



**Asia-Pacific  
Economic Cooperation**

---

**2016/SOM2/CTI/WKSP/002**

Introduction

## **Overview of Services Trade and Regulation Measurements**

Submitted by: Policy Support Unit, APEC Secretariat



**APEC PERU**  
2016

**Capacity Building Workshop on Measuring the  
Regulatory Environment in Services Trade of APEC  
Arequipa, Peru  
12 May 2016**



Asia-Pacific  
Economic Cooperation

Advancing  
Free Trade for Asia-Pacific  
Prosperity

# Overview of Services Trade and Regulation Measurements


Services Trade Restrictiveness Index (STRI)  
Workshop, 12 May 2016, Arequipa

---

Gloria O. Pasadilla, Senior Analyst  
APEC Policy Support Unit

Copyright © 2016 APEC Secretariat

## Presentation Outline



Asia-Pacific  
Economic Cooperation

- Importance of services in APEC and the APEC Services Cooperation Framework (ASCF) 2015
- PSU study on baseline indicators for the ASCF
  - Proposed “outcome” and “input” indicators
  - Data limitations
- Conclusion of the study

# 1. Services in Our Daily Lives



**APEC**  
Asia-Pacific  
Economic Cooperation



When you are thirsty?



Who process your payments while shopping?



How do manufactured goods leave factories?



When you want to speak to your loved ones?



When you are unwell?




When you want to educate yourself?



Who handle your hotel bookings?

# 1. Services value added in APEC



**APEC**  
Asia-Pacific  
Economic Cooperation

### Services share as % of GDP (latest available year)

Economy	Services share (as % of GDP)
Hong Kong, China (2014)	92.7
United States (2013)	78.1
Singapore (2014)	75.0
Japan (2013)	72.6
Canada (2010)	70.8
Australia (2014)	70.5
New Zealand (2011)	69.7
Chinese Taipei (2014)	62.5
Mexico (2014)	62.3
Chile (2014)	61.5
Russia (2014)	60.0
Korea (2014)	59.4
Philippines (2014)	57.3
Peru (2012)	55.8
Thailand (2014)	52.7
Malaysia (2014)	51.2
China (2014)	48.1
Viet Nam (2014)	43.4
Indonesia (2014)	42.2
Brunei Darussalam (2013)	31.0
Papua New Guinea (2004)	23.3

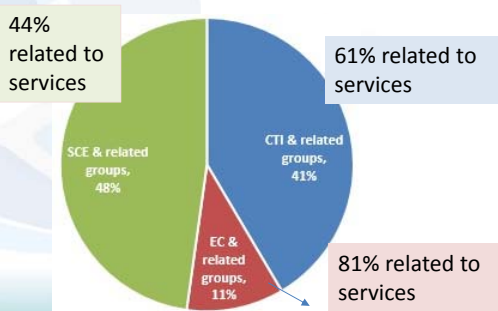
Source: World Bank World Development Indicators. Accessed 17 Mar 2016. Chinese Taipei data is from Directorate-General of Budget, Accounting and Statistics. Accessed 17 Mar 2016.

## 2. ASCF (2015) -> reflects importance of services and need for APEC to focus more attention on it



### 1 Projects from APEC Project Database (PDB)

#### Breakdown of services-related projects by Committee (2006 onwards)



Source: APEC Policy Support Unit computations based on evaluation of project database

• APEC is doing a **LOT** on services, but the efforts are:

- **Disperse** across committees and groups;
- Groups are sometimes **not aware that their work is related** to services trade
- More **cross-fora collaborations** will be useful, e.g. EC-GOS; GOS-MAG joint discussions; or CTI with some sectoral groups like TELWG, etc.

## 2. APEC baseline measures and indicators



### 1 Proposed measures of trade in services

No.	Baseline measure/indicator
1	Cross-border trade in services
2	Trade in services by sector
3	Intra-APEC trade in services
4	Services trade in value added
5	Share of services in manufacturing exports
6	Inward/outward foreign affiliate trade in services statistics (FATS)
7	Foreign direct investment in tertiary sector
8	Investment in services by sector
9	Number of arrivals/departures
10	Intra and extra-APEC departures
11	Revealed comparative advantage (RCA) for services

Source: APEC Policy Support Unit compilations.

