment in Mining and Energy Services in APEC (June 2015) and the Engineering and Architecture Symposium: Facilitating Good Policy and Regulatory Practices for Facilitating Trade and Investment in Engineering and Architecture Services in APEC (December 2015).

38. The meeting approved the self-funded proposal for implementation (2015/SOM1/GOS/012 and 2015/SOM1/GOS/013). GOS took note that the two (2) workshops will be the final in the series of the workshops conducted by Australia. All workshop reports will be compiled into a compendium which will be released in 2016.

39. Economies such as Thailand and the United States look forward to the details of the workshop. Meeting also noted Chile and Peru's offer to co-sponsor the mining and energy symposium and engineering and architecture symposium, respectively.

40. In response to PECC's query on whether Australia is open to considering covering other services sub-sectors in their symposia, Australia replied that they are open to the idea, however, the funds for the series of these workshops have been exhausted for the time being.

**3. Strengthening Comprehensive Connectivity and Infrastructure Development**

**i. Case Studies of Services Reform and the Impact on Global Value Chain (GVC)**

41. Australia presented the revised proposal on Case Studies of Services Reform and the Impact on Global Value Chains, which was endorsed at GOS 2 and MAG 2 in August 2014. The updated version reflects the proposal that the GOS and MAG members come together at a joint meeting in the margins of SOM3 2015 to present case studies of market-opening measures and reform undertaken by their economies.

42. Economies who are interested to present at the joint meeting were invited to submit topics to Australia.

**ii. Draft Work Plan on Services under the GVCs Blueprint (GVC)**

43. Australia, the lead economy on the work stream "realizing the critical role of trade in services within GVCs" under the APEC Strategic Blueprint for promoting GVC Development and Cooperation, presented

the draft work plan of this stream. Australia informed the meeting that the timeline of the work plan should reflect one year instead of three years.

44. When asked by Korea if Australia is planning on any capacity building activities or initiatives under this work plan, Australia responded that it has one initiative which is the case studies proposal. Australia also invited economies to develop their own capacity building initiatives to fit under this particular work stream of the Blueprint.

45. PECC remarked that this issue of services in the GVCs is one that both businesses and stakeholders are very interested in; and it is for that reason that both PECC and ABAC will be contributing to the PPD which will be held in late 2015.

46. There were no adverse comments on the work plan. GOS was also informed that the work plan will be discussed at the CTI FoTC on GVCs.

#### **4. Others**

##### **i. APEC Action Plan on Cooperation to Foster SMEs' Participation in Regional and Global Markets**

47. The Philippines presented its SOM discussion paper for an APEC Action Plan on Cooperation to Foster SMEs' Participation in Regional and Global Market. The main elements of the proposal are i) call for cooperation; ii) agreement on priority actions; and iii) agreement on an APEC common goal.

48. Russia shared with GOS that SME is an important topic in Russia, in which there are more than 5 million SMEs domestically that it comprises 25 per cent of its economy's employment.

49. The Philippines clarified that the proposal will be discussed in detail at the FoTC on Connectivity in the margins of SOM1, 2015 but GOS members were also invited to provide comments and inputs to the proposal inter-sessionally. Australia informed the GOS that it will comment in detail on the proposal at the FoTC on Connectivity.

##### **ii. APEC Services Cooperation Framework (ASCF)**

50. Philippine presented its SOM discussion paper on the APEC Services Cooperation Framework (ASCF), which is envisioned to be an action plan for multi-fora and multi stakeholders' dialogue and collaboration to build on and implement the services elements of the work undertaken by APEC. The framework is designed for different APEC fora and stakeholders to cooperate in addressing issues and implementing activities relevant to services through innovative approaches to i) identify different service components in APEC; ii) define and enhance the APEC agenda and targets; iii) establish a Virtual Knowledge Center on Services; and iv) promote public and private cooperation through regular dialogues. The Philippines clarified that the discussion paper will be proposed at the FoTC on Connectivity within the margins SOM1, 2015.

51. Several economies including Indonesia, Chile, Peru, the United States, Korea, and Russia, welcomed the discussion paper and echoed the importance of the framework as it would give a common direction to the work on services. Indonesia also highlighted that such framework would also help reforms domestically.

52. The meeting also took note of Australia's recommendation to include concrete targets, including qualitative and quantitative indicators. In addition, there should also be a mechanism to measure the progress whether through a bi-annual review especially when a reform within an economy is involved.

53. PECC highlighted that coherence within services is a challenging aspect and the proposed framework would give some guidance on the way forward. Services initiatives are still undertaken in silos

and the framework will give some attention to the services sector, as well as reach out to leaders and government officials on the importance of the services sector and its contribution to the economy. Noting that investment within the services sector is growing and attractive within the APEC region, it is important that the sector gets the support from the government.

54. The GOS were invited to provide comments on the framework inter-sessionally. Philippines also informed the meeting that the framework is a work in progress and noted that comments and inputs are welcomed prior to SOM3, 2015. The final draft will be tabled at SOM3 Meeting

**iii. Manufacturing-related services**

55. Japan updated the meeting on the drafting of the action plan on “Manufacturing-related services in GVCs/SC. Based on the endorsed proposal last year, the case study is now undertaking its research, in cooperation with PSU. Interviews are being undertaken with several companies and are expected to be completed by SOM2 this year. The GOS will be invited to comment on the draft action plan which will be circulated inter-sessionally.

56. Indonesia highlighted that it has suggested several companies to be interviewed and is looking forward to the presentation of the draft action plan. In addition, Korea reiterated its previous comment on the issue of confidentiality.

