



**Asia-Pacific
Economic Cooperation**

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Trade in Services: How to Move Forward?

Submitted by: Pontifical Catholic University of Chile



**Workshop on Free Trade Area of the Asia-Pacific
Building Blocks: The Pacific Alliance Contribution
to APEC Work in Services, MSMEs and Trade
Facilitation**

**Ho Chi Minh City, Viet Nam
26 August 2017**

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TRADE IN SERVICES: HOW TO MOVE FORWARD?

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August, 26 2017

AGENDA

I. CONTEXT

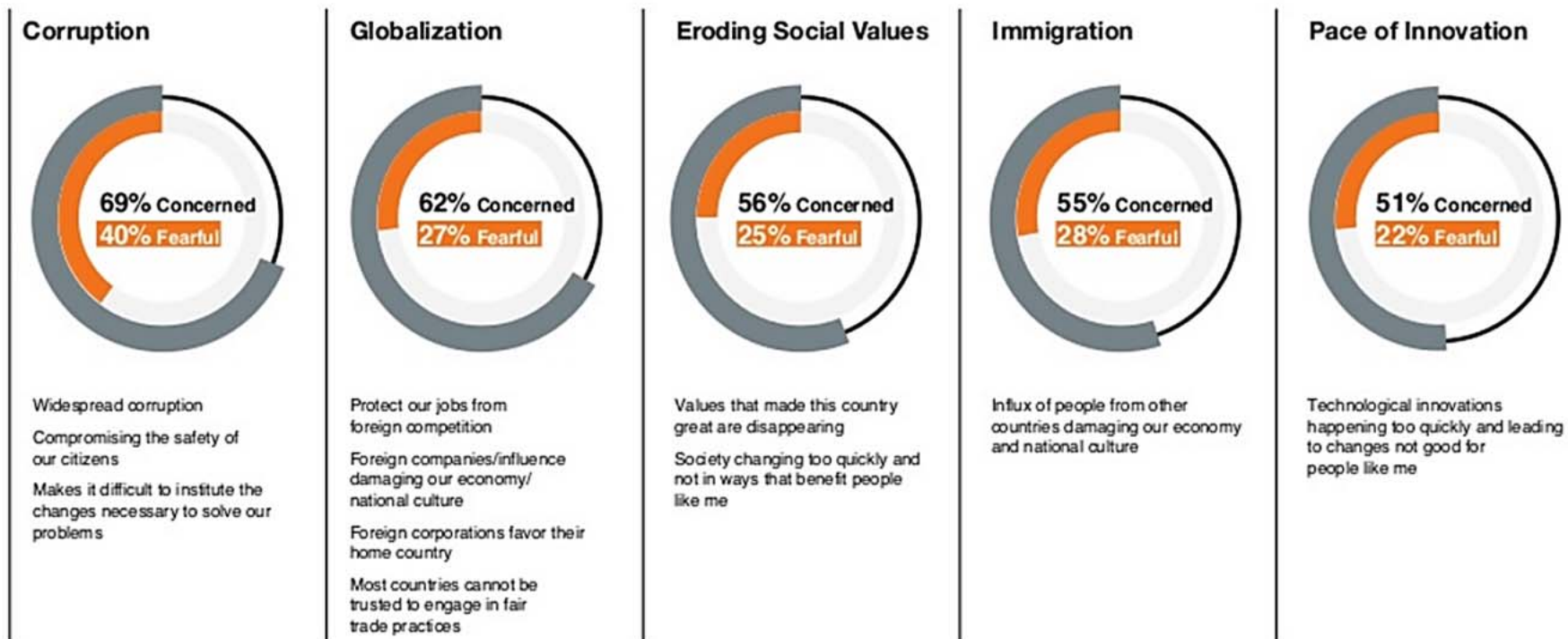
II. TRADE IN SERVICES IN THE PACIFIC ALLIANCE

III. IMPORTANCE (AND COMPLEXITY) OF TRADE IN SERVICES

IV. MOVING FORWARD

THE CONTEXT CHALLENGES TRADE

Percent of respondents who are concerned or fearful regarding each issue



Source: Edelman Trust Barometer, 2017.

THE CONTEXT CHALLENGES TRADE

Support for Anti-Business Policies



Source: Edelman Trust Barometer, 2017

TRUMP'S TPP WITHDRAWAL HAS OPENED NEW POSSIBLE PATHWAYS

Trans-Pacific Partnership Agreement



"It's a rape of our country," Donald Trump said at a rally Tuesday. | Getty

Trump calls trade deal 'a rape of our country'

Possible pathways

FTAAP

Pacific Alliance and Associated States

RCEP

TISA (under pressure?)

