

Presentation for APEC Senior Officials' Public Private Dialogue on Services(III) on Manufacturing, Agriculture and Environment-related Services

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17 May 2015

Boracay, Aklan, Philippines

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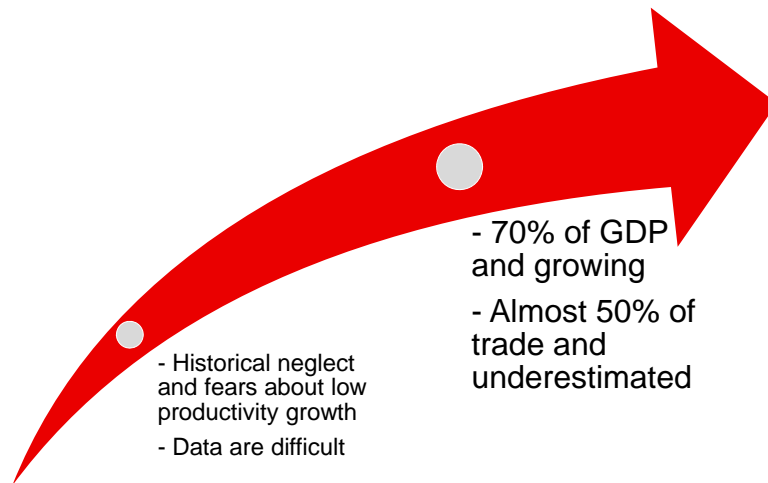
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1. Services- Poorly Understood but Becoming More Important

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1. Services- Poorly Understood but Becoming More Important



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1. Services- Poorly Understood but Becoming More Important

Sources of higher services growth relative to other sectors

- In production → globalization, servicification
- Consumers more demanding, customization is services-intensive

Services as innovation


- Services an important source of process innovation, as well as in bundled combination with goods-driven R&D

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2. Case Studies

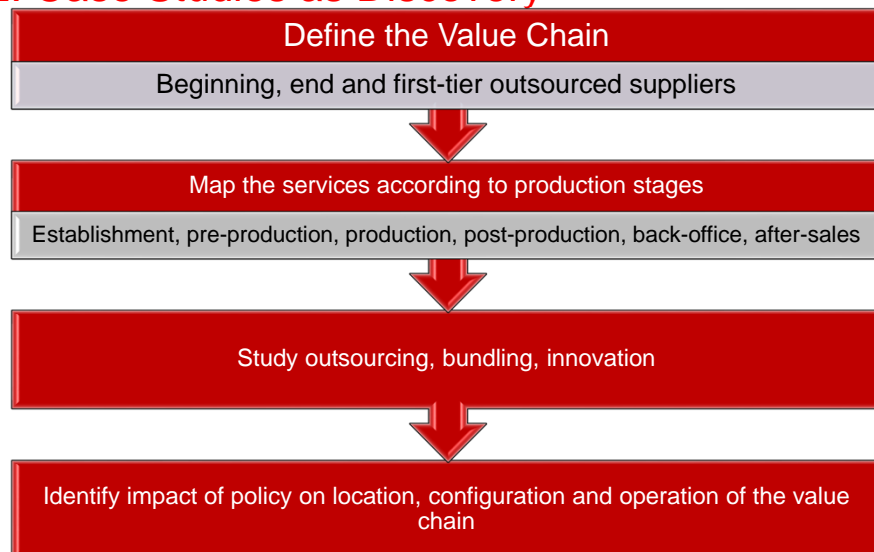
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2. Case Studies

- A cautionary note  What we do and do not learn from case studies
 - Specificity: a blessing and a curse
 - Sample size
 - Shaping hypotheses
- 12 case studies across many manufacturing sectors (aircraft parts; auto-parts; car manufacture; construction machinery; die makers; home appliances; oil and gas extraction; power plant; server manufacturer; wastewater treatment; watch manufacturer; welding alloys)

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2. Case Studies as Discovery



