

## **Chapter IV**

### **Liberalization of Trade in Services in APEC: Assessment of IAP and the GATS Commitments**

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#### **1. Introduction**

The importance of service trade liberalization is as recognized internationally as that of commodity trade. Information communication technology has progressed and finance and telecommunication markets have globalized in recent years. The service sector is one of the main issues in the new round of World Trade Organization (WTO), and it is also being discussed for liberalization in the working group of Asia-Pacific Economic Cooperation (APEC).

Thus, the international argument about service trade has started and the international transaction of services actually seems to be expanding. However, the actual situation of each country cannot be captured sufficiently, because consistent and detailed service trade statistics are unavailable. Since the barriers to service trade are different for every situation in each country, it is difficult to compare with its restriction.

At one time, international economics presupposed that services were produced and consumed in the same country and it could not be traded. That is, the concept of service trade had not been well established. Improved reporting of the restrictive measures according to an international standardized format is essential for service trade liberalization.

This paper analyzes the regulated and liberalized situation of trade in services of eight APEC economies (Japan, U.S.A., Australia, Korea, Singapore, Malaysia, Thailand and the Philippines). This is based on the individual countries' reporting "Specific Commitment Table: the commitments" of the General Agreement on Trade in Services (GATS) and "Individual Action Plan (IAP)" of APEC. By comparing entry structure of both reference data, major characteristics of the service trade in the APEC economies will be revealed. Also, a field survey was performed of Japan, Singapore, Malaysia and the Philippines in eight economies of APEC. In the survey, the relation between each country's regulated or liberalized policy and the written contents of the commitment table or IAP was investigated. The features of service trade can be analyzed from the contents of the investigation.

This paper is composed as follows. First, the outline of GATS, which is the liberalized framework of service trade, is explained. It is about a classification of the service trade based on GATS, a trade form of service, and the interpretation of the commitment table as a liberalized index. Next, based on the GATS framework, this paper deals with the listed situation of the GATS commitment table APEC-IAP from the viewpoint of an individual sector and country. Finally, it considers the regulated and liberalized situation of the service trade in APEC economies. Moreover, we propose the strengthening of the linkage between APEC-IAP and the GATS commitment table as a role for APEC in the liberalization of service trade. With this study, we would like to contribute to the development of liberalized negotiation of the service trade of WTO in the future.

## **2. Coverage and Methodology of the Analysis**

GATS is the framework of the first service trade liberalization. In this paper we will fundamentally analyze the GATS framework. First, we explain the coverage, principle and the GATS commitments to interpret the original framework of trade in services. This paper then takes up APEC-IAP, whose activities maintain consistency with GATS, although its framework is different. We will compare the liberalized framework of service trade in GATS and APEC.

## 2.1. Classification of Trade in Services

In this paper we will cover the following 12 sectors out of the service trade classification that GATS prescribes, in order to grasp the whole structure of service trade liberalization. Although the GATS table lists 12 sectors and 155 items, we left out the last sector, “other services.”

APEC-IAP covers more sectors than GATS. The additionally covered sector is “energy services,” which is excluded from GATS for the duration of the Uruguay Round. Therefore, the situation of energy services may be known only through APEC-IAP. It can be evaluated that APEC-IAP is taken as the subject of liberalization of the large range.

1. business services
2. communication services
3. construction and related engineering services
4. distribution services
5. educational services
6. environmental services
7. financial services
8. health and related social services
9. tourism and travel related services
10. recreational, cultural and sporting service
11. transport service
12. other services (left out)
13. energy services (APEC only)

## 2.2. Principle of GATS and Interpretation of the Commitments

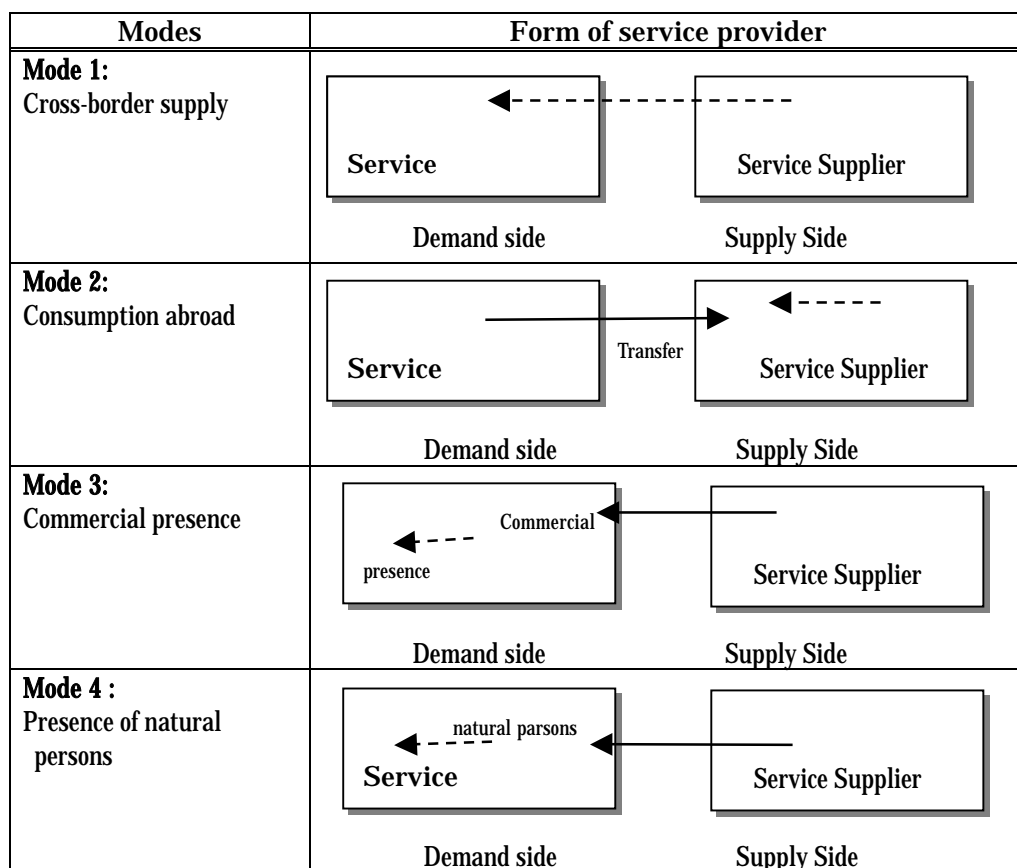
In this section we explain the principle of GATS in order to liberalize service trade. The obligations of GATS in all sectors are most-favored-nation treatment and transparency, and the market access and the national treatment can exempt it from obligations of GATS temporary to list the restriction of individual country in its commitment table. Namely, the GATS commitments form the guideline for negotiation of service trade liberalization like the schedule of concessions in General Agreement on Tariffs and Trade (GATT). However, the restrictions of service trade cannot express numerically like a tariff on commodity trade. Therefore, the commitments of service trade have a unique rule in listing them.

We explain how to list restrictions in the commitments in each sector: none, unbound, or others. “None” means no restrictions for the obligation the market access and national treatment, and a commitment to liberalization of service trade. “Unbound” doesn’t

mean to commit to these obligations and to liberalize. “Others” is a partial commitment and partial liberalization of service trade. The actual listed situation of the commitments by each country is explained in detail later.

GATS categorize forms of service trade according to various modes: Mode 1, cross border supply; mode 2, consumption abroad; mode 3, commercial presence. (see **Figure 1**).

