PECC SIGNATURE PROJECT: FTAAP PATHWAYS TO PROSPERITY

POLICY BRIEF

Mutual Recognition of Professional Services: Promoting more open and integrated services for the region's prosperity

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Executive Summary

The Free Trade Area of the Asia Pacific (FTAAP) goal endorsed by APEC leaders presents an opportunity to improve the international recognition of professional licensure and qualifications and enhance the interoperability of professional services across the region. Given the importance of services to the region's economies, and the rapid rate of growth of trade in services, there is much to be gained by taking coordinated action to reduce persistent barriers to the internationalisation of professional services. Deficiencies in the recognition of professional qualifications and licensure are restricting the ability of service providers to respond to unmet demand for services in other jurisdictions.

APEC's efforts to move toward the FTAAP vision of a more cooperative, open and integrated region could be advanced by developing a framework to promote better recognition of foreign professionals. An incremental approach which is targeted, voluntary, ambitious, and evidence-based is advocated. APEC members and stakeholders can accelerate regulatory alignment by supporting existing work on global standards in each profession; collaborating with competent authorities[1] and other economies that are ready to move forward to further develop mutual recognition arrangements (MRAs) in priority professions of interest; pursuing the development of a digital approach to supporting regional collaboration on recognition; and commissioning research to inform the improvement of existing MRAs and the design of new agreements.

The importance of professional services
Professional services, particularly in digitally enabled sectors such as financial services, information and communication technologies, transport and logistics, and business and professional services, are driving economic growth and development. However, the recognition of professional licenses and qualifications obtained in other economies remains a significant challenge, hindering the mobility of professionals and impacting the quality, cost, and availability of services to consumers.

Opportunities from digital transformation
There are opportunities arising from digital transformation in professional services. Digital technologies can be leveraged to transform recognition processes, making them more efficient, secure, and trustworthy. The use of digital credentialing can enhance the recognition and verification of professional credentials, enabling professionals to qualify for and access internationally recognisable and verifiable digital credentials.

Improvements to existing arrangements
Current approaches to recognition, and recent research on the history of MRAs in APEC, reveal a very uneven pattern of MRA development. The MRAs involving APEC members are concentrated in a small number of professions and a small number of economies, thus failing to capture the potential benefits for mobility and inclusion across economic sectors and actors.

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[1] An entity such as a professional institution, regulatory body, or governmental agency that has been authorised by a regulation or policy to recognise, qualify, license, or accredit a professional.

Advancing an FTAAP approach
A three-pronged approach can be taken to promote regulatory alignment and improve the recognition of professional qualifications and licensure in the region:

1.Foster regulatory alignment in priority professions. A precondition for the development of formal mechanisms to recognise foreign qualifications is that there is sufficient alignment between the relevant professional standards in the economies involved. Fortunately, in almost every profession there is a concerted international effort to improve regulatory alignment by developing common standards, particularly for initial education and licensing.

➢ As part of efforts to advance an FTAAP, economies and stakeholders could support competent authorities to participate in the key international organizations, forums, and networks in which global standards are being developed. Adoption of these emergent global standards will over time allow competent authorities to develop MRAs with other economies, facilitating greater regulatory alignment.

➢ Consideration could also be given to MRA development for groups of professions that warrant special attention, including those in which women predominate, particularly healthcare and human services, as well as those in priority areas of economic activity, such as environmental services to support a green transition.

2. Support MRA development between those economies and competent authorities that are sufficiently aligned and willing to engage. Within APEC, a small number of economies have led the establishment of most MRAs. These active economies have a high degree of regulatory alignment and actively recruit either skilled migrants (Australia; Canada, New Zealand and the United States) or skilled expatriates employed by international professional services firms (Hong Kong, China; Singapore).

➢ APEC members and stakeholders could look to encourage the development of MRAs between these economies for those professions where alignment exists but where formal recognition mechanisms have not yet been established.

➢ Digitalisation provides an opportunity to pursue a wider and regionally integrated digital system that supports the recognition of professionals providing services in APEC, and through which all actors could choose to collaborate around the development and implementation of mutual recognition. This system could be developed incrementally under a framework in which initial progress is made among already sufficiently aligned actors, but which provides a clear pathway for engaging others as they move towards greater alignment.

3.Undertake research on the utilisation and broader impact of MRAs. Research on the utilization and impact of MRAs is needed to inform and encourage cooperation on MRA development. A lack of publicly available data and evaluations of the impact of MRAs is deterring economies and their competent authorities from investing the resources required for their development.

