

REPORT ON STUDY

“EXAMINING APEC’S PROGRESS TOWARDS REACHING THE BOGOR GOALS FOR SERVICES LIBERALIZATION”

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Overview of Main Findings

- **The study finds that APEC Members have made only modest progress towards the realization of their Bogor Goals for services liberalization during the past decade. Considerable liberalization remains to be carried out, and opening of services markets in APEC still has a long ways to go.**

- **The study also finds that information provided on services liberalization in the APEC context, as contained in the current format of the Individual Action Plans (IAPs), is very incomplete. Both sectoral and modal coverage are often less comprehensive than what is found in the WTO Schedules of Commitments, and bears no comparison to what is found in the most recent bilateral Regional Trade Agreements (RTAs) that are comprehensive in their sectoral coverage.**

¹ The author would like to acknowledge, with sincere thanks, the invaluable contribution of the three members of the research team that worked to put together the summary tables of services restrictions found in the Appendix, including Luiz Homero Distrutti who headed the team, Becxi Sanchez and Gimena Fernandez. The members of the research team worked for several months on the study with great enthusiasm and their suggestions, as well as their input, were extremely useful and contributed to the quality of both the content and the presentation of the final study.

- **The study finds that the degree of transparency surrounding services policies by APEC Member Governments is not high in the APEC context in spite of the IAPs and the individual Peer Review Process. The APEC Group on Services provides no effective monitoring mechanism for the review of Members' services policies and remaining restrictions.**

- **Lastly, in terms of inciting liberalization of services, the study finds that APEC as a forum has been much less effective than legally binding Regional Trade Agreements. The regional approach, through the recent new generation of "negative list" RTAs has made considerable progress towards services liberalization among members to these bilateral agreements. Most of the energy towards market opening in the services area has gone into the RTAs and not into the APEC process, whether forward movement on market-opening in services has been at a standstill now for several years. However, membership of these RTAs is limited, and there is no obligation to extend this treatment to other APEC Member Economies.**

A. Introduction and Objective of Study

A study examining "APEC's Progress Towards Reaching the Bogo Goals for Services Liberalization" was carried out by the PECC Trade Forum during the period April to October 2005 as part of its contribution towards APEC's mid-term review. The objective of the study was to evaluate the extent of progress in services liberalization within APEC by examining how far APEC members have come towards the realization of their Bogor Goals, set out in the Bogor Declaration of 1994 as the complete liberalization of trade in goods, services and investment in the Asia-Pacific region by 2010 for developed economies and 2020 for developing economies.

The study was carried out over the six-month period April – October 2005, as part of PECC’s input into the mid-term review evaluation of APEC members’ progress towards realization of the Bogor Goals, as requested by the Chair of the Senior Officials Meeting (SOM) to APEC Member Governments and to official observers of the APEC process. The study covers the services component of the market access liberalization process. The tariff and non-tariff components, as well as the investment components, have been evaluated separately by other PECC researchers.

Results of the study were presented at the PECC Trade Forum that preceded the PECC General Meeting, in Seoul, Korea in September 2005. Findings of the study, as well as the other relevant analyses, should be considered by APEC Senior Officials at their meeting to be held on 12-13 November 2005, prior to the APEC Joint Ministerial Meeting on 15-16 November and the APEC Economic Leaders’ Meeting on 18-19 November, all three in Busan, Korea.

An explanation of the approach/ methodology and the presentation of the results of this research are contained in this report. The report is complemented by numerous annexes and tables in an appendix that constitute the summary of the information from the various sources examined, and from which the analysis and conclusions that are summarized below have been drawn.

B. Approach/ methodology of the study

Examining the extent of progress for services liberalization is more complex and less straightforward than carrying out such an examination for either goods or investment. The services area is very broad and encompasses numerous services sectors that are quite distinctive in character and that display different types of regulatory interventions by governments. Thus they are subject to different types and degrees of protection. Carrying out an evaluation of the extent of liberalization achieved in the services area involves examining regulations present in numerous

services sectors, both horizontal regulations that have an effect on services trade, as well as sector –specific regulations and restrictions. The task is monumental, and the information that must be analyzed is not subject to easy or obvious quantification measures.