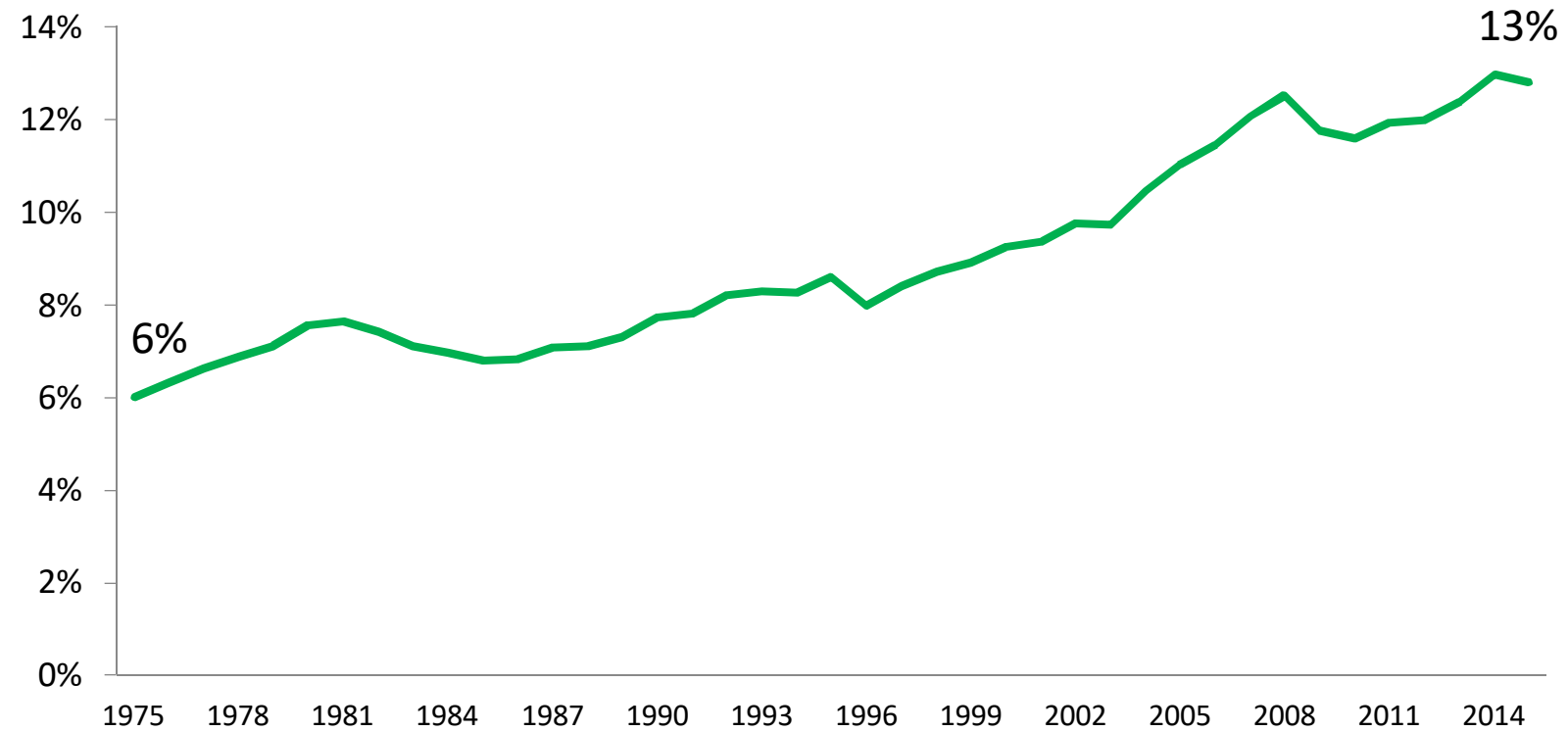
BUT THE PACIFIC ALLIANCE IS A REMARKABLE
EFFORT OF INTEGRATION



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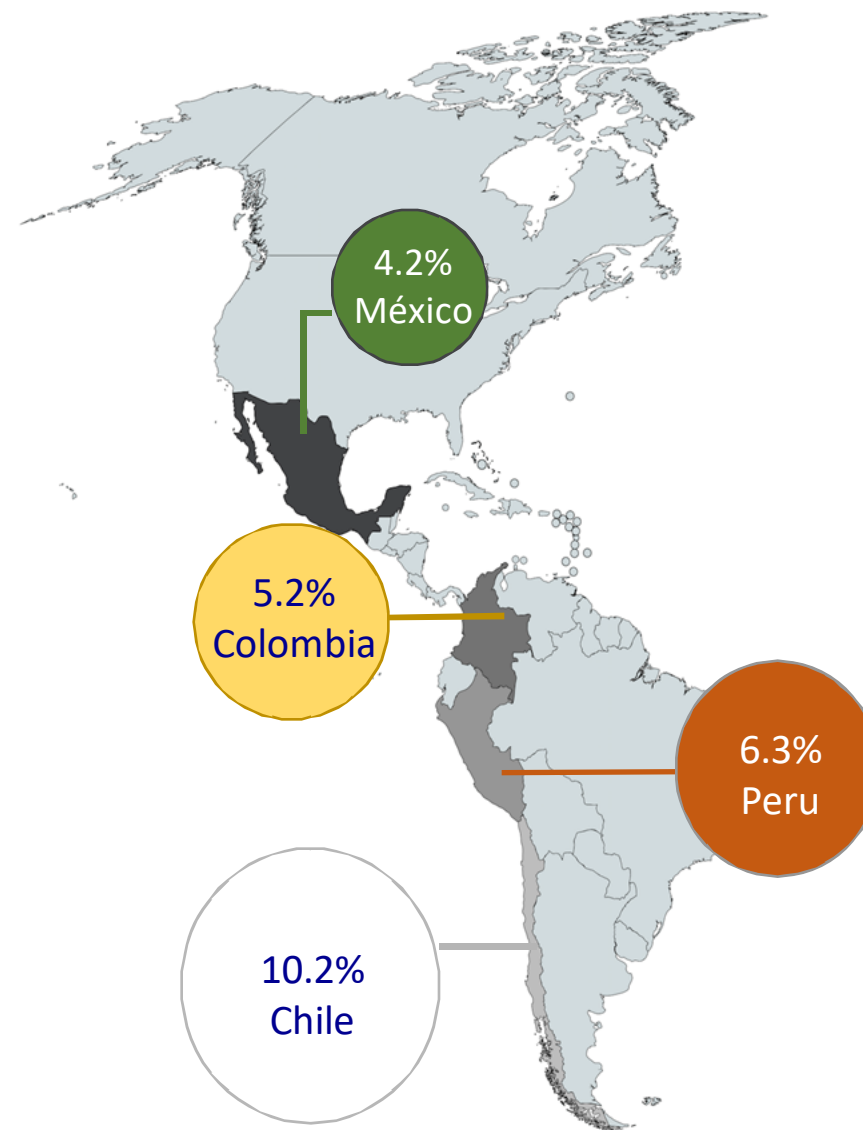
IMPORTANCE OF TRADE IN SERVICES