• Indicators of 'outcome' or results

Number of economies with data on average:

- **Red:** 0-7 economies
- **Yellow:** 8-14 economies
- **Green:** 15-21 economies

over a given period

• **Caveat:** many factors affect outcomes

## 2. APEC baseline measures and indicators



### 2 Proposed indicators of regulatory conditions – useful to correlate with ‘outcomes’

No.	Baseline measure/indicator
1	Services Trade Restrictiveness Index (STRI)
2	FDI Regulatory Restrictiveness Index (FDI RRI)
3	Mutual Recognition Agreements (MRAs)
4	Intra-APEC visa restrictions
5	Ease of Doing Business Index
6	Networked Readiness Index
7	Logistics Performance Index
8	Quality of overall infrastructure
9	Tertiary school enrolment ratio

Source: APEC Policy Support Unit compilations.

Number of economies with data on average:

- **Red:** 0-7 economies
- **Yellow:** 8-14 economies
- **Green:** 15-21 economies

## 2. Policy indicators (inputs to desired outcomes) –directly within govt control (more or less)



### 2 Indicators of regulatory conditions

No.	Baseline measure/indicator	Mode 1	Mode 2	Mode 3	Mode 4
1	Services Trade Restrictiveness Index	✓		✓	✓
2	FDI Regulatory Restrictiveness Index			✓	
3	Mutual Recognition Agreements (MRAs)				✓
4	Intra-APEC visa restrictions				✓
5	Ease of Doing Business Index	✓	✓	✓	✓
6	Networked Readiness Index	✓	✓	✓	✓
7	Logistics Performance Index	✓	✓	✓	✓
8	Quality of overall infrastructure	✓	✓	✓	✓
9	Tertiary school enrolment ratio	✓	✓	✓	✓

Source: APEC Policy Support Unit compilations.

## 2. Assessment of data availability



### 1 Measures of trade in services

No.	Baseline measure/indicator	AUS	BD	CDA	CHL	PRC	HKC	INA	JPN	ROK	MAS	MEX	NZ	PNG	PE	PHL	RUS	SIN	CT	THA	USA	VN	
1	Cross-border trade in services	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Trade in services by sector	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	Intra-APEC trade in services	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
4	Services trade in value added	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5	Share of services in manufacturing exports	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6	Inward/outward foreign affiliate trade in services statistics (FATS)	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
7	Foreign direct investment in tertiary sector	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	Investment in services by sector	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	Number of arrivals/departures	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	Intra and extra-APEC departures	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11	Revealed comparative advantage (RCA) for services	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: A tick will be given even if the economy only has one data point.  
Source: APEC Policy Support Unit compilations.

## 2. Assessment of data availability



### 2 Indicators of regulatory conditions

No.	Baseline measure/indicator	AUS	BD	CDA	CHL	PRC	HKC	INA	JPN	ROK	MAS	MEX	NZ	PNG	PE	PHL	RUS	SIN	CT	THA	USA	VN	
1	Services Trade Restrictiveness Index	✓	✗	✓	✓	✓	✗	✓	✓	✓	✗	✓	✓	✗	✗	✗	✓	✗	✗	✗	✗	✗	
2	FDI Regulatory Restrictiveness Index	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✗	✗	✗	✗	✗	
3	Mutual Recognition Agreements (MRAs)	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓
4	Intra-APEC visa restrictions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5	Ease of Doing Business Index	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6	Networked Readiness Index	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	Logistics Performance Index	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	Quality of overall infrastructure	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	Tertiary school enrolment ratio	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓

Note: A tick will be given even if the economy only has one data point.  
Source: APEC Policy Support Unit compilations.

## 2. Examples of indices and their usefulness for analysis:



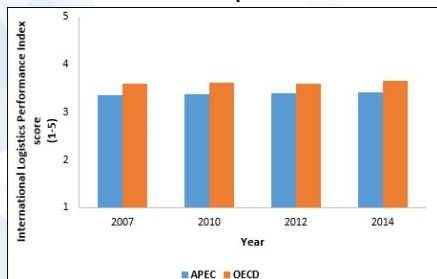
### a. Logistics Performance Index (LPI)

Years with publicly available data	2007, 2010, 2012 and 2014 (4 years)
No. of APEC economies covered	20
Specific to services sector?	Yes
Objective	Provides in-depth assessment of the logistics gap among economies
Examples of indicators measured	<ul style="list-style-type: none"> <li>• Export/import time and cost</li> <li>• Number of documents for export/import</li> <li>• Transparency of customs clearance</li> <li>• Ease of arranging competitively priced shipments</li> <li>• Quality of trade and transport infrastructure</li> </ul>
Methodology for determining performance	<ul style="list-style-type: none"> <li>• Perception survey of operators (For international LPI)</li> <li>• Perception survey of operators and quantitative information (For domestic LPI)</li> </ul>