The approach chosen in this study was to evaluate the extent of services liberalization that APEC has achieved to date through examining the various arenas or fora in which APEC Member Governments participate and comparing the type and extent of market-opening commitments for services they have made in each one. For this purpose, a voluminous amount of information for a select, but representative number of service sectors, has been examined and summarized for each of the 21 APEC member economies in a consistent manner in order to allow for comparison. To the author’s knowledge, this study sets out an original methodology for this examination and presents results that are the outcome of original research.

In order to carry out the study, it was necessary to determine the following:

- the choice of service sectors to examine
- the sources of information to use
- the years to examine
- the typology of restrictions
- the modes of service supply

The way in which these questions were resolved is set out in detail in Annex I on “Definitions, Sources and Methodology” and is summarized in the sections below in more general terms.

1. Services sectors chosen for the study

There are 26 service sectors that have been defined for the information that is required to be submitted annually under the APEC Individual Action Plans. These sectors follow closely, but are not identical to, the sectors set out under the WTO Services Sectoral Classification List (W/120), which contains 12 major service

sectors and 154 sub-sectors. Given the large number and the diversity of the various service sectors, it, would have been too large a task to analyze all of them in depth for all 21 APEC member economies.

Three service sectors were therefore selected for analysis - telecommunications, construction/engineering and distribution. Selection was made on the basis of their interest to all APEC member economies for various reasons: the telecommunications sector because of the extent of recent liberalization it has undergone and its critical position as an input into the final output of all other goods and services; the construction/engineering sector because of its interest to developing-country exports; and the distribution sector because of its importance as one of the infrastructure services (like telecom) that facilitates the sale of goods and services throughout domestic markets. Additionally, all three service sectors are subject to less sensitivity in general with respect to foreign participation and ownership, as compared with other, more socially-oriented services such as health, education or cultural services. This should make the analysis of the selected sectors devoid of controversial issues.

Should the approach in this study be considered of interest by APEC Member Governments, it can be extended to cover additional service sectors, time and resources permitting.

2. Data sources examined for the study

For the purpose of the study, four data sources were chosen for examination, with the aim of providing as comprehensive a set of information as possible. These include the national Schedules of Service Commitments of the WTO (for those APEC economies who are WTO members), complemented by the WTO Trade Policy Reviews for these same economies, where available. The WTO GATS commitments are taken to represent the baseline for services liberalization, against which additional progress in the APEC forum and in other regional groupings can be measured.

In the APEC context, the content of the Individual Action Plans (IAPs) for services was examined. The IAPs for services have been available since 2001 in electronic form and easily accessible on the APEC website. These IAPs should contain information on the extent to which APEC members have moved towards opening their services markets underneath the APEC umbrella.

The fourth data source chosen for analysis is constituted by the Annexes to the more recent Regional Trade Agreements (RTAs) signed by APEC members, particularly those that follow a “post-NAFTA” type model of economic integration. These Annexes contain non-conforming measures to the core disciplines of the agreement, or in other words, those measures that have not been liberalized by the parties to the RTAs and that constitute outstanding restrictions on services trade.

3. Period of time covered for the study

The time period covered by the study covers is basically the past decade, but varies according to the data source in question. The WTO GATS Schedules of Commitments date from the conclusion of the Uruguay Round in 1994, as supplemented by the more recent 1997 Protocols for the Telecommunications and the Financial Services sectors. For the WTO Trade Policy Reviews, all relevant reports were considered between 1999 and 2005.

The APEC Individual Action Plans were examined for all of the years between 2001 and 2004, the most recent submission. The Annexes to the Regional Trade Agreements were taken as of the year that each agreement in question was finalized and came into effect, with most of these dating from 2002 to the present.

4. Typology of Restrictions

The typology of restrictions on services trade used for the study was adapted from that used in the WTO GATS as well as in studies by other multilateral and regional institutions. It was necessary to simplify the typology of restrictions somewhat in

order to bring the study within manageable proportions in terms of the information canvassed and summarized. The restrictive measures that were identified in the three sectors examined were placed into categories of either market access restrictions or national treatment restrictions. Market access restrictions were listed within four categories, namely:

- restrictions on foreign ownership
- restrictions on entrance (licenses, quantitative restrictions)
- restrictions on competition (all monopoly controls)
- restriction on type of legal entity

National treatment restrictions were listed within two categories, namely:

- restriction on nationality/ residence
- any other type of national treatment restriction