Trade in Services
(% of GDP)



Source: World Bank

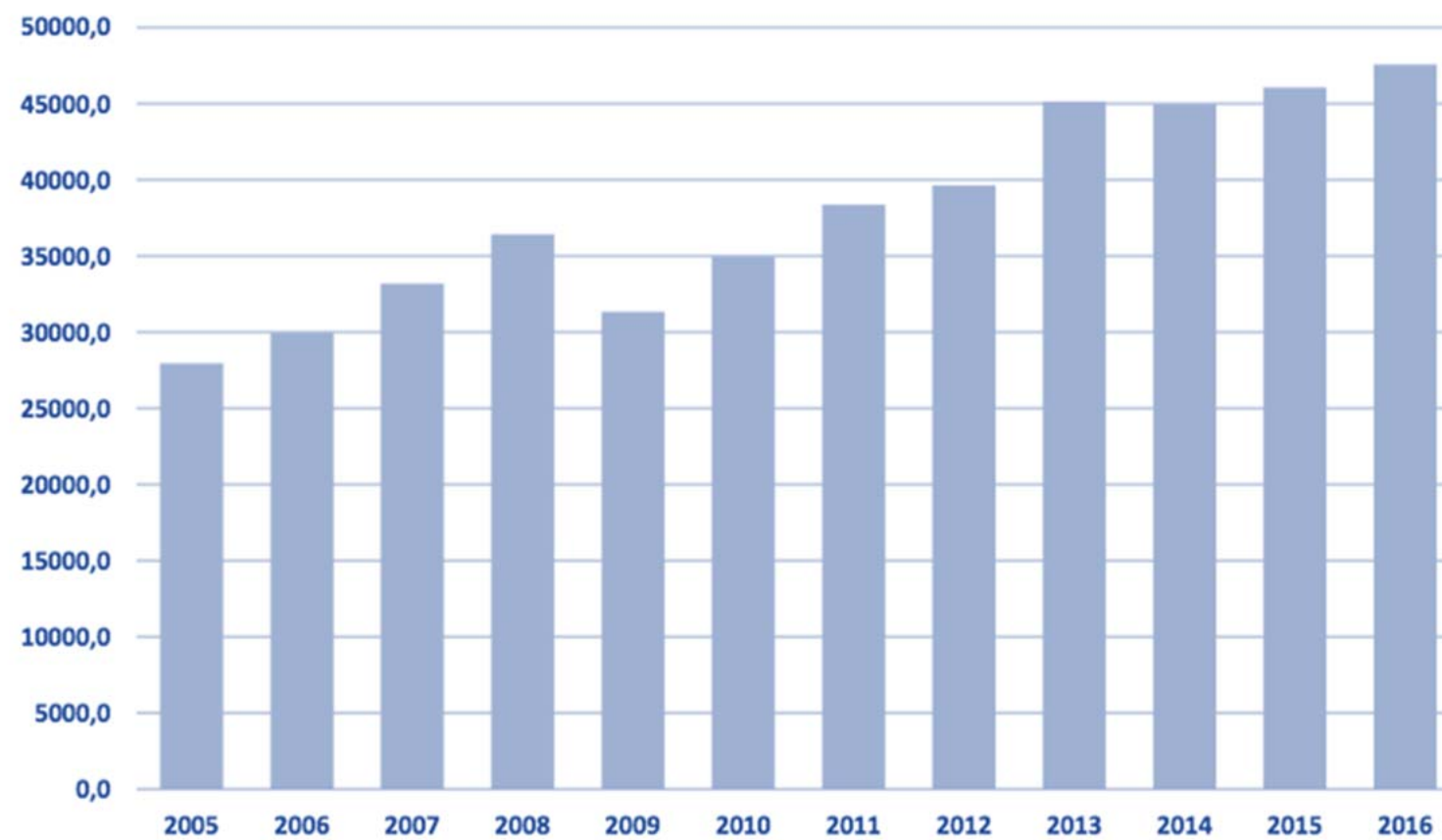
SERVICES IN TRADE AS % OF GDP



Source: Deloitte, 2016

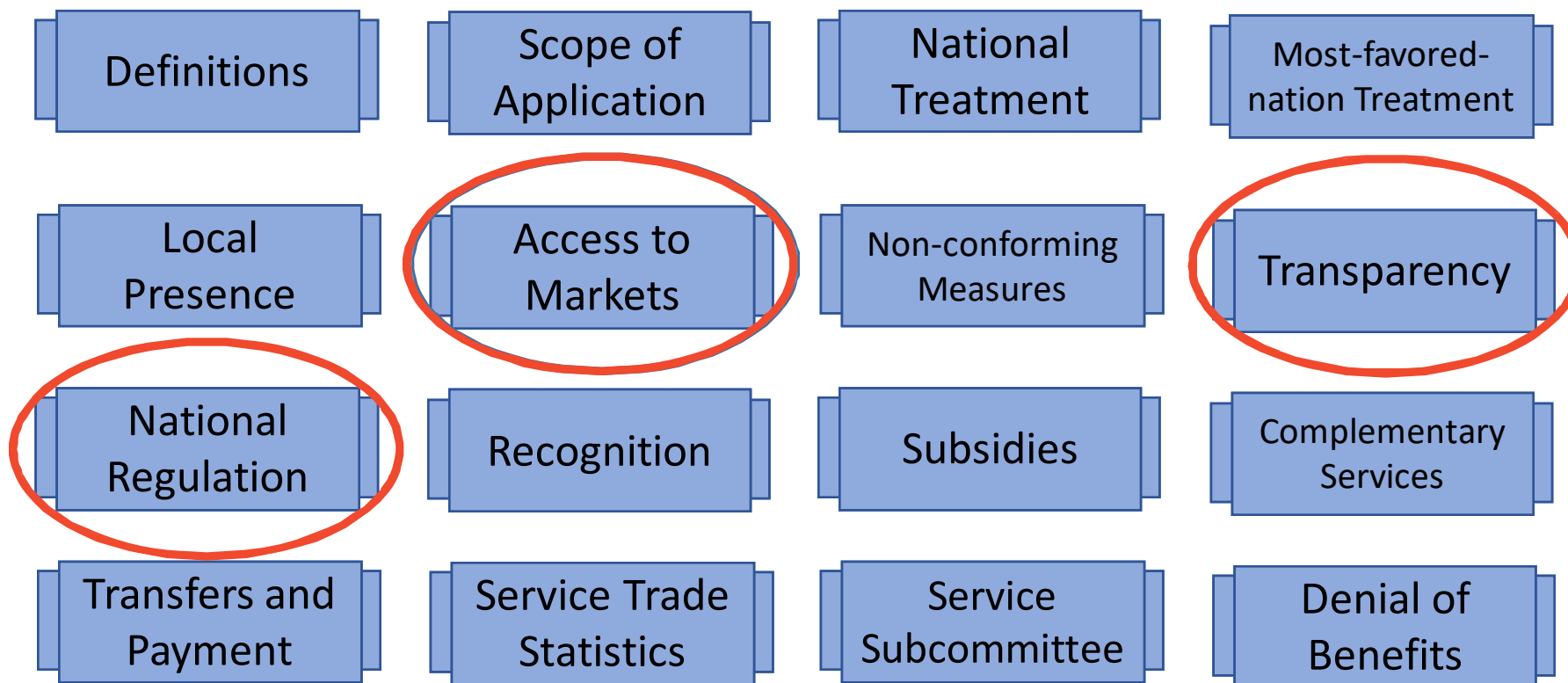
TRADE IN SERVICES IN THE PACIFIC ALLIANCE

- Trade in services in PA has grown 70% between 2005-2016.



