



**Asia-Pacific
Economic Cooperation**

APEC Public – Private Dialogue on Services

Summary Report

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Group on Services

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Summary Report

I. Introduction

On 23 February 2017, the APEC Public – Private Dialogue on Services initiated by Viet Nam and co-sponsored by Australia; China; Japan; Indonesia; the Philippines; Singapore and the Pacific Economic Cooperation Council was held (PECC) in Nha Trang, Viet Nam. Speakers and participants came from 21 APEC member economies, one international organization (the Organization for Economic Cooperation and Development - OECD) and institutions (European University Institute, Economic Research Institute for ASEAN and East Asia). Most of the Dialogue participants were from the public sector, academic institutions or the private sector relating to services.

The Dialogue sought to enhance Dialogue participants' knowledge on APEC's current work related to services. It also aimed at exchanging information on the situation and impediments faced by service providers in the APEC region (with a focus on **distribution, transport and logistics services**). Last but not least, it is expected to suggest services-related recommendations to APEC's Group on Services (GOS).

II. Background

This project is designed to implement APEC Economic Leaders' notes in 2015 "to develop the services sector as an enabler of economic growth and inclusion". This project is also an active response to Leaders' call for services-related initiatives in 2015.

Themes covered during the one-day event included: (i) APEC Services Competitiveness Roadmap (ASCR); (ii) Logistics Services; (iii) Transport Services; (iv) Distribution Services and (v) The Way Forward.

III. Discussion

Key Issues Discussed

Opening remarks

In her opening remarks, **Ms Pham Quynh Mai (Viet Nam's Alternate Senior Official to APEC, Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam)** delivered welcome remarks, noting the efforts that APEC has been making over the past few years to improve the region's competitiveness in the services sector. Ms Pham stressed that trade in services is also the sector of most diversified contents and structure, and plays an important role in

modern economic structure. The fact is that an economy with higher services shares in GDP is in the higher stage of development compared to those having higher agricultural or manufacturing shares in their GDP. She emphasized that last year, in Peru, APEC made another significant step forward with the adoption of the APEC Services Competitiveness Roadmap (ASCR) at the 24th Leaders Meeting with the goal of establishing a more competitive environment for services sectors in the APEC region by 2025. APEC member economies also set a target to increase trade in services in the APEC region so that, by 2025, the compound average annual growth rate exceeds the historic average of 6.8 per cent and the share (%) of value-added of services sector in the total GDP of APEC region exceeds the global average level by 2025.

Dialogue sessions

Experts provided presentations on the following topics:

1/ During *Session 1 on ASCR*, **Ms Krasna Bobenrieth (GOS Convener and Head of APEC Department, General Directorate of International Economic Relations, Ministry of Foreign Affairs, Chile)** highlighted the timeliness of the discussions given that the WTO Trade Facilitation Agreement entered into force the day before. She provided participants with an overview of the ASCR and possible recommendations on how to implement the Roadmap. While services are critical for enabling growth, inclusion, productivity and higher standards of living, regional services markets remain restricted. Some collaborative works to facilitate the implementation include enhancing global value chains, flexibility for business visitors, liberalization and cooperation of environmental services, manufacturing related services, cooperation in the education sector and internet-based technology, supporting cross border provision of certain financial services, working on transport and infrastructure, travel and tourism sectors, development of services-related statics, developing good practices principles for domestic regulation and working on services for food system.

2/ During *Session 2 on Logistics Services*, there were three speakers: **Ms Shiumei Lin (Vice President, UPS Public Affairs)**, **Mr Bernard Hoekman (Professor and Director, Robert Schuman Centre for Advanced Studies, European University Institute)** and **Mr Yasushi Ueki (Economist, Economic Research Institute for ASEAN and East Asia - ERIA)**.

- **Ms Shiumei Lin (Vice President, UPS Public Affairs)** first briefly explained the changing faces of logistics. She then introduced what logistic competitiveness involved, which are global network, quality service, efficiency and productivity, innovation, sustainability, and security. She stated the opportunities in the Asia Pacific region, namely improving efficiency, cross border and domestic e-commerce, specialized logistics, logistics being enabler of economic development and other spin-offs such as development of sustainable packaging, smart containers, etc. However, the challenges include policy and regulatory incoherence, market barriers, environmental and urban congestion, lack of talent and workforce expertise, secure supply chain and business continuity and

business ethics and compliance. Lastly, she proposed recommendations to address these challenges and capitalize opportunities such as establishing a framework for competitive logistics adopting a comprehensive, inter-disciplinary approach, exploring new governance mechanisms for promoting policy and regulatory coherence, applying APEC Principles for Cross-Border Trade in Services promoting an open logistics market, promoting fair competition in the logistics sector, facilitating other services support logistics and developing APEC curriculum and capacity building for competitive logistics competitiveness.