5. Categorizing the Extent of Services Liberalization

In terms of the typology listed above of restrictions, three types of entries were used to categorize the individual restriction in question in order to standardize all sources of information in the tables for comparative purposes. Additionally, the entries are color-coded for ease of identification. These three types of entries are the following:

- Liberalized, meaning that no restriction is in place
Color-coded in green.
- Partially liberalized, meaning that some type of restriction is in place, without judging the degree of restrictiveness
Color-coded in yellow
- Not listed or No commitment, meaning that no information is provided on the sector in that source
Color-coded in red

In the detailed Appendix to this study, the color-coded blocks in the aggregated tables have been linked to the more detailed information in the various sources or fora, from which the summaries have been constructed. This allows the interested

reader to access the more detailed descriptions of measures, together with their legal references, where available.

It would have been desirable to be able to assign a finer degree of labels to the restrictions in place and to have evaluated their relative restrictiveness in a more sophisticated manner. Constructing indexes of restrictiveness, however, is a challenging exercise in the best of circumstances, and is even more complex when the classification and description of measures affecting the sector in question varies so widely as between the different data sources, which is the case in this study. Constructing an index of restrictiveness for the WTO GATS context could well produce a different outcome than constructing one for the non-conforming measures of a regional trade agreement (many of which are listed by measures and not by sectors per se). Thus, in order to be able to compare these various data sources, it was necessary to remain on a fairly broad level of description with regards to the restrictions identified.²

6. Modes of Supply covered

The author recognizes the importance of all four modes of service supply, as defined under the WTO GATS. However, for purposes of this research, mode 4 (movement of natural persons to supply services) was not taken into consideration, as not enough information is available either in the WTO Schedules of Commitments, or in the APEC IAPS, or in the regional agreements. For purposes of simplicity, the study combines mode 1 (cross-border trade) and mode 2 (movement of consumer to consumer or purchase services abroad) into one category. This is because it is often difficult, if not impossible, to determine where a cross-border services transaction originates. Thus three of the four modes of service supply are examined in the study and appear in the tables under two categories:

²It should be noted, however, that Bernard Hoekman used very similar categories when he examined the WTO GATS Schedules resulting from the Uruguay Round, and many authors have followed this approach since that time. However, no one has attempted to compare relative restrictiveness of measures affecting services across negotiating and/or integration fora.

- cross-border trade (modes 1 and 2)
- commercial presence (mode 3)

C. Challenges of the Research

Several challenges presented themselves in carrying out this study. First, the nature of restrictions to services trade being found in the form of regulatory measures, makes them harder to characterize and analyze than price-based measures. Second, the sheer volume of information that had to be examined and analyzed for the study was quite overwhelming; this information has been condensed into 295 pages of summary tables alone. From these 295 tables of summary information, some nine (9) tables that are found in the Annex to this report have been constructed, showing the key findings from each forum. Third, developing a consistent approach to the classification of existing restrictions affecting services trade across the various data sources, posed a significant challenge. The elaboration of a consistent typology of restrictions was a key feature of the research, enabling these restrictions to be compared across sources. Fourth, deciding how to deal with the horizontal restrictions affecting services trade proved to be another difficulty in the study. In the end, results were presented with and without the inclusion of horizontal restrictions in the regional trade agreements' context. Fifth, as mentioned above, the non-tariff and very disparate character of the restrictions affecting services trade makes it very difficult to quantify the restrictive impact of such measures, once identified, and this was not attempted in the study.

D. Discussion of the Results of the Study

The results of the study are discussed below, presented first in the multilateral context of the WTO, the regional context of APEC, and the bilateral context of the various RTAs. A comparison of the results in these three fora is then outlined. Lastly, the information gaps that would be required to fill in for a complete assessment of the situation of services liberalization for APEC Member Economies are outlined.