Source: WTO. MM dollars

AP ADDITIONAL PROTOCOL (CHAPTER 9): CROSS-BORDER TRADE IN SERVICES

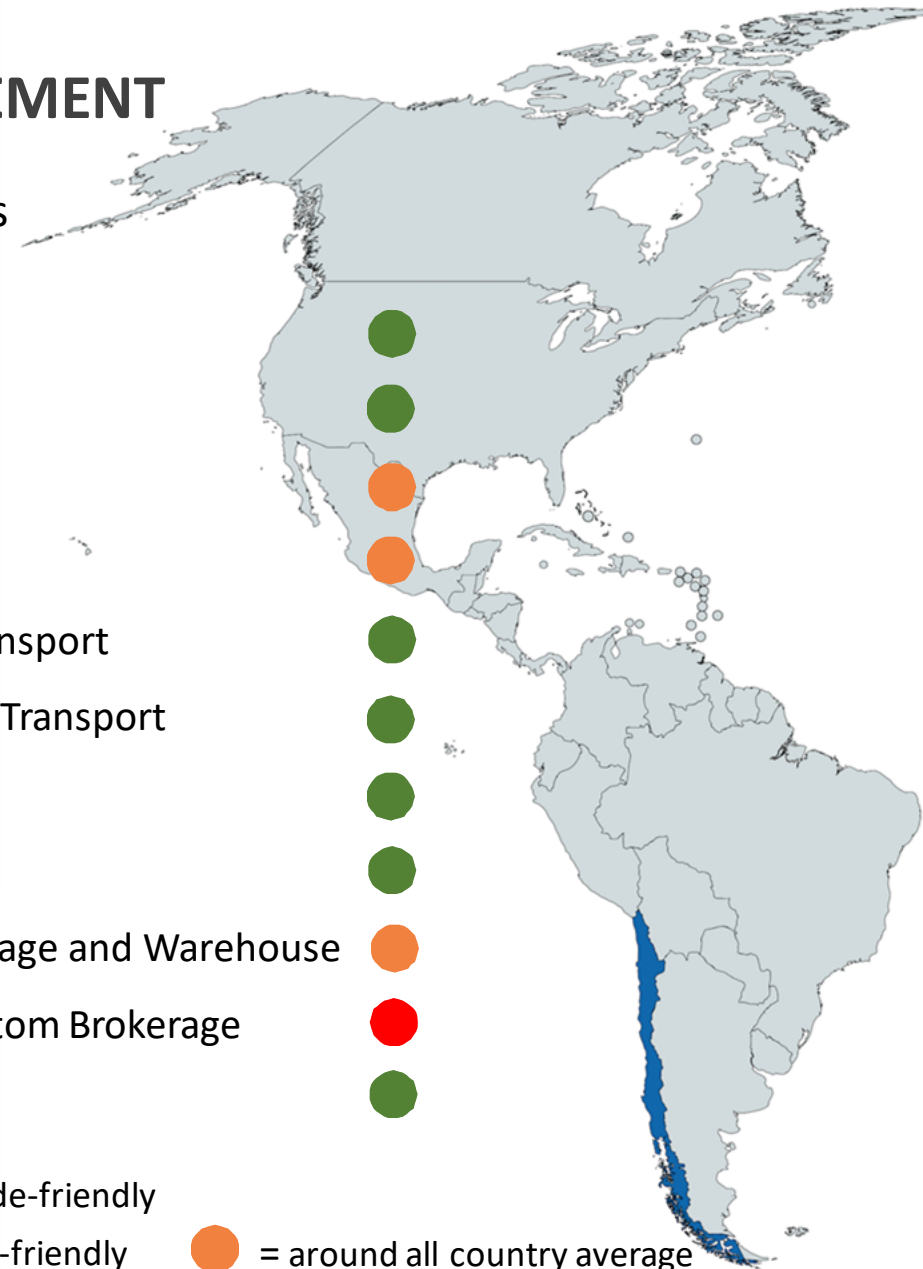


THERE IS A ROOM FOR IMPROVEMENT

Chile – Barriers to trade of services

Accounting	●	Architecture	●
Engineering	●	Legal	●
Motion Picture	●	Broadcasting	●
Sound Recording	●	Telecom	●
Air Transport	●	Maritime Transport	●