- **Mr Bernard Hoekman (Professor and Director, Robert Schuman Centre for Advanced Studies, European University Institute)** highlighted logistics as the key element of trade facilitation. Most APEC SMEs are in the services sector, and the main challenge is supply chain barriers, specifically transport and communications infrastructure and border administration. Recent research on services trade barriers find that higher services trade restrictions are associated with lower productivity in downstream sectors and productivity impact of lower(ing) services trade barriers depends on economic governance quality. He demonstrated data on potential sectoral productivity impacts of removing mode 3 restrictions and chart of the correlation between timely border clearance and delivery and intermediate imports as well as detailed research on logistics performance indicators. He concluded that services are important for productivity growth/employment and for many of the sustainable development goals. A mix of policy interventions are needed, including in areas of infrastructure and skills development.
- Last but not least, offering a case study analysis, **Mr Yasushi Ueki (Economist, Economic Research Institute for ASEAN and East Asia - ERIA)**, presented on findings from a study of Thailand trucking firms. About half of the firms surveyed offer some incentives to help drivers improve performance. Increases in performance are positively associated with operation efficiency measures, including increase in usage efficiency, decrease in total operating costs and fuel expenses. Incentives can increase performance as long as firms also invest in training and capacity building. Therefore, management practices are important in improving performance.

3/ During *Session 3 on Transport Services*, there were two speakers: **Mr James Fang (Chairman of Taipei Airfreight Forwarders and Logistics Association, Chinese Taipei)** and **Mr Nguyen Ngoc Thuyen (Deputy Director General, International Cooperation Department, Ministry of Transport, Viet Nam)**.

- **Mr James Fang (Chairman of Taipei Airfreight Forwarders and Logistics Association, Chinese Taipei)** shared an interesting data on the world trading shipment move, in which shipment by sea accounts for 80%, by land 17% and only 3% by air. He also demonstrated the data of logistics performance index (LPI) rank by World Bank. Hong Kong, China is the only member economy in Asia that ranks in the top 10 of LPI rank distribution.

- **Mr Nguyen Ngoc Thuyen (Deputy Director General, International Cooperation Department, Ministry of Transport, Viet Nam)** shared a government perspective on cross-border road transport and logistics. He provided an overview of transport development in Viet Nam, particularly road transport and development plan up to 2020. The main North – South Expressway is expected to be built by 2020. He explained about the hardware development – the international road corridor and also the software development, which is multilateral and bilateral transport agreements. ASEAN members have signed a number of agreements to facilitate the transport sector and exchange of traffic rights. To implement such agreements, it is necessary to provide training and capacity building for officials from related agencies at the border level. Regarding the logistics services in Viet Nam, since joining the WTO, the number of businesses participating in logistics services has been increasing rapidly. Local companies only account for a small share (25%) of the domestic market. One challenge is that logistics costs in Viet Nam are still high compared to those of other economies in the region. The Prime Minister has recently approved the Strategy and Action Plan for Improvement of Domestic Competiveness and Logistics Development on 14 February 2017. To implement and build a good logistics infrastructure, development in transportation sector plays a key role.

4/ During *Session 4 on Distribution Services*, there were four speakers: **Dr Dinh Thi My Loan (Chairwoman of Viet Nam Association of Retailers)**, **Mr John Drummond (Head of Trade in Services Division, Directorate for Trade and Agriculture, OECD)**, **Mr Shigeyoshi Kono (Executive Director, ASEAN CFO-AEON ASIA SDN. BHD, Japan)** and **Associate Professor Dr Sitanon Jездapipat (Rangsit University, Thailand)**.

- **Dr Dinh Thi My Loan (Chairwoman of Viet Nam Association of Retailers)** shared information on the prospect of Viet Nam’s retail sector. First, she introduced an overview of the retail sector in Viet Nam, a sector often mischaracterized as low value, low productivity and low wage. However, the retail market has grown at a healthy level and become one of the fastest growing in Asia, as consumers are becoming more modern, savvy, well-informed, more demanding and more diverse. Viet Nam’s modern retail channel is growing rapidly but the market share is still low compared with other regional economies, thus the market is still open for many domestic and foreign investors. Moreover in the last 2 years, many players, foreign and domestic are active in merger and acquisition. E-commerce and online retail is also blooming. There are some challenges to overcome such as underdeveloped logistics network, weak retail infrastructure, lack of skilled workers and retail management. However, Viet Nam is still the targeted market of many world leading retailers.
- **Mr John Drummond (Head of Trade in Services Division, Directorate for Trade and Agriculture, OECD)** offered an OECD perspective in distribution services. He briefed on the context as well as characteristics, trends and

challenges of distribution services. Factors such as significance in domestic economies, internationalization, market structure, cross-border data flow and local content requirements are considered. He demonstrated the economic and social outcomes such as effects on SMEs, jobs and productivity.