D.1 Assessment of the degree of services liberalization in the WTO

Within the WTO GATS context, APEC member economies show very different levels of services commitments in their national schedules, with quite disparate sectoral and modal coverage. Commitments are the most numerous for the telecommunications sector, where the various sub-sectors included in the WTO GATS/W/120 Service Sectoral Classification List have been condensed into three broad categories of: fixed line services; mobile network services; and value-added telecom services (Tables 1-A and 1-B). In taking the total possible entries for the GATS commitments in telecom of 114 (the product of three sub-sectors of activities multiplied by both the two modes of supply and by the nineteen APEC economies who are WTO members), APEC members have made commitments in all but six of these possible entries, or in 108 in total (minus Thailand for mobile network services, Brunei Darussalam and Papua New Guinea for value-added services and Hong Kong China for cross-border services). However, the very large majority of these entries show partial liberalization, that is where APEC members have bound existing restrictions. Very few entries represent full liberalization, or a situation of legally guaranteed open access for foreign service suppliers (only 32 out of 114).

APEC members have made many fewer GATS commitments on construction and related engineering and on distribution services than they have on telecom services. For the purposes of the analysis, distribution services have also been divided into three broad sub-sectors, namely: wholesale trade services, retailing services and franchising, while construction/engineering services were left as a single category. For construction and related engineering services (Table 2), of the 38 possible total entries of GATS commitments, APEC members have made commitments in 27 of these. No commitments have been listed for 11 entries. Of those commitments listed, only six represent full liberalization. With respect to distribution services (Tables 3-A and 3-B), of the 114 possible entries, APEC members have made commitments in less than half of these, or 55. No commitments have been made for the other 59 entries. Of those commitments listed, 30 represent full liberalization.

In summary, the WTO GATS commitments by APEC members show a very small degree of full liberalization of the three service sectors examined, namely:

- 27% of the telecom sector has been liberalized under the WTO**
- 26% of the distribution sector has been liberalized under the WTO**
- 16% of the construction/engineering sector has been liberalized under the WTO**

To complement the information obtained from the GATS Schedules of Commitments, WTO Trade Policy Reviews were also examined for the APEC economies who are WTO members, Over the period 1999-2005, Trade Policy Reviews were carried out for 17 of the 19 APEC WTO members. All of these 17 reviews were consulted. Information on service sectors and on service trade restrictions and/or the state of liberalization of services was found to be very sparse and not consistently available as between the various economies. While all of the reviews contained some form of discussion of the telecom sector, only two reviews discussed construction/engineering and only one review discussed the distribution sector. For telecom, the Trade Policy Reviews were less complete in their discussion/ coverage of commitments than the Schedules of Commitments, as they showed or included no information for 31 of the 114 possible entries (as compared with only 6 of the possible 114 entries in the case of the national Schedules). Of the entries in telecom, the same number, however, show full liberalization as in the case of the national Schedules (32 for both).

Given the less than complete information in the case of the Trade Policy Reviews, they cannot be considered as reliable sources for comprehensive information on services for various reasons. The studies are infrequent; only one review has been conducted for the 17 APEC economies over the past six years (other than for Peru, the United States and Papua New Guinea). Thus the information that can be obtained varies by source year and is difficult to compare in an accurate fashion. Only a minor part of the TPRs are devoted to services, mostly telecom and financial

services, with little discussion of the other service sectors. And the description of measures in the Reviews is very general; it is thus difficult to make this coincide with other sources.

D.2 Assessment of the degree of services liberalization in APEC

Within APEC, information on the extent of services liberalization should be provided by the Individual Action Plans (IAPs) that APEC member economies have been tasked to submit on an annual basis in order to detail their progress towards more open markets and the Bogor Goals. For services, the IAPs have been available in electronic format since the year 2000 under an agreed classification system that was adopted by the CTI and the APEC Group on Services in 1999/2000. As stated earlier, this classification contains 26 broad service sectors, constituting a more detailed breakdown of service categories than the 12 categories specified for the WTO GATS negotiations. Most of the additional detail is found in a greater disaggregation of professional service suppliers.

While in theory information should be provided on all of these 26 service sectors annually in the IAPs, in reality this information has not been provided on a comprehensive basis, either by sector, by economy, or by year. Indeed, four APEC economies have not submitted any IAPs at all to date on services, and large gaps exist in the IAP coverage for years and for sectors.