Rail Freight Transport	●	Road Freight Transport	●
Courier	●	Distribution	●
Commercial Banking	●	Insurance	●
Logistic Cargo-Handling	●	Logistics Storage and Warehouse	●
Logistic Freight Transport	●	Logistics Custom Brokerage	●
Construction	●	Computer	●

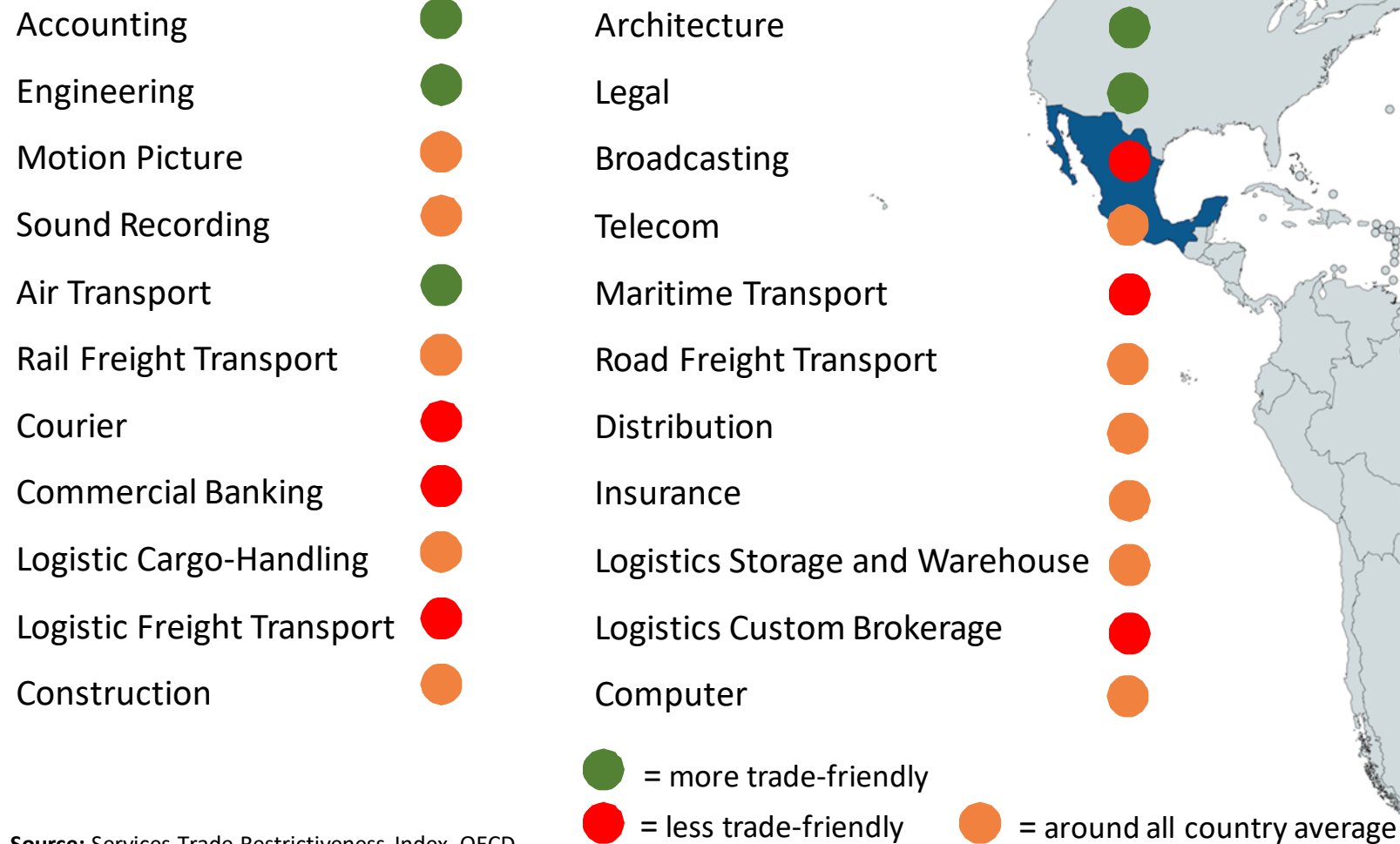
● = more trade-friendly
 ● = less trade-friendly
 ● = around all country average