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3. Numerous Services Enter the Value Chain

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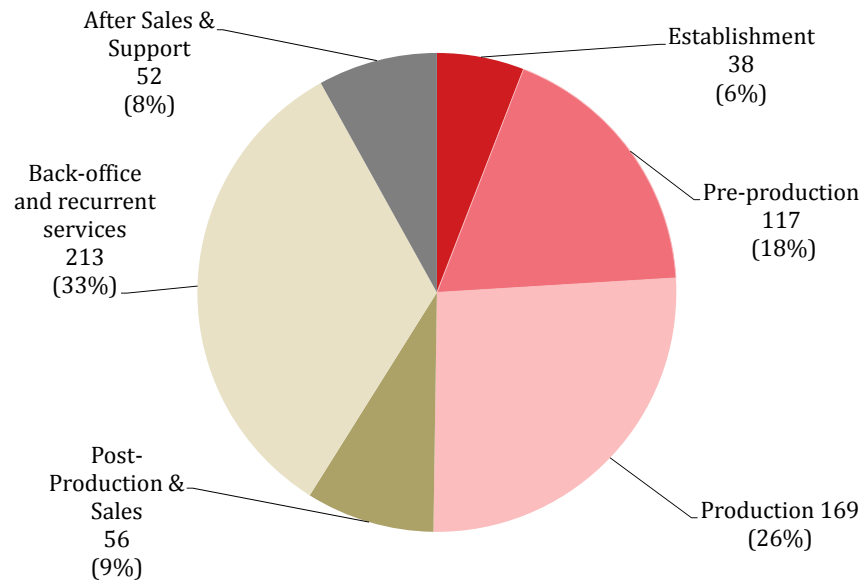
3. Numerous Services Enter the Value Chain

Stages/Cases	Total Number of Services
Aircraft parts, Philippines	53
Automotive components, Japan	37
Car manufacturer, Philippines	70
Construction machinery, Japan	72
Die makers, Thailand	38
Home appliance Japan	55
Oil and gas extraction equipment, Singapore	55
Power plant equipment, Japan	77
Server manufacturer, Chinese Taipei	53
Wastewater treatment, Thailand	54
Watch manufacturer, Hong Kong	43
Welding Alloys, Thailand	38

Source: Case studies

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3. Numerous Services Enter the Value Chain



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4. Outsourcing

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4. Outsourcing

- Outsourcing is quite common. In the sample an average of 59% of all services inputs were outsourced – 40% was the least and 77% the most (caution with the count) .