Besides the gap in years and sectoral coverage, the information in the IAPS is not provided on a modal basis. In fact, practically no information is available on measures in place affecting cross-border trade (modes 1 and 2), a huge gap in terms of the ability to be able to evaluate progress towards services liberalization. The mode that is extensively covered is that of commercial presence (mode 3).³ Thus the comparison of services liberalization in APEC with that in other fora can only be partially carried out with respect to the modal coverage. A comparison of the type

³ The last mode of service supply – mode 4, or the movement of natural persons – is likewise not covered in the APEC IAPs, although this mode has not been included in the coverage of the present study.

of restrictions is also difficult using the APEC source because the description of measures is very general within the IAPs. No classification system is followed to input the included information (as is done by most of the WTO members in their GATS Schedules, where the UN CPC classification numbers are adopted for most of the service sub-sectors defined within the GATS/W/120 Services Sectoral Classification List).

Lastly, the information in the APEC IAPs is not updated each year. Much of the information is simply resubmitted with no updates. The information tends to follow closely the submissions of APEC members in the WTO context, at least with respect to the mode 3 category, but is often even less complete than what is found in the respective member's GATS Schedule. Very few changes or updates were found between 2000 and 2004 in the majority of the services IAPs.

The telecom sector was included in 18 APEC members' IAPs (Table 4). In the APEC context it was not possible to break down the sector into three sub-categories, as practically no information was available for mobile network services. Thus two categories were defined: basic telecom services and value-added telecom services. For these two sub-categories, no data were available on cross-border trade. With respect to commercial presence, full liberalization was noted for only three of 36 entries, while no information was provided for six of these 36 entries.

The construction/engineering sector was included in 16 APEC members' IAPs (Table 5). For this sector, half of these APEC members provided information on cross-border trade, indicating that the sector was partially liberalized in this regard. For commercial presence, full liberalization was noted for only two of 16 entries, with partial liberalization for the others. Finally, the distribution sector was included in 18 APEC members' IAPs (Table 6). For this sector, again no information was available for cross-border trade. With respect to commercial presence, full liberalization was noted for only three of 16 entries, with partial

liberalization for all of the other entries except one, where no information was provided.

In summary, in APEC, liberalization of services, as exemplified by the three service sectors examined, is far from complete, as least as far as it can be assessed. Unfortunately, for many APEC member economies, the IAPs are very incomplete and are not regularly updated. Because of the lack of information in the IAPs on cross-border supply of services, the information in the IAPs of the APEC members shows an even lesser degree of full liberalization of the three service sectors examined than what was observed under the WTO, namely:

- 8% of the telecom sector has been liberalized under APEC
- 4% of the distribution sector has been liberalized under APEC
- 3% of the construction/engineering sector has been liberalized in APEC

D.3 Assessment of the degree of services liberalization in RTAs

Besides the undertakings on services in the WTO and in APEC, several APEC members have entered into ambitious regional trade agreements (RTAs) over the past few years. These agreements therefore constitute an additional, and very interesting, source of information on the extent to which APEC member governments have been willing to open their services markets.

The RTAs that have been examined in this study are those that have followed the NAFTA-type format of a “negative listing” approach to services liberalization, or those agreements that contain ambitious disciplines requiring their members to comprehensively include all service sectors within the scope of the provisions of the agreement. Besides the comprehensive coverage requirement, these agreements also require members to set out all remaining restrictions on services trade, both discriminatory and non-discriminatory (quantitative) measures in annexes of so-called “non-conforming measures”. Such annexes contain those measures that do not comply with the core disciplines of the RTA, namely full MFN treatment, full

national treatment, full market access and guaranteed cross-border supply of services for all RTA members. These annexes furthermore require that the measures they contain be listed at the level of regulatory application and supported by a reference to the legal basis for these outstanding restrictions, such as the law, regulation or administrative decree.

The combination of the comprehensive sectoral coverage of the agreements, together with the required indication of the legal basis for all outstanding restrictive measures, provides the highest possible degree of transparency around services policies for the relevant APEC RTA member. Such comprehensive information and transparency are not at this point available in any other forum.⁴ It is thus possible to examine the content of these annexes of non-conforming measures and obtain an accurate assessment of the extent of market opening in services.