Source: Services Trade Restrictiveness Index, OECD

THERE IS A ROOM FOR IMPROVEMENT

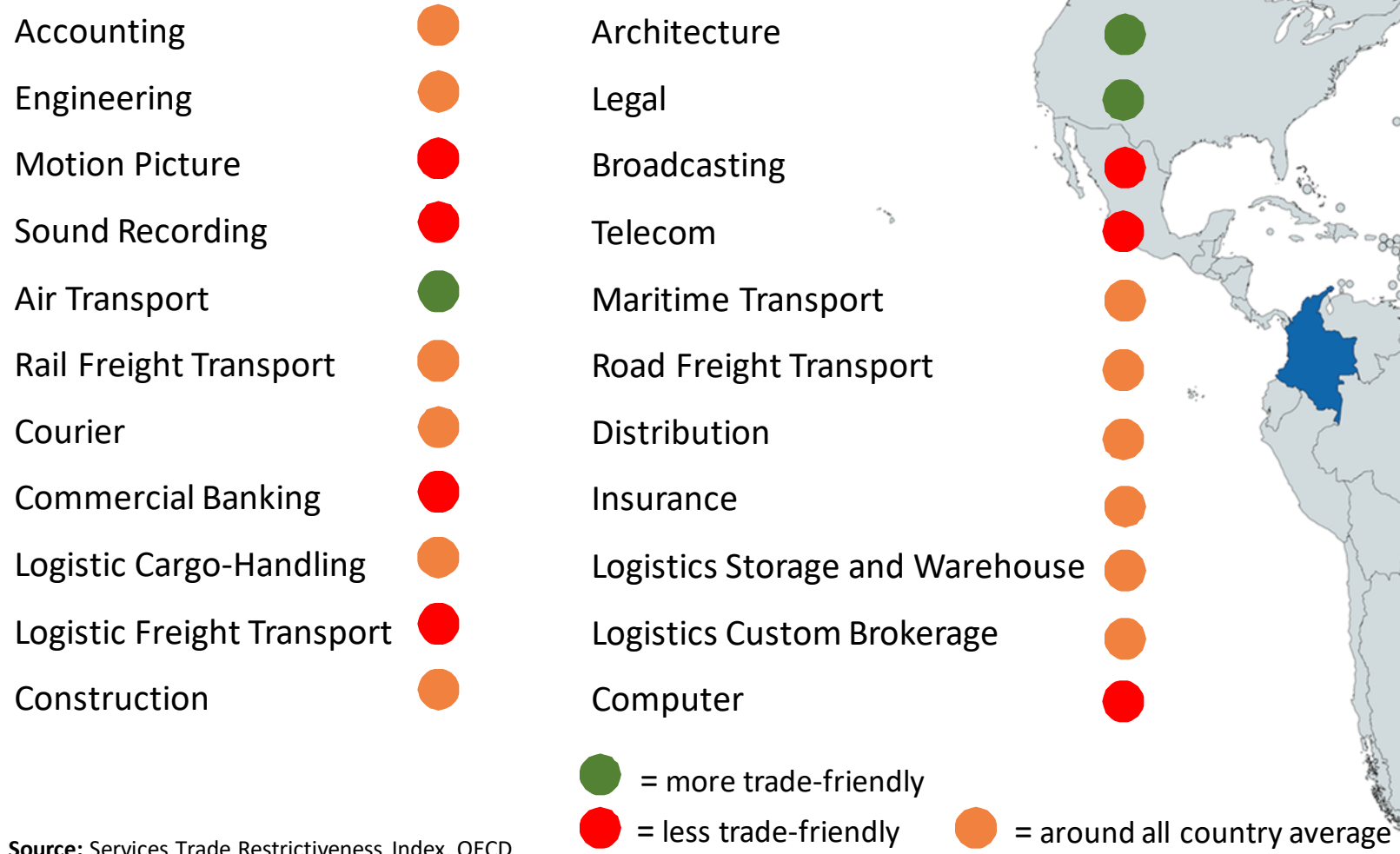
Mexico – Barriers to trade of services



Source: Services Trade Restrictiveness Index, OECD

THERE IS A ROOM FOR IMPROVEMENT

Colombia – Barriers to trade of services



Source: Services Trade Restrictiveness Index, OECD

TAXATION



**ALIANZA
DEL
PACÍFICO**

	EXPORTATION				IMPORTATION			
	Chile	Mexico	Peru	Colombia	Chile	Mexico	Peru	Colombia
Barriers								
Income Calification	●	●	●	●	●	●	●	●
Direct Taxes	●	●	●	●	●	●	●	●
Indirect Taxes	●	●	●	●	●	●	●	●
CDI								
Formalities	●	●	●	●	●	●	●	●
CDI existence with the other countries	●	●	●	●	●	●	●	●

Barriers:

- Low level of barriers in international provisional services
- Medium level of barriers in international provisional services
- High level of barriers in international provisional services

CDI:

- Existence of agreement to avoid double international taxation
- Non-existence of agreement to avoid double international taxation

IMPORTANCE (AND COMPLEXITY) OF TRADE IN SERVICES

SERVICES SECTOR

Diversity

- Telecommunication
- Financial services
- Transport
- Tourism
- Professional services
- Construction, etc.