**ii. PSU on “Services, Manufacturing and Productivity”**

57. PSU presented the linkages between services manufacturing and productivity. The contribution of the services sector within manufacturing was highlighted by citing the manufacturing of cars as an example. In addition, the share of services value added has increased for 15 economies and APEC as a whole between 1995 and 2009, with business services having the highest share in the export value added in 6 out of 9 manufacturing sectors. It was also highlighted that there is a positive correlation between services value added in manufacturing and corresponding exports.

58. It was added that the services contribution can be increased through increased productivity. PSU also highlighted the challenges as well as the way forward in the sector which includes the need for coordination between agencies/ministries in formulation of policies; openness and change of perspective when crafting trade policies; and understanding various manufacturing within the global value chain uses the supply of services.

59. PECC congratulated PSU for its work and noted the PSU's remarkable contribution. ABAC also commended the work of the PSU and shared that there is a common denominator in the work by Patrick Low on the current case studies in services in manufacturing. This led to ABAC highlighting the call for the Group on Services (GOS) to merge with the Market Access Group (MAG) at the CTI. ABAC suggested that the presentation to be undertaken at MAG as well considering that manufacturing sector is under the MAG.

60. GOS took note of PSU's presentation.

**iii. Possible project on Capacity Building on Services Negotiations**

61. Peru presented its proposal on “Capacity building on Negotiation of Services Chapters under FTAs with a negative list approach”. The proposal was introduced to undertake capacity building in chapter areas of financial services, the telecommunication chapter, mode 4, temporary entry as well as e-commerce. Prior to this proposal, a workshop was undertaken on negative list in November 2014 in Singapore.

62. Malaysia and the United States, among others, welcomed the proposal; while Chile offered to co-sponsor the proposal and work with Peru inter-sessionally. Thailand inquired whether the mode 3 will be included as part of the services chapter or a separate investment chapter. Australia and Korea proposed that Peru link its project under the CBNI initiative of the CTI FotC on the FTAAP.

63. GOS in general welcomed the proposal and invited economies to submit comments to Peru in preparation for the drafting of its Concept Note to be submitted by 27 February for funding.

## **VII. Other Issues**

### **1. Presentation by PECC**

64. Members were invited to attend the **Joint EC/GOS/PECC Seminar** on the Role of Regulatory Reform/Good Practices in Promoting Services Growth, scheduled on 01 February in Clark, Philippines. The objective of the event—endorsed by the SOM last year—was to bring together various strands of work on services and regulatory reform/good practices and to explore possible future joint projects and to enhance coherence in a critical issue for regional development and integration.

### **2. Presentation by ABAC**

65. ABAC updated the meeting on its services action plan for 2015 which was discussed at the 1<sup>st</sup> ABAC Meeting in Hong Kong, China. The meeting noted the ABAC Services Action Plan is in line with the GOS Work. ABAC shared its work plan including on-going monitoring and support of services negotiations both regional and multilateral; stakeholders engagement and support through the public–private dialogues; contribution to STAR Database and continued engagement as well as support to the APEC Services Cooperation Framework (ASCF).

66. Australia welcomed ABAC's support for the STAR Database. Meeting took note of ABAC's comments on how ICT will affect the business model of the services sector and the need for regulators to be aware of the key developments that affect businesses.

67. ABAC also presented the study undertaken by the Marshall School of Business on the Key Impediments to FDI in Services. The report builds on the 2012 Marshall report on Trade in Services and the 2013 Marshall report on Foreign Direct Investment. The investment in services has a multiplier effect on economic growth; nevertheless, services sector remains highly restrictive. Areas covered by the study include consumer services, infrastructure and ICT, transportation services, ICT services, financial services, professional services and infrastructure transportation services. Findings include fifty-one (51) most critical barriers in FDI for services, which are matters of regulations, enhancers, business conditions, approval and enforcement of regulations, quality of infrastructure, and human capital. Two (2) key findings across the services sector are i) services are inherently different as they are intangible and this will result in government naturally regulating the services industry more closely, while at same ii) time technology is changing the way services are being delivered , thus the need to improve fluidity in service to attract greater FDI.

68. GOS requested for the report to be shared with the members.

### **3. Election of GOS Convenor 2015-2016**

69. The GOS Convenor highlighted the need to address the issue of the election of the GOS Convenor for the term 2016 and onwards. The meeting agreed to discuss the issue inter-sessionally. GOS took note that the election in general is done on a voluntary basis. GOS will continue discussing the issue in the upcoming agenda.

### **4. APEC Secretariat Update**

70. Meeting was updated that for 2014, there were a total 224 applications requesting for funding valued at USD26.65 million. However, only 29 projects (30 Per cent) were approved valued at USD9.0 million. The meeting was also informed that there were no Concept Notes submitted by the GOS for Session 1, 2015. GOS members were reminded to submit any Concept Notes to Secretariat by 27 February 2015. APEC Secretariat also updated the GOS on the latest development taking place within the Secretariat, as well as the new template for project prioritization that will be piloted at Session 1.



**VIII. Document Access**

71. The meeting agreed to the Document Classification List (2015/SOM1/GOS/000).

**IX. Date and Place of Next Meeting**

37. The meeting noted that GOS2 2015 would be held at margins of SOM3.

**X. Closing Remarks**

72. GOS Convenor thanked all member economies for participating at the GOS Meeting and reminded members of the documents/issues to be discussed inter-sessionally. The GOS Convenor Report to CTI will be prepared and presented at the CTI and the full Summary Report will be prepared and submitted for comments and adopted at the GOS2 Meeting.