**Figure 1. Mode Classification of the Service Trade by GATS**



Notes: □:Service Supplier, □:Service Demander, □:Commercial Presence, □: Natural Persons, □:Service Demander before movement, □:Natural Persons before movement, ←: Movement, ←- -:Provide services  
 Source: 2000 Report on the WTO Consistency of Trade Policies by Major Trading Partners

**2.3. Method of Listing in APEC-IAP**

APEC follows the GATS principles of most-favored-nation treatment and transparency. As for APEC and GATS, the means of liberalization differ. The GATS commitments have legal binding force, in contrast to APEC-IAP, but IAP can list the improvement situation and evaluate the liberalized plan of each country positively.

The listing method of IAP is as follows.

Improvements and liberalized plan are classified into three stages for every sector.

- (1) Improvements Since Last IAP
- (2) Current Entry Requirements
- (3) Further Improvements Planned

The listed situations differ for every country. Almost all countries and sectors are listed in stage two, and a few in stages one and three.

The contents of restrictions are not from the viewpoint of GATS mode, but are 4 concrete restriction requirements.

- (1) Operational Requirements
- (2) Licensing and Qualification Requirements of Service Providers
- (3) Foreign Entry
- (4) Discriminatory Treatment/MFN

(1) and (2) ought to list the related law and the homepage address of the government office. (3) resembles mode 3 of GATS, commercial presence. (4) lists the situation of exemption application of MFN.

In the entry method of APEC-IAP, there are many cases in which the concrete law is entered, unlike the GATS commitments' "Commit (no restrict)." Through this, it is easy to understand the restriction situation of every country. Therefore, IAP will contribute to the liberalization in future negotiations. The actual listed situation of IAP by each country is explained in detail later.

## 2.4 Analysis Framework for the Commitments and IAP

### The GATS commitments

It is very difficult to compare the original of every country's commitments table. Accordingly, we tried to illustrate the structure of the commitments of selected APEC countries so that it is easy to compare the restrictions.

First, it shows the structure of the average of eleven service sectors of eight APEC countries in **Figure 2**. This **Figure 2** shows the share of the list on market access (MA) of mode 1 (M1), mode 2 (M2) and mode 3 (M3), and national treatment (NT) of mode 1 (M1), mode 2 (M2) and mode 3 (M3) in the commitments of eight APEC countries. For example, "MA-M1" means the situation of the restriction on mode 1 of market access in a sector of the commitments. A point to notice is that mode 4 of natural persons is excepted from this coverage because it is an issue of labor transfer related to the service sector, and there are



many restrictions in this mode. As matters now stand, it is difficult for almost countries to liberalize this mode 4.

The restriction situation of the each mode of sector in the commitments shows four levels: full commitment, partial commitment, unbound, or no entry. “Full commitment” is equivalent to “none” in the GATS commitments and shows no restriction and liberalization<sup>1</sup>. “Unbound” is the same list as GATS, and “partial commitment” is the same as “others” in the GATS commitments, too.

The point of this paper is the addition of “no entry” in the analysis of the commitments. “No entry” is no list in the sector of the commitments; there are many cases to commit or not in it. However, these cases are not desired on the principle of transparency. We can interpret the same degree of restrictions on “unbound” and “no entry,” in terms of no commitments to the obligation market access and national treatment.

#### Individual Action Plan of APEC

The listed method of IAP is not more complicated than the GATS commitments. The written contents can show the situation of improvements of liberalization, present restrictions, and a liberalized plan. However, comparison of each country is still difficult. It is because there are many countries which have not adopted the new IAP system.

### **3. Structure of GATS Commitments of Eight APEC Economies**

#### **3.1. Overview**

In the commitments, a high ratio of full commitment to no restrictions means greater liberalization. In this section we compare the entry structure of commitments for eleven sectors’ average of the eight APEC economies with those of the WTO average.

The supply of mode 2 is comparatively liberalized (the ratio of full commitment is high; APEC average: MA64%, NT66%; WTO average: MA20%, NT21%, see **Figure 2**). The full commitment ratio of mode 1 and mode 3 is almost the same, but the ratios of partial commitment and unbound are different.

The ratio of unbound mode 3 is low (1-5%), meaning few restrictions and greater liberalization. However, we have to pay due attention to the fact that the ratio of partial commitment is high (APEC: MA45 %, NT32%, WTO: MA34%, NT27%). This is a

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<sup>1</sup> As the terminology “none” may be mistaken for “no commitment,” the author instead adopted “full commitment” in order to avoid misunderstanding.

liberalization condition which in many cases relate to the characteristics of the service concerned. Therefore, we may regard it as the same as unbound.

On mode 1, the unbound ratio is high (APEC: MA30, NT25%; WTO: MA14% NT14%). This reflects the fact that “unbound” is listed due to lack of technical feasibility. Service trade of GATS makes it a rule to classify service trade according to the above-mentioned four modes, because the service trade has various forms of transaction unlike the commodity trade. Many service sectors are categorized according to the four modes of the international transaction, but not all sectors. For example, for construction services, many countries listed that the mode 1 of cross border supply is technically impossible. However, the mode 3, commercial presence, is possible and widely seen in the form of foreign direct investment. Therefore, we have to consider this fact when we use mode 1 and other modes in comparing the degree of liberalization across countries.

In all eleven sectors, the biggest difference in the commitments structure of the eight APEC countries and WTO members is the ratio of no entry. No entry ratio of the APEC countries is 23-24%, and for WTO members it is 59% in each commitments because most of WTO members are developing countries. As relatively developed economies, APEC countries list more commitments for GATS. Therefore APEC countries are more active in liberalizing service trade.

On MA, NT-M2, the full commitment occupies the highest share for the APEC economies. This tendency is observed for WTO members, but fairly clear for the APEC economies. From this, it is inferred, APEC economies are more activity committing themselves to service trade liberalization. On MA, NT-M3, the low ratio of unbound is observed for both APEC and WTO.

In all of mode 1 through 3, the ratio of full commitment of the eight APEC countries exceeds the WTO average and this also supports that APEC economies are eager to liberalization commitment.

### **3.2. The Characteristic of the Commitments by Each Country and Development Level**

We found various differences in the structure of the commitments between APEC and WTO. In this section we show the characteristics of the commitments by each APEC country (see **Figure 3**).

#### Japan

The ratio of no entry is 0% in all the modes. Although this point should be evaluated, the written ratio of unbound is also very high (MA, NT-M1: 45%).



U.S.A.

The ratio of full commitment is very high in all the modes. The liberalized commitment is carried out positively. However, transportation sector is classified as “no entry,” and behind this, it is suspected, lies lack of transparency.

Australia

The ratio of full commitment is highest (MA, NT-M2: 55-91%, MA, NT-M3: 73%). There are many positive liberalized commitment.

Korea

As the full commitment ratio is 27-55%, it can be comparatively evaluated as a liberalized commitment although the ratio of the no entry sector is high (27%).

Singapore

Singapore has a structure of the commitments similar to Korea. The ratios of both no entry (45%) and full commitment (18-45%) are high. Therefore sectors currently liberalized and sectors which are not have been clarified.

Malaysia

Full commitment is high (36-64%) except for MA-M1(0%); that is, there are few restrictions, and it can be estimated as liberalized. No entry at 27% can be estimated as more liberalized than Singapore.

Thailand

No entry is 18%, and entry pattern resembles Japan comparatively. In mode 1, full commitment is 18-27%, unbound is high at 55%. In mode 2, full commitment is 73-82%. In mode 3, partial commitment is 64-73%, and full commitment is low at 9%.

The Philippines

There are few entries of “unbound”, and the ratio of no entry amounts to 64%. For the sectors with restrictions, the country does not leave the sectors “no entry.” Generally the country is not positive in clarifying its situation in the commitment table.

**Characteristics of the commitments by development level**Developed countries (Japan, U.S., Australia)

There are many full commitments, few restrictions.