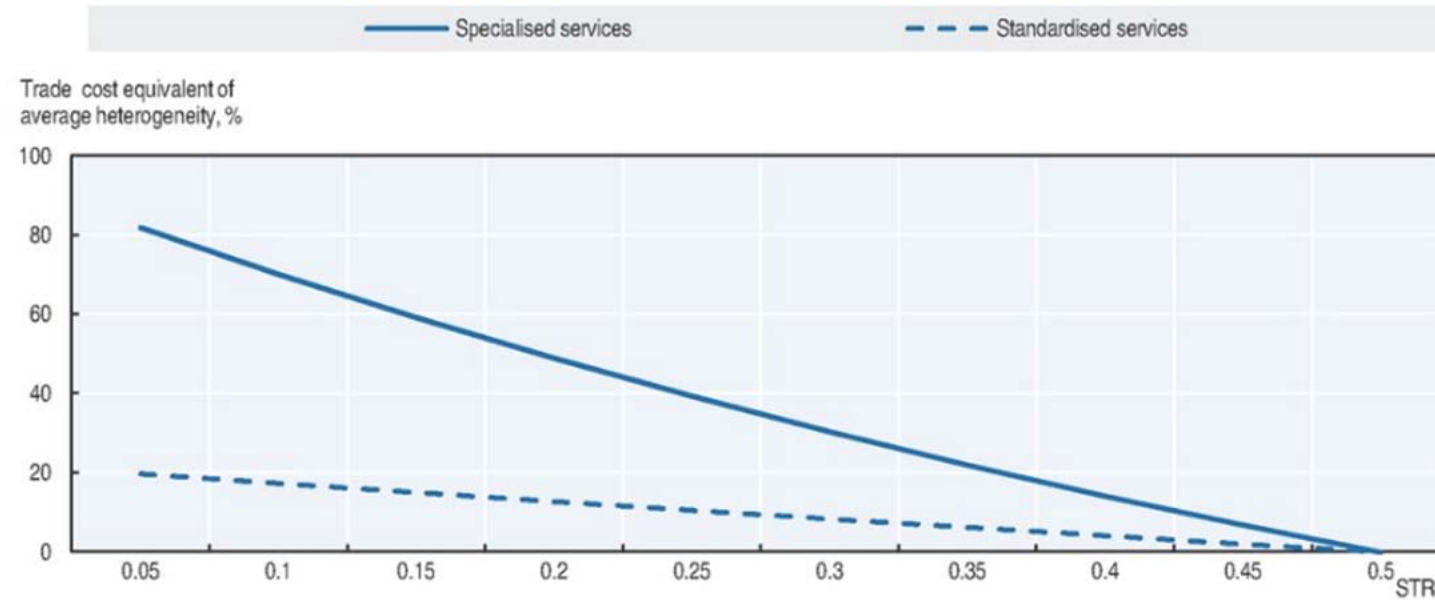
Regulations and Restrictions

General Agreement on Trade in Services (GATS):

- cross border trade
- consumption abroad
- commercial presence
- movement of natural persons.

OECD SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

Figure 3.4. **The cost of regulatory heterogeneity for cross-border exports**

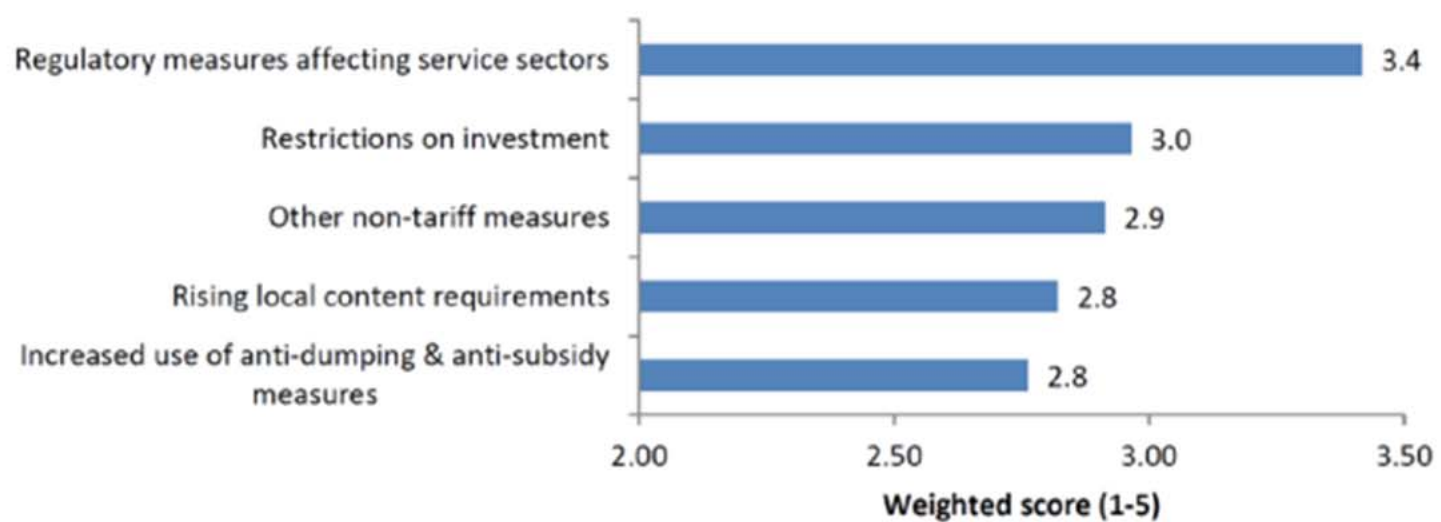


Note: Specialised services correspond to an import demand elasticity of -1.5, and standardised services to an import demand elasticity of -5. Average regulatory heterogeneity among the 44 countries in the STRI database is 0.28. Regression lines are based on a pooled sample of cross-border exports between countries in the STRI database.