For this study, 11 RTAs were identified involving APEC economies that have followed a negative-listing approach to services liberalization; Accompanied by the date of entry into force, these are the following:⁵

- ANZCERTA: Australia - New Zealand 1989; updated 1999 Annex**
- NAFTA: Canada – Mexico - USA 1994**
- FTA: Canada – Chile 1997**
- FTA: Chile – Mexico 1999**
- CEP: New Zealand – Singapore 2001**
- FTA: Chile – USA 2004**
- FTA: Singapore – USA 2004**
- FTA: Korea – Chile 2004**
- FTA: Australia – USA 2005**
- EPA: Japan – Mexico 2005**
- EPA: Brunei – Chile - New Zealand - Singapore 2006**

⁴ There are a few other RTAs in effect covering services among APEC member economies, in particular the ASEAN Framework Agreement on Services. However, these agreements tend to replicate the GATS approach to services liberalization (“positive listing”) and do not contain the rigorous disciplines on services as do the RTAs following a “negative listing” approach. Therefore, they do not allow for the same level of comparison of the services policies of their members and for this reason they have not been included in this study.

⁵ The initials stand for: ANZCERTA (Australia-New Zealand Closer Economic Relations Act); NAFTA (North American Free Trade Agreement); FTA (Free Trade Agreement); CEP (Closer Economic Partnership); EPA (Economic Partnership Agreement). However, notwithstanding the title of the regional agreement, all of the 11 constitute RTAs that follow a negative listing approach to services liberalization.

The outstanding restrictions on services trade contained in the annexes of the above 11 RTAs were examined in detail. The extent of services liberalization for the three sectors in question, based on an analysis of the information included in each respective annex, is summarized in Tables 7 through 9. It should be noted, importantly, that these tables contain a summary of information from the annexes without the inclusion of horizontal measures, or those measures affecting the totality of services sectors. This choice has been made in order to allow these tables to be compared more easily with Tables 1 through 3 that summarize the content of the GATS Schedules. However, another set of tables can be found in the Appendix containing a presentation of the information in RTAs with the inclusion of horizontal measures.⁶ It should also be noted that many researchers, when analyzing the GATS Schedules or the RTA annexes, often omit the horizontal measures in their findings (see the chapter by A. Mattoo in the 2005 World Bank publication on *China's Accession to the WTO*, edited by Will Martin).

When reading the summary Tables 7 through 9, it will be obvious that an entry exists for each member of an RTA where any information from the annexes relevant to the respective sector has been summarized. For example, in the New Zealand – Singapore FTA, there is an entry for cross-border trade and for commercial presence that corresponds to any information contained in New Zealand's list of non-conforming measures, as well as separate entries for these that correspond to any information contained in Singapore's list of non-conforming measures.⁷ Where no information has been found in the respective annex pertaining to the sector in question, it is assumed that the sector is fully liberalized.

⁶ These tables show that that the degree of liberalization of the RTAs is less pronounced when the horizontal measures are included than when they are not. However, this same conclusion would hold for a discussion of the information in the GATS Schedules. For many RTA members, there are in any case very few horizontal measures in place.

⁷ In an RTA there is no obligation that the content of the accompanying annexes be identical. The actual measures contained in each annex are legally binding with respect to the member who submitted them, and the outstanding restrictions shown by the measures are a result of the outcome of the negotiations to finalize the RTA.

Lastly, there are 21 total possible entries for each of the three sectors examined for the 11 RTAs, as the annexes of non-conforming measures were not analyzed for the NAFTA members, since Canada, Mexico and the United States have each entered into an FTA subsequent to this date, and it is assumed that the annexes of these posterior RTAs contain more current information on outstanding restrictions than do the NAFTA annexes.

With respect to the telecom sector (Table 7), analysis of the RTAs with APEC members shows that the extent of full liberalization of this sector is very high, for both cross-border trade and commercial presence. For the former, 16 of the possible 21 entries in the table show full liberalization, while for the latter, 12 entries show full liberalization. In contrast to both the WTO and the APEC fora, a relatively higher percentage of cross-border trade for telecoms has been fully liberalized in the RTA context than has commercial presence.

With respect to the construction/engineering sector (Table 8), a nearly universal opening of this sector to full liberalization can be observed by APEC members to the various RTAs. In only three of the possible 21 entries for cross-border trade was the liberalization partial, and in only one of the entries for commercial presence. For the distribution sector (Table 9), a similar picture emerges of a nearly universal opening to full liberalization by the APEC members to the RTAs. In only four of the possible 21 entries for cross-border trade was the liberalization partial, and in only one of the entries for commercial presence. Thus, as for telecom, there is a truly a striking difference for these two sectors in terms of the results observed in the RTA context and those observed in both the WTO and the APEC fora.