It has the least no entry listings.

There are many unbound listings in mode 1 of market access, national treatment.

#### More developed countries (Korea, Singapore)

Full commitment is same the developed countries in mode 1 and mode 3.

The no entry ratio is highest.

#### Developing countries (Malaysia, Thailand, the Philippines)

The share is high full commitment in mode 2 of market access and national treatment. No entry constitutes one-third of the total.

Compared the commitment structures of the eight APEC countries by development stage and the WTO average, APEC countries have higher ratio of full commitment with no restrictions. Even in the case of the APEC developing countries, they list more commitments, and this implies further liberalization than WTO average.

### **The characteristics by mode**

In mode 2, there are many full commitments, regardless of development stage.

In mode 3, there are many partial commitments. In the case of commercial presence, host governments, including major developed economies, frequently impose quantity restrictions when establishing a branch office. And more importantly, host governments often impose restrictions to the form of establishment fund sent from the source countries.

In mode 1, the ratio of partial commitment is higher than unbound partly because the quantity restriction is difficult.

Comparing each sector between APEC countries and the WTO average, APEC countries show greater liberalization with no restrictions.

### **3.3. Sector Characteristics of the Commitments**

The sector structure of the commitments is compared between the eight APEC countries and the WTO average. We analyze the character by each sector following (see **Figure 4**).

#### **1. Business services**

Business services have few restrictions and are the most liberalized sector. Specially, in Mode 2 of this service there are hardly any regulations when receiving service. In mode 3, it listed partial commitments on market access, and full commitments (no restriction) on national









treatment. This means equivalent treatment to domestic companies and overseas companies but quantity restrictions to the latter. That is, NT is committed, MA is not so.

## 2. Communication services

Telecommunication services are liberalized sector in each of the commitments because the ratio of no restriction is high on the whole. Japan, U.S.A. and Australia of APEC are the most liberalized countries in the world telecommunication services. However, other countries have not listed their own liberalized commitments. There is a remarkable difference in each country's liberalization level.

## 3. Construction and related engineering services

The listed ratio of unbound on mode 1 of MA and NT is high. Many countries listed "unbound" due to lack of technical feasibility. In mode 2, the listed ratio of no restriction is high; overseas consumption of construction services is not usually restricted. Most of the mode 3 sub-categories are only partial committed---essentially, mode 3 of this sector may be regarded as restricted.

## 4. Distribution services

This sector has a similar structure to communication services. It has a lot of full commitment listings and no entry listings. The contrast between liberalized and non-liberalized countries is shown clearly. For WTO members, the sector is almost filled with partial commitments (especially mode 3).

## 5. Educational services

Educational service is the sector which is most behind in liberalization. Almost countries are listed as unbound or no entry.

## 6. Environmental services

Mode 1 has a high listed ratio of unbound and no entry. Mode 2 contains full commitment and no entry only.

## 7. Financial services

Financial service has a high ratio listed for partial commitments in mode 1 of MA and mode 3. On mode 1 of national treatment, this sector often has unbound listings.

## 8. Health and related social services

There are many no entry listings in this sector. The tendency is seen where mode 2 has much no restriction, mode 1 has no entry or unbound and mode 3 has no entry or partial commitments.

#### 9. Tourism and travel related services

Tourism has the least restrictions and is currently liberalized. Especially, there are few restrictions in mode 2 (full commitment). All eight APEC countries are listed as full commitment in mode 2.

#### 10. Recreational, cultural and sporting services

This sector is an average listed structure.

#### 11. Transport services

In mode 1 and mode 2, there are many no restriction listings and partial commitment and unbound in mode 3.

### 3.4 Trend of the Liberalization of APEC's Commitments

The following two tendencies can be seen from the listed situation of the commitments by sector.

- Sectors with many entries:

1)business services, 3)construction and related engineering services, 7)financial services, 9) tourism and travel-related services, 11)transport services

This group includes business services and tourism services of few restrictions, and these sectors have greater liberalization. In this group, financial services and transportation services are also included. These sectors have long occupied the core of the service industry as a whole, and they are nowadays supported by fairly established international and domestic rules. Such established rules are considered to facilitate more listings. However, this tradition does not always imply that these sectors are liberalized ones: In fact, these sectors are now main issues of liberalization negotiation.

- Sectors with clear-cut contrast in liberalization level:

2)communication services, 4)distribution services, 6)environmental services, 8)health and related social services, 10)recreational, cultural and sporting services.

These are more or less new service sectors. Developed countries liberalize first, and developing countries don't enter the commitments, probably because developing countries are not fully equipped with legal systems pertaining to those sectors.

### 3.5. Problem of Evaluation of the Commitments

There is a problem in evaluation of the commitments: the contents of the commitments. By country, there are sectors which has listing to the commitments table, and sectors which are not. The restriction situation of some unbound listings and no entry may be essentially the same. Also, no entry is problematic from the viewpoint of transparency. In order to make future liberalizing negotiation successful, we should keep the principle of transparency in GATS and list the commitments of all sectors.

## 4. Structure of APEC-IAP

To better understand liberalization level of service trade, IAP2000 of eight APEC countries is taken up and is compared with GATS commitment table. Analysis of the IAP liberalization plans of service trade is performed below. This analysis is important since the commitments shown in the IAPs will serve as a base for the guideline of the service trade liberalization policy of APEC.

### 4.1. Overview

IAP is superior to the GATS commitments in that it has a section listing liberalized plans. However, in reality, almost no future plans are listed. Fewer listings appear for improvement implemented since last IAP and further improvements planned. Most countries mainly list current entry requirements. The contents of the commitments basically correspond to the present IAP.

Nevertheless, the commitments stated in IAPs are substantial and progressing towards liberalization than the GATS commitments, because the commitments once submitted serve as the new base for further liberalization commitments in the future. In practice, though there exists a liberalizing framework like IAP, if the framework failed to successfully reflect the past, current and future progress in liberalization, then the framework will show as if restrictions, which were in fact extinct, are still there.

### 4.2. Listing Situation in Each Country

We overview the listing situation of IAPs, and show the characteristics by country. **Table 1** indicates the listed ratio of IAP by country. In the following, “past” refers to improvements implemented since last IAP, “current” refers to current entry requirements and “future” refers to further improvements planned.









- Japan: Firstly, we could notice the fact that the country adopted the new system in which an APEC member lists the commitments in more detail. Also the country listed considerable number of commitments in every time horizon (that is, past, current or future), although the listing ratio (ratio of listings which are not no-entry) for the past was 51%, somewhat lower than that for current and future.
- U.S.A.: since we could not obtain the U.S. IAP in 2000, IAP1999 substitute for the IAP 2000. Since the IAP 1999 follows the old system, it contains only limited contents, and the listings were concentrated in current. Since there are no lists in past and quite few in future, this opacity is a problem. Nevertheless, we can highly evaluate the lists of “No restriction(;liberalized)” in Construction, Distribution, Education and Environment, where liberalization proceeds only slowly in other economies.
- Australia: The listing ratios of past, currently and future are highest among the eight countries (77%, 84%, 76%). Australia has participated positively to APEC activity.
- Korea: Since the listing method adopted in the country’s IAP2000 was an old system; the improvement in liberalization compared to the past is not shown. And only 44% of the sectors are listed for the current. However, as for the future, a relatively high listing ratio, 36%, is registered, which is favorable.
- Singapore: First of all, adoption of new system in the IAP2000 draws attention. We can find relatively much listings for past (32%), current (54%) and future (39%).
- Malaysia: Old system. The listing ratio for current is 52%, around the APEC average. However, the ratios for past and future are distinctly low (0% and 4%, respectively).
- Thailand: Old system. The listing ratio for future is higher than Malaysia. However, Thailand’s listing ratio for current is only 28%, and that for past is zero.
- The Philippines: The Philippines uses the new listing system for the IAP 2000. The listing ratio is the same as that of Thailand. However, detailed explanations for the listed column draw attention.