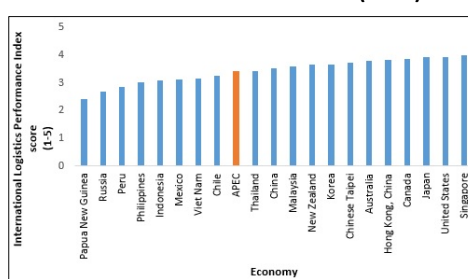
## Logistics Performance Index (LPI)



International LPI score (APEC vis-à-vis OECD)



APEC International LPI score (2014)



Source: PSU computations based on data from World Bank Logistics Performance Index. Accessed 19 Feb 2016.

## b. OECD Services Trade Restrictiveness Index

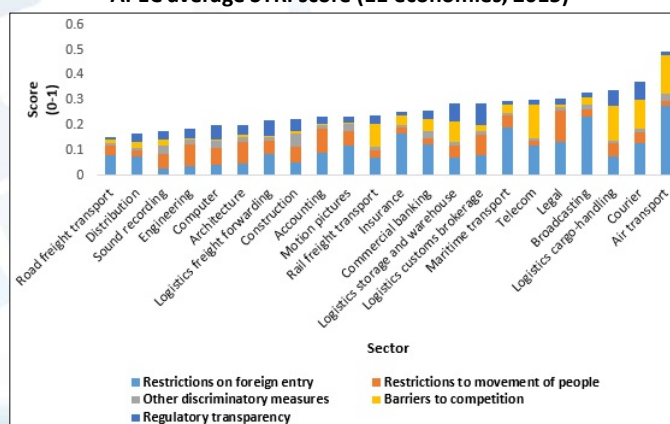


Years with publicly available data	2014 and 2015 (2 years)
No. of APEC economies covered	11
Specific to services sector?	Yes (19 sectors if 4 logistics sub-sectors counted as one)
Objective	Identifies policy measures which restrict trade in services sectors across five areas: i) Restrictions on foreign entry; ii) Restrictions to movement of people; iii) Other discriminatory measures; iv) Barriers to competition; and v) Regulatory transparency.
Methodology for determining performance	<ul style="list-style-type: none"> <li>• Collection of regulations in force</li> <li>• Interactions of regulations</li> <li>• Generally, verifications were done with individual economies</li> </ul>

## b. OECD Services Trade Restrictiveness Index



APEC average STRI score (11 economies, 2015)



Source: PSU computations based on data from OECD Statistics. Accessed 25 Apr 2016.



## c. World Bank Services Trade Restrictiveness Index

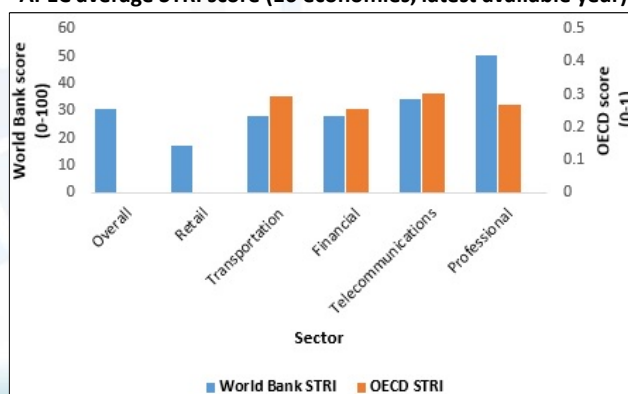


Years with publicly available data	Single year between 2008 and 2011 (inclusive)
No. of APEC economies covered	16
Specific to services sector?	Yes (5 major sectors which can be broken down into 19 sub-sectors)
Objective	Identifies policy measures which restrict trade in certain services sectors by modes.
Methodology for determining performance	<ul style="list-style-type: none"> <li>• Policies in place</li> <li>• Extensive consultations with private sector representatives (particularly local law firms) and government officials</li> <li>• Assess policy regimes in their entirety</li> </ul>