- **Mr Shigeyoshi Kono (Executive Director, ASEAN CFO-AEON ASIA SDN. BHD, Japan)** introduced about the wide network AEON Group, with presence in 13 economies and 4000 stores outside of Japan. AEON has credibility to Japanese products qualities and aims at distributing Japanese products to APEC member economies at the same price as Japan. However, he stated some challenges to overcome in foreign markets such as large numbers of non-tariff barriers for food, beauty and health care and baby products, quarantine inspection, ingredients inspection, inspection on capacity building, lack of multi-language information, import license for each product and registration fee.
- Lastly, **Associate Professor Dr Sitanon Jesdapipat (Rangsit University, Thailand)** provided a case study of distribution services in Thailand. For context, distribution services in Thailand are highly concentrated but still open for new players, including foreign firms. There is a strong focus on logistics and dominance of SMEs in certain sub-sectors. According to the data of World Bank, the performance strength of distribution services in Thailand is timeliness and moderate tracking and tracing; however areas such as LPI, customs, infrastructure and international shipments need to be improved. However, there are some challenges remained such as development towards less labor intensive and more technology, optimal level of liberalization, shortage of infrastructure and shortage of qualified human resources and high-cost trade facilitation.

5/ During Session 5, Dialogue speakers and participants had a chance to discuss about the substances of the Dialogue and provide suggestions.

5.1/ On transportation and logistics

- Key issues are transportation and logistics. It is essential to ensure having transport experts attending APEC GOS meetings;
- Monitoring process is crucial to make sure arising issues in transport and services be addressed without delay;
- Technological advancements should be applied to improve service performance.

5.2/ On institutional challenges

- There is a need to set up or improve coordination mechanism among ministries and economies (transportation, finance etc.)
- Regarding ASCR, it is important to improve performance of trade in services through negotiations as well as to improve domestic regulations.

- On regulatory coherence, it is essential to set clear objectives, timeline and work on actions to achieve them.

5.3/ On services competitiveness

- Some services sectors (logistics, transport, distribution) contribute to trade facilitation in overall. Therefore, APEC should focus on such services sectors.
- In terms of services chokepoints, other than chokepoints at the border which consist mostly logistics and customs issues, APEC needs to tackle cross-border and behind-the-border chokepoints as well.
- APEC should think of a change from competition policy to cooperation policy on the following areas:
 - Labor rights and standards;
 - Employment creation;
 - More inclusion: sourcing from local communities, disadvantaged groups such as women, minorities, youth.
- Strengthen vocational and education training capacities of APEC economies.
- Improve collaboration among companies, sectors, economies.

5.4/ Sequencing issues: What to address first? Or all at the same time?

- Suggestion: Improve communication services as it helps to connect and make everything more comprehensive;
- Policy environment should be focused first;
- Partnering with SMEs; upgrade SMEs and focus on facilitating them to participate effectively in the supply chain;
- There are new opportunities from e-commerce, information and communication technology.
- For policy, to detect which mode of services supply is discriminated and remove the barrier.

5.5/ Sharing best practices

- Make a platform to get information on services through a single website, open source so that businesses can upload information;
- This kind of public – private dialogue is a useful discussion platform and opportunity for business to voice and get involved in policy agenda.

IV/ Conclusions and Recommendations

1/ The consensus view of the Dialogue's speakers, moderators and participants is that the project achieved its intended objectives. They proposed APEC to continue to share and discuss in-depth and various knowledge, experience and challenges on services development in general; and in 3 sectors of services (logistic, transport, distribution) in particular from various APEC member economies. Participants also viewed that the Dialogue had provided a great opportunity for networking with experts from within and outside APEC region.

2/ The Dialogue's participants suggested next steps of this activity for GOS' consideration:

- APEC wide-actions on services are needed (institutionalize the participation of Transportation Working Group, Economic Committee, Committee on Trade and Investment/GOS/Sub-Committee on Customs Procedures, Health Working Group, Senior Finance Officials Meeting, Tourism Working Group, APEC Alliance for Supply Chain Connectivity (A2C2), Asia Pacific Model E-Port Network (APMEN) etc.) in implementing ASCR as well as to tackle impediments that businesses face;
- APEC should establish a framework for competitive logistics adopting a comprehensive and inter-disciplinary approach;
- There should be capacity building programs on workforce retraining and upgrading in economies to help develop modern logistics, transport and distribution services;
- Share best practices of economies to develop logistics, transport and distribution services;
- Strengthen collaboration among economies, companies, public – private partnership;
- Establish monitoring process to make sure that arising issues will be addressed without delay;
- Create a regular platform where the private sector can raise their concerns and suggest policy recommendations on services.