#### 4.3. Meaning of the Entry to IAP

For all the time horizons, past, current and future, APEC countries should commit themselves more positively in the IAPs, because IAPs have important missions. Among those missions is “education effect”: IAPs issued by developed countries will serve as a textbook which educates developing countries to liberalize their infant service trade gradually so that the developing countries can avoid acute pains associated with a radical opening-up. Further, liberalization experience in the field of service trade will contribute to the liberalization policy of developing country as a whole.

Moreover listing to IAP is important not only for developed country but the

developing countries themselves. If the IAP listings of developing country greatly improved, cooperation in APEC will become deeper. And this will in turn benefit the developing member of APEC in turn. Of course, in promoting developing countries' IAP listings in the field of service trade, we should pay attention to the diversification of each country's service trade, and to the fact that such diversification is much wider than in the case of trade in goods.

## 5. Comparison of GATS Commitment Table and APEC-IAP

### 5.1. Contents of Listings ---GATS Commitments and IAP

Until now, we have analyzed the structure of the GATS and APEC-IAP commitments. In order to analyze service trade in detail, we will overview the concreated entry contents of the GATS and APEC-IAP commitments in several sectors of some countries. The sectors are telecommunication service, finance (banking) service, marine transportation service. The object country is Japan, Singapore, Malaysia and the Philippines. (see Appendix )

#### Telecommunication services

- Japan: The content of IAP is listed in even more detail than the GATS commitments. The IAP practice list corresponds to the situation of the current liberalization, but the GATS commitments do not. The GATS commitments mention the foreign capital regulation of KDD that already was liberalized.
- Singapore: The content of IAP is listed in even more detail than the GATS commitments. The entry contents regarding the restrictions are the same degree. In the GATS commitments and IAP, Singapore does not restrict foreign capital. But there are very few licenses are actually issued to the foreign capital.
- Malaysia: The content of IAP is listed in more detail than the GATS commitments. In the commitments, Malaysia does not permit the joining of foreign capital; however, in IAP it permits the joint venture with foreigners. The foreign capital restriction ratio is 30% in the commitments, 49% (61% for a special period of time) in IAP which is based on the present liberalization situation.
- The Philippines: The content of IAP is listed in more detail than the GATS commitments. Regarding the joining ratio of foreign capital, there is the 40% restriction that the Philippines is imposing on all the sectors.

#### Financial (banking) services

- Japan: There is no entry of concrete restriction on IAP.

- Singapore: The content of IAP is listed in greater detail than the GATS commitments. Especially, the IAP refers to the concrete numerical restriction values (time, amount, etc). From a viewpoint of transparency, we are able to evaluate that IAP is serving as a better indicator of the country's service trade liberalization.
- Malaysia :The content of the GATS commitments is listed in more detail than IAP.
- The Philippines :The content of IAP is listed in more detail than the GATS commitments. The commitments list the 30% restrictions of the foreign capital participation. On the other hand, 40 % restriction is listed in IAP.

#### Marine Transportaion services

- Japan: Japan do not promise the liberalization of this secotor in the GATS commitments. On the other hand, in IAP there are many listings on restrictions and liberalization in detail.
- Singapore: Although Singapore has promised liberalization in the GATS commitments, the country applied for exemption from the most-favored nation treatment. There are many qualifications in the IAP. Therefore cannot regard that the country completely liberalized the sector.
- Malaysia: The content of IAP is listed in more detail than the GATS commitments. Regarding participation of foreign capital, 30% restriction of foreign capital participation is listed in both the commitments and IAP.
- The Philippine:s The content of IAP is listed in greater detail than the GATS commitments. Although the listed contents of the Philippines are very concrete, there are many qualifications. The liberalization of this sector in the Philippines will take some additional time.

### **5.2. Anaysis of Service Trade Impediments in the GATS Commiment Table and APEC-IAP Each Country**

To further evaluate the service trade liberalization, we scored the entry situation of APEC-IAP. The contents of the entries are classified into four categories according to the entry contents. The score given to each category is as follows. Similarly, scoring is performed for the GATS commitments. **Table 2** summarizes the scores for the sample countries.

- None =No restriction =Liberalized: 0 points
- Concreted condition =Partial restriction =Partial liberalization: 0.5 points
- × -No Commitment =Restricted =Not liberalized: 0.75 points
- No Entry =more restricted: 1 point



This allotment of marks shows the restriction situation of the service trade in IAP. The score (or maybe penalty point) becomes higher with the level of impediment. "No restriction( )" implies that there was no service barrier, therefore, zero point is assumed. When there are no entry( )in IAP, we count one full point for such a case, assuming that the closure of the information is even worse than imposing restrictions. Empirically speaking, "no entry" sectors are hardly liberalized in a short period of time. 0.5 points are assessed for partial liberalization, when concrete conditions are listed. When "no liberalized(×)" was listed, service barriers are actually there. However, for this case, a somewhat moderate score, 0.75 points, are assessed considering that consumers and suppliers may be better off if they are informed of the fact that a country imposes restrictions on a certain sector than in the case of no information.

However, we must be careful of the different types of description in of IAP2000 across country. The countries that have adopted the new description system (25 sectors by 4 items) are Japan, Australia, Singapore and the Philippines. On the other hand, IAP2000 of U.S.A (in this study, IAP1999 for the U.S.), Korea, Malaysia and Thailand adopted the old system. Therefore we cannot directly compare the APEC-IAPs of eight economies. In order to facilitate the comparison, in this paper, we showed the IAP barrier level of the eight countries by percentage. With this additional notation, a state without any listing is given 100%, and a state with full listings is given 0%. Like tariffs of commodity trade, the value becomes higher with the level of the service trade barriers.

Calculated scores for the sample economies are as follows.

- New System Group: Japan: 70.9%(212.5 points), Australia: 65.9%(197.75 points),  
Singapore: 79.2%(237.5 points), the Philippines: 89.6%(268.75 points)
- Old System Group: U.S.A.: 74.7%(56 points), Korea: 86.0%(64.5 points),  
Malaysia: 70.7% (53 points), Thailand: 77.3%(58 points)

Moreover, the listings situation of the GATS commitments is quantified in a similar manner to the case of IAP. (refer to **Table3**: Listed Situation of the GATS commitments in APEC 8 economies, and **Table 4**: Evaluation of the commitments restriction in APEC 8 Countries) It is difficult to compare the calculated scores for IAP and the GATS commitments, because listing standards differ with each other.

Japan: 32.6 points, U.S.A.: 25.4 points, Australia: 19.3 points, Korea: 49.2 points,  
Singapore: 54.2 points, Malaysia: 44.7 points, Thailand: 45.8 points, the Philippines: 69.7





points

## **6. Conclusion: Current Stage of the Service Trade Liberalizations**

The discussion of service trade liberalization began only recently. So far, the actual situation of the restrictions has not been successfully captured sufficiently. The GATS commitments and APEC-IAP are the essential international measures in the liberalization of service trade. In the future, it will become more and more important to have detailed statistics on service trade based on the GATS commitments.

### **6.1. Other Activities Related to Service Trade in APEC**

Recent APEC activities related to service sectors include GOS (Group on Services) of CTI (Committee of Trade and Investments) and some other activities in working groups of Energy, Telecommunication, Transportation and Tourism. Of course each activity is geared toward liberalization. The major contents of the activities include detailed sector-wise researches, whose final results are reported in seminars. It is not negotiation for further liberalization, but is essentially information exchange. Moreover, through ECOTECH (Economic Technical Cooperation) personnel training activities related to services are also performed.