Universally outsourced on a discretionary basis

- Telecoms
- Freight
- Insurance
- Security

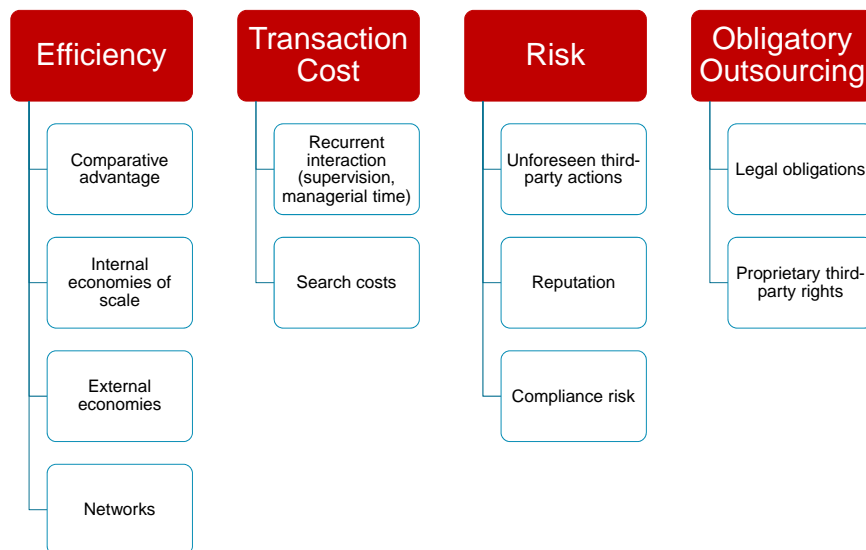
Never completely outsourced

- Ongoing Management
- Book-keeping
- Engineering
- Product Design

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4. Outsourcing

- **Reasons for outsourcing, or not: trading off**



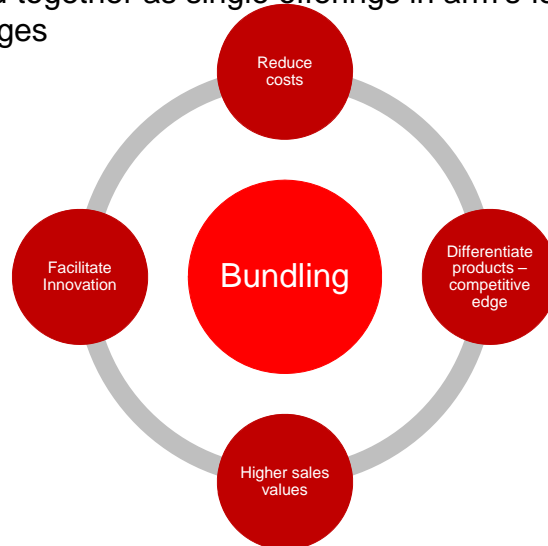
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5. Bundling

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5. Bundling

- Various products (goods and/or services) are typically bundled together as single offerings in arm's-length exchanges



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5. Bundling



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6. What Does Policy Do or Not Do to Attract GVCs?

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6. What Does Policy Do or Not Do to Attract GVCs?

The policy environment:

Policy certainty and consistency

- The costs of frequent and often unannounced policy and regulatory changes
- Policy inconsistencies between local and central government
- Misuse of discretionary authority at the level of implementation
- Transactions costs associated with navigating uncertainty
- Implications for SMEs

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6. What Does Policy Do or Not Do to Attract GVCs?

Policy areas where the supply of manufacturing-related services is directly affected by restrictive policy:

1. Labor Market Restrictions

- Visas, length of stay
- Hiring, demonstration of local unavailability
- Sectors closed for foreign labor

2. Foreign Equity Restrictions

- Direct restrictions on share of foreign equity
- Indirect barriers, such as uncertainty in policy regime and excessive administrative burdens

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6. What Does Policy Do or Not Do to Attract GVCs

3. Customs Regimes

- Inefficient administration and complicated procedures
- Compulsory appointment of customs agents

4. Intellectual Property

- Compulsory to transfer IP to local partner
- Efficacy of counterfeit controls
- Insufficient or non-existent IP protection

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6. What Does Policy Do or Not Do to Attract GVCs?

5. Health, Safety and Environmental Regulations

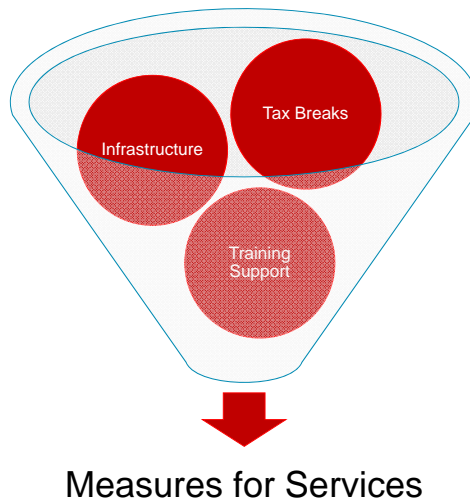
- Costly Compliance
- Compulsory Appointment of Specific Company

6. Inadequant Infrastructure

- Compulsory to transfer IP to local partner
- Counterfeit Product
- Insufficient or non-existent IP protection

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6. What Does Policy Do or Not Do to Attract GVCs and SME Participation?



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