Thus the information from the annexes to the RTAs by the eleven APEC members shows a very high degree of full liberalization of the three service sectors examined:

- 68% of the telecom sector has been liberalized under the RTAs
- 74% of the distribution sector has been liberalized under the RTAs
- 88% of the construction/engineering sector has been liberalized in RTAs

D.4 Comparison of the three fora for services liberalization

In comparing the three fora examined (WTO, APEC and the RTAs) to assess the relative degree of openness of service markets provided by the same APEC member economies with respect to the three sectors in question, it is clear that the forum in which service liberalization has progressed the farthest is that of the regional free trade agreements. APEC members that have chosen to conclude RTAs with other APEC members have been willing to make binding commitments on the entire universe of their service sectors, and to open many of these sectors on a national treatment basis to service suppliers from other RTA members. Although this RTA liberalization is still incomplete, it is significantly greater than what is observed in the other two fora for the three service sectors in question. Membership of these RTAs, however, is limited, and there is no obligation to extend this market opening through national treatment to other APEC economies⁸

In comparing the efforts that APEC members have made in the WTO, in APEC and, for some of them, in the RTA domain, it is clear that efforts in APEC have been to date the least satisfactory. The IAP mechanism has not proven to be a stimulus in inciting APEC members to liberalize their services markets. In fact, the APEC IAPs provide even less information on APEC members' services policies than do the WTO GATS commitments (when these are fully filled in), as the former are not reported by mode of supply. And both the APEC IAPs and the WTO GATS Schedules fall far short of the requirements of the recent RTAs to provide detailed information on measures affecting services trade on a comprehensive sectoral basis.

D.5 Information gaps required for a complete assessment of services liberalization in APEC

For a complete assessment of services liberalization in APEC, it would be necessary for APEC members to make four important improvements. These would include:

⁸ For the telecom and construction/engineering sectors, members of seven RTAs have gone further in their sectoral liberalization, while for the distribution sector, members of eight RTAs have gone further in their liberalization.

- i) modifying the current IAP format in order to include the category of cross-border trade in their submissions. Modes 1 and 2 could be combined together for this purpose, but should not be omitted, as is the case at present for nearly all economies and sectors.**
- ii) transforming the IAPs into incremental reports, not repetitions of previously-supplied information. From a given base line (say, for example, the year 2005) where a complete picture would be provided of measures affecting services trade, only changes and/or additions to this information would be submitted in future years. Presently it is not clear how much information in each year has been previously submitted or is new. Requiring incremental information only to be submitted would facilitate the task of those government officials preparing the IAP input each year, but more importantly, would allow for those assessing the APEC process to determine when and how much progress is actually being made towards services liberalization. Currently this is only possible through a painstaking and lengthy summary and comparison of all of the existing IAPs year by year, as has been done for this study.**
- iii) requiring entries for all 26 service sectors in the IAPs. Currently some APEC members report on all sectors, while others report only on some sectors. This does not allow for comprehensive information to be shared among the APEC economies, nor for any overall assessment to be made.**

- iv) **suggesting a classification system for APEC members to follow in submitting their information. Now that nearly all APEC economies are also WTO members, or in the process, it would not be unreasonable to suggest that the UNCPC classification system be adapted and an APEC services classification list be developed to define the 26 services sectors used in the APEC IAPs. This would be done on the clear understanding that there would be nothing legally binding with respect to the information included in the IAPs according to this classification system. Only some kind of common format would allow any type of more rigorous assessment to be made across APEC economies with regard to services liberalization.**

E. Extent of additional liberalization required to achieve the Bogor Goals

At this point in time, it is clear that although the information needed to assess fully the current state of services liberalization in APEC is not available, that APEC member economies are very far from the realization of the Bogor Goals. According to the information that is available at present in the IAPs, as well as in the WTO GATS, APEC members have come less than half way towards the Bogor Goals of realizing open markets for services trade, and in the majority of cases, are not even one-quarter of the way along this path. This study should therefore provide a sobering assessment of the very wide gap that exists between the stated liberalization objectives of APEC members, and the steps that the governments need to take to actually realize these objectives.

Note: The nine summary tables referred to in this report are contained in a separate document in an Annex to this report. The 295 pages of detailed information in the numerous background tables from which these nine summary tables have been constructed, are found in a separate Appendix to this report. All three parts of this study should be considered together.