In APEC countries, the service sector is much more regulated and difficult to liberalize. However, if these APEC activities are expanded further, it may be able to play a role equivalent to preparation of liberalization by each country.

### **6.2. The Subject of Future Service Trade Liberalization**

Most of the studies on service trade and GATS are performed in a close cooperation with industrial organizations and governments. Also, studies are often performed in conjunction with international economic law. Since statistical method is difficult to apply for service, which is qualitative, studies in this field advances only slowly. So, it is said among researchers that an analysis using the GATS or APEC-IAP commitments is not relevant, because the contents of the GATS commitments and IAP do not always indicate current situation of regulations or liberalization correctly. Nevertheless, studies using the GATS commitments and IAP will have their own merit because GATS commitments and IAP are considered “lower bound”.

It is important to understand the framework of service trade liberalization and to find out the direction of service trade liberalization.

We would like to contribute to development of liberalized negotiation of the service trade of the WTO in the future through this study. I want to advance research further to prove the effect of service trade liberalization similar to that of goods.

## Appendix: Comparison of the contents: the GATS Commitments and APEC-IAP

Country: JAPAN, SINGAPORE, MALAYSIA, and the PHILIPPINES.

Sector: Telecommunication, Finance (Banking), Marine Transportation.

Telecommunication services		
	GATS commitments	APEC-IAP
Japan	<p><b>Limitations on Market Access</b> (Mode1) Cross-border supply None (Mode2) Consumption abroad None (Mode3) Commercial presence Foreign capital participation, Direct and/or indirect, in NTT and KDD must be less than one-fifth.</p> <p><b>Limitations on National Treatment</b> (Mode1) Cross-border supply None (Mode2) Consumption abroad None (Mode3) Commercial presence Board members and auditors in NTT and KDD are required to have Japanese nationality.</p>	<p><b>Operational Requirements</b> (Improvement Implemented Since Last IAP) No further action required (Current Entry Requirements) <a href="http://www.mpt.go.jp/eng/Resources/Manual/Entry-Manual/entry2k-eng.pdf">http://www.mpt.go.jp/eng/Resources/Manual/Entry-Manual/entry2k-eng.pdf</a> (Further Improvements Planned) No further action planned</p> <p><b>Licensing and Qualification Requirements for Service Providers</b> (Improvement Implemented Since Last IAP) No further action required (Current Entry Requirements) <a href="http://www.mpt.go.jp/eng/Resources/Manual/Entry-Manual/entry2k-eng.pdf">http://www.mpt.go.jp/eng/Resources/Manual/Entry-Manual/entry2k-eng.pdf</a> (Further Improvements Planned) No further action planned</p> <p><b>Foreign Entry</b> (Improvement Implemented Since Last IAP) No further action required (Current Entry Requirements) <i>As the result of the WTO agreement on Basic Telecommunications which came into effect in February 1998, the limitations on foreign capital participation in all Type I telecommunications carriers (except for NTT), including radio licenses</i> (Further Improvements Planned) No further action planned</p> <p><b>Discriminatory Treatment/MFN</b> (Improvement Implemented Since Last IAP) No further action required (Current Entry Requirements) There is no restriction inconsistent with most –favored –nation treatment. (Further Improvements Planned) No further action required</p>
Singapore	<p><b>Limitations on Market Access</b> (Mode1) Cross-border supply Subject to commercial Operators will be licensed operator(s). (Mode2) Consumption abroad None (Mode3) Commercial presence Up to two additional operators will be licensed in 1998 for</p>	<p><b>Operational Requirements</b> (Improvement Implemented Since Last IAP) Full market liberalization from April 1, 2000. Code of Practice for Competition in the Provision of Telecommunications Services released on 9/15/00. All service providers will have to comply with the Competition Code of Practice and the Code of Practice on Interconnection, Access and Infrastructure Sharing as well as the minimum quality of service (QOS) standards set by</p>

	<p>the provision of those services commencing April 1, 2000.</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence None, except as indicated in horizontal commitments</p>	<p>IDA. (Current Entry Requirements)</p> <p><b><i>All persons operating and providing telecommunication systems will be licensed.</i></b></p> <p><i>All facilities based operators (FBOs) will be required to ensure interconnection, interoperability and access with all telecommunications licensees. The arrangements should be transparent to end-users and non-discriminatory between systems in terms of overall functionality, price, quality and performance of the interconnection between the systems and treatment of calls. See <a href="http://www.ida.gov.sg">www.ida.gov.sg</a> for further details.</i></p> <p>(Further Improvements Planned)</p> <p>Nil</p> <p><b>Licensing and Qualification Requirements for Service Providers</b></p> <p>(Improvement Implemented Since Last IAP)</p> <p>Singapore introduced a 2 pronged licensing approach to differentiate between facilities-based and services-based operations.</p> <p>Applications for facilities based license will be done on an individual basis. Services based license will be done on a class license where the terms and conditions are gazetted.</p> <p>(Current Entry Requirements)</p> <p>There are no foreign equity limits imposed for any licensee.</p> <p>Each licensee shall be a company incorporated under the Singapore Companies Act, Chapter 50.</p> <p>See <a href="http://www.ida.gov.sg">www.ida.gov.sg</a> for further details.</p> <p>(Further Improvements Planned)</p> <p>Licences for public broadband services will be available in the near future. This will provide greater choice for consumers and opportunities for investors (both local and foreign). Four 3G licences will be auctioned by end 2/2001.</p> <p><u>Foreign Entry</u></p> <p>(Improvement Implemented Since Last IAP)</p> <p>With the introduction of full market liberalization, direct and indirect foreign equity limits for all telecommunications services licenses were lifted on April 1, 2000.</p> <p>(Current Entry Requirements)</p> <p>None</p> <p>(Further Improvements Planned)</p> <p>N/A</p> <p><b>Discriminatory Treatment/MFN</b></p> <p>(Improvement Implemented Since Last IAP)</p> <p>N/A</p> <p>(Current Entry Requirements)</p> <p>N/A, For further information, please contact Ruth Edwards, International, iDA (tel 2111632).</p> <p>(Further Improvements Planned)</p> <p>N/A</p>
Malaysi a	<p><b>Limitations on Market Access</b></p> <p>(Mode1) Cross-border supply None</p>	<p><b>Measures to Liberalize the Telecommunications Sector</b></p> <ul style="list-style-type: none"> <li>● Under GATS, market access is allowed for providers of certain enhanced value-added services through</li> </ul>