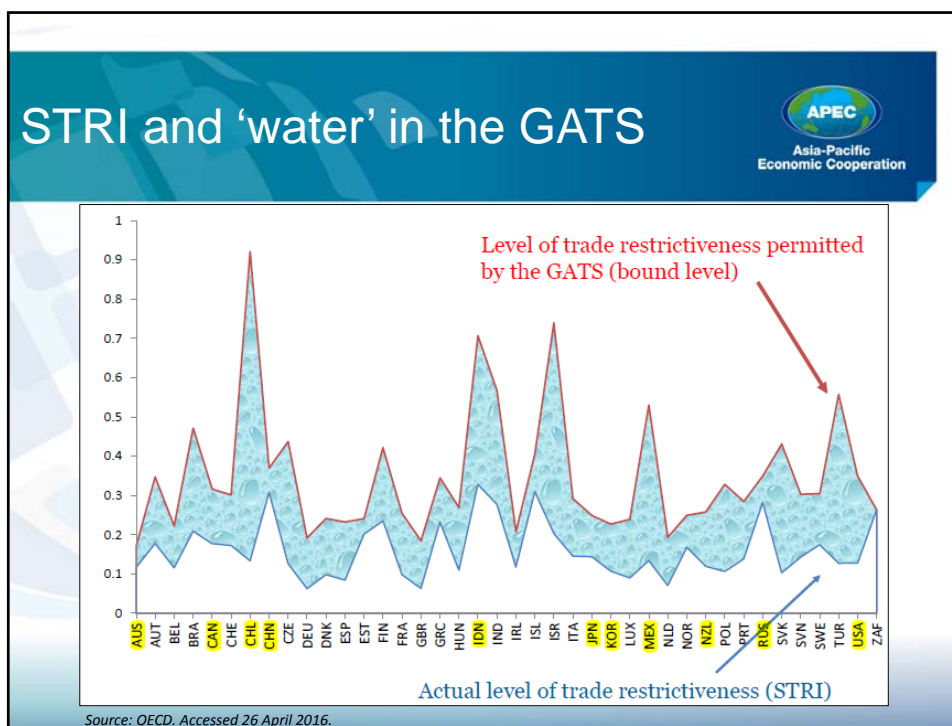
## World Bank Services Trade Restrictiveness Index




APEC average STRI score (16 economies, latest available year)



Source: PSU computations based on data from World Bank and OECD. Accessed 12 Apr 2016.



## OECD FDI Regulatory Restrictiveness Index



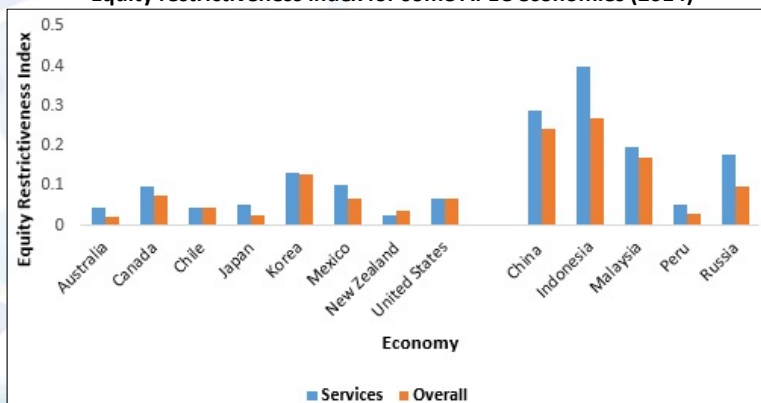
Asia-Pacific  
Economic Cooperation

Years with publicly available data	1997, 2003, 2006, 2010, 2011, 2012, 2013 and 2014 (8 years)
No. of APEC economies covered	13
Specific to services sector?	Partially
Objective	Gauges the restrictiveness of an economy's FDI rules in four areas: <ol style="list-style-type: none"> <li>i) Foreign equity limitations;</li> <li>ii) Discriminatory screening or approval mechanisms;</li> <li>iii) Restrictions on the employment of foreigners as key personnel; and</li> <li>iv) Other operational restrictions</li> </ol>
Methodology for determining performance	<ul style="list-style-type: none"> <li>• Policies in place</li> </ul>

## OECD FDI Regulatory Restrictiveness Index



Equity restrictiveness index for some APEC economies (2014)



Source: PSU computations based on data from OECD Statistics. Accessed 19 Feb 2016.

### 3. Recommendations for future evaluation of ASCF



- Huge **data gaps and limitations** in many of the baseline indicators and measures **restrict the depth of analysis** now and ASCF assessment in the future
- The PSU baseline study recommended (among others):
  - To **increase the number of APEC economies** with Services Trade Restrictiveness Index (**STRI**) and FDI Regulatory Restrictiveness Index (**FDI RRI**). If possible, all APEC economies should have a **baseline STRI** under the ASCF which can be **reviewed** after a five or ten-year period and correlated with outcome indicators.
  - **Compile and report bilateral trade in services**, especially with other APEC economies to get intra-APEC trade in services