Source: OECD calculations; see Nordås (2016).

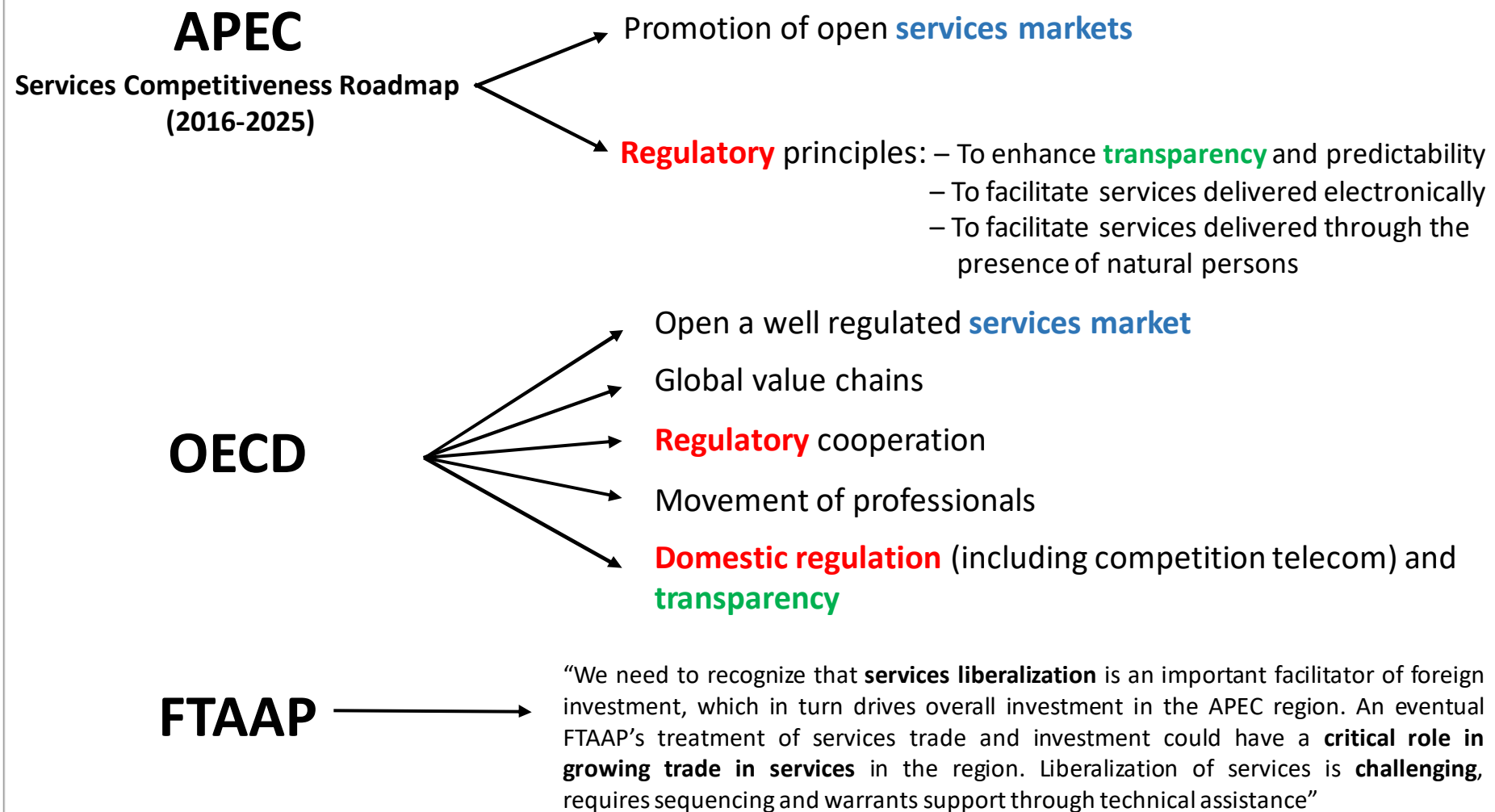
RESTRICTIONS

Figure 4.11 Seriousness of impediments to trade



Source: PECC (Pacific Economic Cooperation Council), *State of Trade in the Region 2015* (Singapore: PECC, 2015).

INTERNATIONAL ORGANIZATIONS AGREE ON THE TARGETS



HOW TO FOCUS? OECD SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

Restriction of Foreign Entry

Restriction on Movement of People

Other Discriminatory Measures

Barriers to Competition

Regulatory Transparency

MOVING FORWARD

1. CONVERGENCE PA-APEC

Financial integration
Business travel card
Qualifications and visas

Joint Roadmap to facilitate services trade among AP and APEC



Chile
A WORLD
OF SERVICES

L i s t e n . T h i n k . G o .

MOVING FORWARD

2. REGULATORY COOPERATION

Coherence
Predictability
Transparency

Set of good practices on **domestic regulations** on service sectors

MOVING FORWARD

3.

TAXATION

Broader concept of services
Double taxation agreement
Harmonization of tax regulation

Focus: how to avoid **double taxation**

MOVING FORWARD

4.

FREE MOVEMENT ON PEOPLE

Flexibility for business
visitors

Degrees recognition

Initiative: create de **PA Business Card**

MOVING FORWARD

5.

PUBLIC AGENCIES

TS promotion programs
Administrative procedures
(digital certificate of residence,
single window)

Public agencies need to **change the paradigm**

FINAL THOUGHTS

Trade in services needs to be more visible in public policies

PA, APEC and FTAAP can sustain these efforts over time

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