	<p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence Only through acquisition of share of existing licensed public telecommunication operators: Foreign shareholding of up to 30% in these service providers is allowed.</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence None</p>	<p>joint-venture with local companies or through acquisition of shares in existing Malaysian value-added service operators.</p> <ul style="list-style-type: none"> <li>● Foreign participation in the telecommunications sector has been further liberalized. Beginning April 28,1998, foreign equity holdings in a licensed basic telecommunications company were increased from 49% to 61%, provided that the equity holding is scaled down to 49% within five years and that the required funds are raised and brought in from outside Malaysia.</li> <li>● Six fixed network telecommunications operators were approved to provide interconnectivity and equal access services beginning January 1999.</li> <li>● Besides having two government channel networks, a number of deregulation and privatization measures have been introduced in the area of broadcasting services resulting in the issuance of licenses to 13 private television and radio networks and stations.</li> </ul>
Philippines	<p><b>Limitations on Market Access</b></p> <p>(Mode1) Cross-border supply Unbound</p> <p>(Mode2) Consumption abroad Unbound</p> <p>(Mode3) Commercial presence Entry is subject to the following requirement and conditions:</p> <p>i) Franchise from the Congress of the Philippines Certificate of Public Convenience and Necessity (CPCN) from the National Telecommunication Commission</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence The number of non Filipino citizens in the Board of Directors of an entry shall be proportionate to the aggregate share of foreign capital of that entry</p>	<p><u>Operational Requirements</u> (Improvement Implemented Since Last IAP) Enacted the RA 8792 (The Electronic Commerce Act of 2000) which provides the legal framework for the conduct of commercial transactions over the Internet (June 2000). (Current Entry Requirements) The provision of telecommunication services in the Philippines has historically been dominated by the private sector. Telecommunications is considered a public utility and in the Philippine Constitution, the ownership, operation and maintenance of telecommunication services is limited to Filipino citizens or to corporations, associations or entities which are owned at least 60 percent by Filipino citizens. The rest of the 40 percent may be owned by foreign investors. Companies, associations or entities organized or incorporated in accordance with Philippine laws interested in owning and operating telecommunication services are required to secure a legislative franchise from Congress and a certificate of public convenience and necessity (CPCN) from the National Telecommunications Commission (NTC). Deregulated telecommunications services (those that do not put up their own network) which are exempt from securing legislative franchises are required to register with the NTC. The grant of any authorization to operate telecommunications services is subject to availability of radio frequencies and for this purpose, operators are required to secure permits or licenses. Basic laws which govern public telecommunications are found in the Philippine Constitution, Commonwealth Act 146, as amended, Executive Order 546, RA 7925, among others. (Further Improvements Planned) The Philippines endeavors to further improve its policy and regulatory framework to make the sector globally competitive. As determined by Congress, the Philippines will consider:</p> <ul style="list-style-type: none"> <li>● strengthening the National Telecommunications</li> </ul>

		<p>Commission, the regulatory agency for telecommunications;</p> <ul style="list-style-type: none"> <li>• the Convergence Bill;</li> <li>• the Revised Interconnection Bill; and</li> <li>• a bill on Network Fraud.</li> </ul> <p><b>Licensing and Qualification Requirements for Service Providers</b>          (Improvement Implemented Since Last IAP)          No improvements implemented.          (Current Entry Requirements)          To qualify an applicant to be a public telecommunication service provider, the following must be complied with:              applicant must be a Filipino citizen or a 60 percent Filipino corporation, association or entity duly incorporated in accordance with Philippine laws;          (Further Improvements Planned)  <u><b>No Entry</b></u>  <u>Foreign Entry</u>          (Improvement Implemented Since Last IAP)          No improvements implemented          (Current Entry Requirements)          Investment in a domestic Filipino corporation, association or organization to engage in telecommunications services is limited to 40 percent equity holdings.          (Further Improvements Planned)          No Entry  <b>Discriminatory Treatment/MFN</b>          (Improvement Implemented Since Last IAP)          No improvements implemented          (Current Entry Requirements)          (Further Improvements Planned)</p>
<b>Financial services(Banking services)</b>		
<p><b>Japan</b></p>	<p><b>Limitations on Market Access</b>          (Mode1) Cross-border supply Commercial presence is required for discretionary investment management services.          (Mode2) Consumption abroad “None” after April 1998. Before April 1998, supply of services is subject to all the following limitations: Overseas deposits and trust contracts denominated in foreign currencies, the sum of which are over 200 million yen value, and those denominated in yen are subject to approval.          (Mode3) Commercial presence Commercial presence for investment trust management services must be a juridical person established in Japan.  <b>Limitations on National Treatment</b></p>	<p><b>Operational Requirements</b>          (Improvement Implemented Since Last IAP)          No further action taken          (Current Entry Requirements)          Japan has been taking initiatives throughout the negotiations towards successful end, by incorporating the measures of Japan-U.S. bilateral consultations as well as substantially improving commitments from the 1995 level. Under the current Financial System Reform Program, legal, accounting and supervisory systems is undergoing the process of change based on the three principles of making them free, fair and global.          (Further Improvements Planned)          Will complete the Financial System Reform by year 2001  <b>Licensing and Qualification Requirements for Service Providers</b>          (Improvement Implemented Since Last IAP)          No Entry          (Current Entry Requirements)          No Entry          (Further Improvements Planned)          No Entry</p>

	<p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence The deposit insurance system does not cover deposits taken by branches of foreign banks.</p>	<p><u>Foreign Entry</u> (Improvement Implemented Since Last IAP) No Entry (Current Entry Requirements) No Entry (Further Improvements Planned) No Entry</p> <p><b>Discriminatory Treatment/MFN</b> (Improvement Implemented Since Last IAP) <b><u>No further action taken</u></b> (Current Entry Requirements) There is no restriction inconsistent with most –favored –nation treatment. (Further Improvements Planned) Japan has been committed to providing all WTO Members with a most-favored-nation treatment so that the above-mentioned liberalization commitments are applicable to all of them.</p>
Singapore	<p><b>Limitations on Market Access</b></p> <p>(Mode1) Cross-border supply Unbound</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence Only institutions approved as banks, merchant banks and finance companies can accept deposits.</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply Unbound</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence Foreign banks can operate from only one office</p>	<p><b>Operational Requirements</b> (Improvement Implemented Since Last IAP) On June 21, 2000, Singapore announced new rules to separate financial and non-financial activities of non-banking groups. The separation of non-financial activities from the banking groups and the unwinding of cross-shareholdings are aimed at limiting the risks of contagion to the banks, enhancing market discipline, increasing transparency and ensuring that bank management focuses its attention on the core business of banking. <a href="http://www.mas.gov.sg/newsarchive/000521-c.html">Http://www.mas.gov.sg/newsarchive/000521-c.html</a> On June 19, 2000, MAS announced its policy on Internet Banking. Internet banking, including Internet-only banks (IOBs), will operate within the same prudential framework as traditional banking. MAS' admission criteria for new license applicants, and its regulatory and supervisory approach, will apply across the board. <a href="http://www.mas.gov.sg/newsarchive/000719b-c.html">Http://www.mas.gov.sg/newsarchive/000719b-c.html</a> On September 19,2000, MAS announced changes lowering the capital adequacy ratio of Singapore-incorporated banks. MAS may however, on a supervisory basis, require individual banks to maintain higher capital than the regulatory minimum when necessary, in line with the move away from a “one size fits all”pproach to one that is risk-focused and institution specific. <a href="http://www.mas.gov.sg/newsarchive/000719-c.html">Http://www.mas.gov.sg/newsarchive/000719-c.html</a> (Current Entry Requirements) For information on the MAS Act, regulatory requirements of banking, insurance, securities, futures and fund management, please refer to: <a href="http://www.mas.gov.sg">Http://www.mas.gov.sg</a> For any queries, please contact the International Relations Department of MAS. (Further Improvements Planned) No Entry</p> <p><b>Licensing and Qualification Requirements for Service Providers</b> (Improvement Implemented Since Last IAP) In line with MAS' 5-year program to liberalize the domestic banking sector (announced on May17, 1999),</p>

