APEC Sector Specific Works of Services: Manufacturing Related Services in Global Value Chains and Environmental Services

Submitted by: Japan
APEC Sector Specific Works of Services

- Manufacturing Related Services in GVCs
- Environmental Services

September 7, 2015

Toshiyuki Sakamoto
APEC Senior Official

Ministry of Economy, Trade and Industry (METI), Japan

Importance of services in APEC

The share of the service sector in total exports in terms of value added is 39.1%, much higher than was conventionally measured (18.9%).

Source: APEC Policy Support Unit POLICY BRIEF No. 9, 29 January 2014
A Smile Curve

Value creation takes place less in manufacturing (fabrication) more in related services.

Case 1: FDI Restrictions

Different FDI restrictions between manufacturing and services impede optimal corporate organization.

Case 2: Mobility of foreign employees

Visa or work permit required for foreign engineers may delay delivering after sales (maintenance/repair) services.

<table>
<thead>
<tr>
<th>Economy A</th>
<th>Economy B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer (Machinery)</td>
<td>Manufacturer</td>
</tr>
<tr>
<td>Import of Machinery</td>
<td></td>
</tr>
<tr>
<td>Maintenance/Repair</td>
<td></td>
</tr>
<tr>
<td>Temporary movement of people</td>
<td></td>
</tr>
<tr>
<td>Visa procedure takes time</td>
<td>Work permit is required</td>
</tr>
</tbody>
</table>


Future Action Plan on Manufacturing Related Services
As the Next Generation Trade and Investment Issue

Services as source of value added creation
- Source of innovation
- Process efficiency
- Product differentiation
- Servicification
- Escape from "middle income trap"
- Smile Curve

PSU case studies (2014～2015) *22 Cases
- Specify the value chain
- Specify services in the value chain
- Specify policy implication

Leaders/Ministers instructed officials to develop Manufacturing Related Services Action Plan in 2015
**Environmental Services Action Plan**

**Yokohama Vision, AELM 2010**
- Increase the dissemination and utilization of environmental goods and services
- Reduce existing barriers
- Refrain from introducing new barriers to trade and investment
- Enhance capabilities to develop this sector by prioritizing work related to addressing NTM on environmental goods, technology and services

**Environmental Goods:**
Tariff reduction on APEC 54 Product List (2012)

**Environmental Services Action Plan (ESAP)**

<table>
<thead>
<tr>
<th>Phase 1: 2016</th>
<th>Phase 2: 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey of regulatory/policy measures on services under CPC94 (sewage services, refuse disposal services, etc)</td>
<td>- Review progress in phase 1</td>
</tr>
<tr>
<td>- Studies to build a common understanding of roles of a wider range of services in environmental industries/businesses</td>
<td>- Compile recommended action agendas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase 3: 2018 - 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Collect and share good practices</td>
</tr>
<tr>
<td>- Final review in 2020</td>
</tr>
</tbody>
</table>

**Thank you for your attention.**