		<p>Monetary Authority of Singapore (MAS) announced on October 20, 1999, that it has awarded four foreign banks with qualifying full bank (QFB) privileges and another eight banks with qualifying offshore bank (QOB) privileges. Eight new restricted banks (RB) were also announced. In addition to prudential considerations, MAS took into account their commitments and plans in Singapore, the Singapore office's responsibility for managing Asia-Pacific or global activities, the extent of innovative activities and the commitment to upgrade talent and develop core competencies in Singapore  <a href="http://www.mas.gov.sg/newsarchive/991020-c.html">http://www.mas.gov.sg/newsarchive/991020-c.html</a>  (Current Entry Requirements)  Institutions applying for banking licenses are assessed on a combination of the following general criteria:  international standing and reputation, management expertise and integrity and ownership structure  relative size and track record;  financial strength ( good credit and support rating, compliance with BIS capital adequacy standard)  3-year business plan  (Further Improvements Planned)  <b>No Entry</b>  <u>Foreign Entry</u>  (Improvement Implemented Since Last IAP)  Please see the cell above which includes foreign entry.  (Current Entry Requirements)  Please see cell above which covers both local and foreign applicants for entry into the industry.  (Further Improvements Planned)  Applications for two more qualifying full bank licences and additional qualifying offshore bank licences will re-open in 2001.  <b>Discriminatory Treatment/MFN</b>  (Improvement Implemented Since Last IAP)  No Entry  (Current Entry Requirements)  No Entry  (Further Improvements Planned)  No Entry</p>
Malaysi a	<p><b>Limitations on Market Access</b>  (Mode1) Cross-border supply Soliciting, advertising and acceptance of deposits in Malaysia are not allowed.  (Mode2) Consumption abroad Soliciting and advertising in Malaysia are not allowed.  (Mode3) Commercial presence Only permitted through exiting institutions licensed as a commercial bank, a merchant bank or an offshore bank.  <b>Limitations on National Treatment</b>  (Mode1) Cross-border supply  None</p>	<p>The operations of banking institutions are governed by the Banking and Financial Institutions Act 1989 (BAFIA), while Islamic Banks are governed by the Islamic Banking Act (1983). Similarly, the operations of insurance companies are subject to the Insurance Act and Regulations (1996) and the Takaful Act (1984). The activities of offshore and offshore insurance companies are governed by various legislation, including the Offshore Banking Act 1990 and the Offshore Insurance Act 1990.</p> <p>In the banking sector, out of 34 commercial banks, 13 are wholly foreign-owned, while foreigners have substantial presence in another 8 banks. Similarly, there is also a strong foreign presence in the Malaysian insurance industry. Of the 68 insurers licensed to operate in Malaysia, 22 are foreign-owned with a substantial combined market share of Malaysian insurance premiums.</p> <p>The operations of the primary and secondary securities</p>

	<p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence <b>For commercial banks, unbound for branching and networking with ATMs in Malaysia.</b></p>	<p>market are governed by the Securities Industry Act (1983), the Securities Industry (Central Depositories) Act (1993), the Companies Act (1965) and the rules of exchanges.</p> <p>Among the licensed and approved participants in the securities industry are stockbroking, fund management, and unit trust management companies. As of August 1999, there were 64 licensed stockbrokers (11 with foreign participation), 70 licensed fund management companies (2 wholly foreign-owned and twelve with joint ventures) and 32 unit trust management (three with foreign participation).</p> <p>Currently, new entry into the offshore banking, offshore insurance and offshore reinsurance sectors is by way of branch or subsidiary. Having been committed to allow new entry into offshore investment banking services, one offshore investment bank license has been issued. In respect of the charge card business, and financial leasing, new entry is by way of a company incorporated in Malaysia and subject to certain conditions.</p> <p>Entry by foreign service suppliers are also permitted through investment in existing financial institutions, including banks and insurance companies, subject to an aggregate foreign shareholding limit of 30%.</p>
Philippines	<p><b>Limitations on Market Access</b></p> <p>(Mode1) Cross-border supply Commercial presence is Required.</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence Foreign equity in existing or new domestic commercial banks subject to a maximum 30% of voting or 40% upon approval by the President of the Philippines.</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence None</p>	<p><b>Operational Requirements</b></p> <p>(Improvement Implemented Since Last IAP)</p> <p>Enacted RA 8799 (Securities Regulation Code) which aims to encourage the widest participation of ownership in enterprises and promote the development of the capital market, among others (July 2000).</p> <p>(Current Entry Requirements)</p> <p>The passage into law of RA 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines) on May 18, 1994 amended the General Banking Act (RA 337) which since 1948, had closed the domestic banking system to foreign banks (except for the four already operating before the said law was enacted). Under RA 7721, foreign banks are authorized to operate in the Philippine banking system through any one of the following modes:</p> <ul style="list-style-type: none"> <li>• by acquiring, purchasing or owning up to 60% of the voting stock of an existing bank;</li> <li>• by investing up to 60% of the voting stock of a new banking subsidiary incorporated under Philippine law; or</li> <li>• by establishing branches with full banking authority.</li> </ul> <p>Foreign bank entry under the first two modes is unrestricted in number. Under the third mode, six new foreign banks may establish commercial presence upon approval by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) within five years from the law's effectivity while an additional four foreign banks may be allowed entry under the third mode on recommendation of the same to the President.</p> <p>(Further Improvements Planned)</p>

		<p>The Philippines will review existing commitments under GATS to assess the possibility of further deepening and broadening these commitments.</p> <p><b>Licensing and Qualification Requirements for Service Providers</b></p> <p>(Improvement Implemented Since Last IAP) No improvements implemented</p> <p>(Current Entry Requirements) The following factors are considered in selecting the foreign banks which will be allowed to invest in the majority of the voting stock of an existing domestic bank or to establish a subsidiary or branch in the Philippines:</p> <ul style="list-style-type: none"> <li>• geographic representation and complementation;</li> <li>• strategic trade and investment relationships between the Philippines and the country of incorporation of the foreign bank;</li> <li>• demonstrated capacity, global reputation for financial innovations and stability in a competitive environment of the applicant;</li> <li>• reciprocity rights enjoyed by Philippine banks in the applicant's country; and</li> <li>• willingness to fully share technology.</li> </ul> <p>Only those among the top 150 in the world or the top five banks in their country of origin shall be allowed entry under Modes 2 and 3 (Sec. 3, RA 7721). For details, please see <a href="http://www.bsp.gov.ph">http://www.bsp.gov.ph</a></p> <p>Relationship between the applicant bank and the Philippines</p> <p>(Further Improvements Planned) No further action planned.</p> <p><b>Foreign Entry</b></p> <p>(Improvement Implemented Since Last IAP) Enacted RA 8791 (General Banking Law of 2000) which allows increased access of foreign banks to the domestic market (May 23, 2000).</p> <p>(Current Entry Requirements) The enactment into law of RA 8791, otherwise known as the General Banking Law of 2000, on 23 May 2000, allows increased access of foreign banks to the domestic market. Under the law, foreign ownership of domestic financial institutions was liberalized further as follows:</p> <ul style="list-style-type: none"> <li>• ownership ceiling of foreign individuals and non-bank corporations in a domestic banks was raised to 40% of the voting stock from 30%; and</li> <li>• foreign banks may acquire up to 100% of the voting stock of a domestic bank within seven years from the effectivity of the law.</li> </ul> <p>(Further Improvements Planned) No Entry</p> <p><b>Discriminatory Treatment/MFN</b></p> <p>(Improvement Implemented Since Last IAP) No improvements implemented</p> <p>(Current Entry Requirements) Under the law, one of the guidelines for foreign bank entry is to see to it that reciprocity rights are enjoyed by Philippine banks in the applicant bank's country (Sec. 3,</p>
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		RA 7721). (Further Improvements Planned) No further action planned.
<b>Marine Transport Services</b>		
Japan	<p><b>Limitations on Market Access</b> (Mode1) Cross-border supply Unbound (Mode2) Consumption abroad Unbound (Mode3) Commercial presence Unbound</p> <p><b>Limitations on National Treatment</b> (Mode1) Cross-border supply Unbound (Mode2) Consumption abroad Unbound (Mode3) Commercial presence Unbound</p>	<p><b>Operational Requirements</b> (Improvement Implemented Since Last IAP) Bills abolishing demand-supply adjustment regulation on domestic passenger ship industry, on the general level was implemented in October 2000. (Current Entry Requirements) No Entry (Further Improvements Planned) No Entry</p> <p><b>Licensing and Qualification Requirements for Service Providers</b> (Improvement Implemented Since Last IAP) Bills abolishing demand-supply adjustment regulation on domestic passenger ship industry, on the general level, were implemented in October 2000. (Current Entry Requirements) No restrictions exist in terms of national treatment and market access in maritime transport services except where exceptions are registered by Japan in its liberalization commitments under GATS .WTO negotiations on maritime transport services did not come to a conclusion by the end of June 1996. (Further Improvements Planned) In short/medium term, Japan promotes liberalization of the maritime transport services sector by, for example, active participation in the WTO negotiations on maritime transport services.</p> <p><u>Foreign Entry</u> (Improvement Implemented Since Last IAP) No further action taken (Current Entry Requirements) No restrictions exist in terms of national treatment and market access in Maritime transport services except where exceptions are registered by Japan in its liberalization commitments under GATS .WTO negotiations on maritime transport services did not come to a conclusion by the end of June 1996. (Further Improvements Planned) In short/medium term, we promote liberalization of the maritime transport services sector by, for example, active participation in the WTO negotiations on maritime transport services.</p> <p><b>Discriminatory Treatment/MFN</b> (Improvement Implemented Since Last IAP) No Entry (Current Entry Requirements) No Entry (Further Improvements Planned) No Entry</p>
Singapore	<p><b>Limitations on Market Access</b> (Mode1) Cross-border supply None (Mode2) Consumption abroad None</p>	<p><b>Operational Requirements</b> (Improvement Implemented Since Last IAP) Nil (Current Entry Requirements) The public licenses generally require the licensees to</p>

	<p>(Mode3) Commercial presence None</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence None</p>	<p>provide efficient and reliable services, and to comply with the price control arrangements and service standards that MPA may establish. The licensees are also prohibited from engaging in any conduct that would have the effect of distorting or preventing competition in the Singapore market for port services and facilities</p> <p>(Further Improvements Planned) Reviewing service standards</p> <p><b>Licensing and Qualification Requirements for Service Providers</b></p> <p>(Improvement Implemented Since Last IAP) Nil</p> <p>(Current Entry Requirements) As the port regulator, MPA has issued 4 types of public licenses:</p> <ol style="list-style-type: none"> <li>Port Services and Facilities</li> <li>Pilotage Services</li> <li>Towage Services</li> <li>Sale of Desalinated Water</li> </ol> <p>To date the towage services in Singapore port have been liberalized. There are now 6 licensed towage operators in the port. The other 3 types of public licenses have been issued only to PSAC.</p> <p>Among the main pre-requisites for the issue of a towage license in Singapore port, the company must have at least 3 years' operational experience with its tugs assisting in the berthing and unberthing of vessels in the port of Singapore; its must have a paid up capital of at least S\$2 million and the company must maintain full operational capability on a 24 hours basis.</p> <p>(Further Improvements Planned) Nil</p> <p><u>Foreign Entry</u></p> <p>(Improvement Implemented Since Last IAP) Nil</p> <p>(Current Entry Requirements) When MPA liberalized the towage sector, there were no additional regulatory requirements for foreign entry into the sector.</p> <p>(Further Improvements Planned) Nil</p> <p><b>Discriminatory Treatment/MFN</b></p> <p>(Improvement Implemented Since Last IAP) Nil</p> <p>(Current Entry Requirements) Same as Foreign Entry</p> <p>(Further Improvements Planned) Nil</p>
Malaysia a	<p><b>Limitations on Market Access</b></p> <p>(Mode1) Cross-border supply None</p> <p>(Mode2) Consumption abroad None</p> <p>(Mode3) Commercial presence</p> <p><b>Limitations on National Treatment</b></p> <p>(Mode1) Cross-border supply</p>	<p>Malaysia has instituted a number of measures to liberalize the maritime sector to facilitate trade. These include:</p> <ol style="list-style-type: none"> <li>The port operations of major federal ports have been privatised.</li> <li>Despite a cabotage policy in place in favor of domestic shipping, foreign vessels are allowed to ply between Port Klang and Penang Port and vice versa for trans-shipment of containers.</li> <li>Malaysia's maritime institutions are allowed to employ foreign lecturers and take in foreign students.</li> </ol>

	<p>None (Mode2) Consumption abroad None (Mode3) Commercial presence None</p>	
Philippines	<p><b>Limitations on Market Access</b> (Mode1) Cross-border supply None (Mode2) Consumption abroad None (Mode3) Commercial presence None</p> <p><b>Limitations on National Treatment</b> (Mode1) Cross-border supply None (Mode2) Consumption abroad None (Mode3) Commercial presence None</p>	<p><b>Operational Requirements</b> (Improvement Implemented Since Last IAP) No improvements implemented (Current Entry Requirements) The Maritime Industry Authority (MARINA) is responsible for the promotional, developmental, regulatory and supervisory functions involving various aspects of operations and management of ships flying the Philippine flag. The Philippine Constitution of 1987, and national legislations passed by the Congress of the Philippines (Public Service Act, Commonwealth Act No. 146 of 1936, as amended) require that: “No franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens nor such franchise certificate or authorization be exclusive in character or for a longer period than 50 years”. Generally, the International Conventions of the IMO governing maritime safety and the protection of marine environment and other international standards, like ISM Code would apply to Philippine-flagged vessels. Detailed operational requirements can be viewed at <a href="http://www.marina.ph/policy">www.marina.ph/policy</a> The contact points for further information are: (Further Improvements Planned) The Philippines will continuously reviews various maritime-related policies and legislations consistent with international shipping practices</p> <p><b>Licensing and Qualification Requirements for Service Providers</b> (Improvement Implemented Since Last IAP) No improvements implemented (Current Entry Requirements) <i>New entrants must be evaluated according to established guidelines that embody the policies, goals and objectives of the economy for the maritime industry.</i> <i>For registration and accreditation of shipping companies which operate ships in international trade, the general requirements are the following:</i></p> <ul style="list-style-type: none"> <li>• <i>only Philippine shipping companies, firms and entities authorized to engage principally in overseas shipping may apply for registration and accreditation with MARINA;</i></li> <li>• <i>the company’s minimum paid-up capital shall be P7.0 million; and</i></li> <li>• <i>the Chief Executive and Chief Operating Officers (or if they are one and the same person, the next ranking Operating Officer also) shall be</i></li> </ul>

		<p><i>citizens and permanent residents of the Philippines and at least two (2) of the principal officers (e.g., President, Vice President for Operations, General Manager, or their equivalents) shall have at least 5 years experience in ship management, shipping operations and/or chartering; and any change of these principal officers shall be approved by MARINA.</i></p> <p><i>All Philippine-registered ships must be manned by Filipino national crew.</i></p> <p>(Further Improvements Planned)</p> <p><b><u>No further action planned.</u></b></p> <p><u>Foreign Entry</u></p> <p>(Improvement Implemented Since Last IAP)</p> <p>No improvements implemented</p> <p>(Current Entry Requirements)</p> <p><i>The operation of maritime transport shall be granted to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.</i></p> <p>Any repairs, conversion or drydocking of Philippine-owned or registered ships are required to be done at domestic ship repair yards registered with the MARINA.</p> <p>All Philippine-registered ships must be manned by Filipinos.</p> <p>(Further Improvements Planned)</p> <p>No further action planned.</p> <p><b>Discriminatory Treatment/MFN</b></p> <p>See Foreign Entry.</p>
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Source: WTO Web Site, The specific commitments of GATS

APEC Web Site, IAP 2000 in service sector

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