➢ APEC could commission evaluations of MRAs involving competent authorities, professionals, employers, and other stakeholders to investigate the ways in which the design and implementation of MRAs affects outcomes. The findings could support improvements to existing MRAs and inform the design of new agreements, as well as improve understanding as to how competent authorities can leverage digital technologies to enhance recognition processes.

Professional services, MRAs and regional integration

Recent developments - the growing importance of professional services, digital transformation, and regulation of the workforce - underscore the need to support greater interoperability of services across the region, and the opportunity for international recognition of professional licensure and qualifications to play a key role.

The importance of professional services

Professional services, and the mobility of professional services, are becoming more important for traded services and cross border commerce. Services account for most productive activity and are transforming economies. Professional services drive growth in jobs, output, and form a key part of the 'value add' in all traded economic activity.[2] Advances in the digitalisation of services and the anticipated uptake of artificial intelligence in professional services are expected to drive further growth.

The International Trade Centre points to the centrality of four big digitally-enabled services sectors – financial services, information and communication technologies, transport and logistics, and business and professional services. These are "the glue that connects firms within supply chains and spreads digital innovation."[3] The expansion of these sectors contributes directly to economic growth and development, together constituting an increasing share of output, trade, and jobs. These services also contribute indirectly, by making all firms more competitive and connecting them to global value chains and digital innovations.

Most forms of international trade and investment draw on a broad range of professional and business **s**ervices, which are increasingly 'clustered' together. For example, investments in enterprises as different as healthcare and mining require the involvement of accountants, equipment technicians, data analysts, lawyers, software engineers, and architects, in addition to highly skilled frontline workers with diverse specialisations.

The rise of regulated professions

One feature of professional services is that they are dependent upon a highly regulated workforce. Each profession in each economy has its own requirements for obtaining a license to practice, its own requirements for continuing professional development, and its own codes of professional conduct. An increasing proportion of the global workforce is employed in regulated professions. For example, the proportion of the United States workforce in regulated professions increased from around five percent in the 1950s to

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[2] Trade in services corresponds to about a third (32%) of world trade. However, when services inputs into traded goods are taken into account – by measuring the value they add to the final product – the share of services in world trade is considerably higher. Services value added accounted for nearly half (45%) of the value of total trade in 2018.30 This disparity reflects growth in hidden, or 'embodied,' services exports, due to the servicification of value chains. See footnote 2.

[3] See https://www.who.int/data/gho/data/indicators/indicator-details/GHO/current-health-expenditure-(che)-as-percentage-of-gross-domestic-product-(gdp)-(-)#:~: and https://data.oecd.org/eduresource/education-spending.htm and https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS

around a third by the 2010s.[4] A similar expansion of professional regulation is evident across the Asia Pacific region.

The first reason for this is that as economies grow, services grow more rapidly than other sectors and over time account for a larger share of economic activity. Services now represent over 60 percent of global GDP, and typically represent a higher share of high-income economies and lower share of low-income economies. For example, the share of the economy devoted to healthcare and education tends to increase with rising incomes, while agriculture shrinks.[5] So as economies develop, there are fewer farmers but far more nurses, doctors, and teachers whose qualifications and conditions of work are much more highly regulated.

A second reason behind the rising proportion of the workforce employed in regulated professions is the tendency for a growing number of occupations to be subject to professional regulation over time. This trend has proven remarkably resistant to liberalisation efforts.[6]

The mobility of this increasingly large segment of the workforce is seriously restricted by poor systems for recognising professional licenses and qualifications obtained in other jurisdictions. A recent OECD review of migration policy noted that:

> "While virtually all OECD members have established some possibility for immigrants to have their foreign qualifications recognised, processes to assess skills and recognise foreign qualifications remain complex and often lack efficiency, transparency, and universal access. In regulated professions and trades, holding a foreign qualification represents a significant barrier to employment as a specific registration, certificate or licence awarded by the relevant professional licencing body is required and varies significantly (across economies)."[7]

This is clearly a significant barrier for individuals, impeding mobility for many and causing under-employment for many of those who migrate.

The failure of recognition systems also has implications for the quality, cost and availability of services to consumers. Restrictions on the ability of regulated professionals to move between jurisdictions can impose serious limitations on the availability of services. Where shortages exist, it can be difficult for professionals to meet those needs, either by relocating physically or by providing services remotely.

Furthermore, as professional services become more important to traded activity, there is a growing need for licensing systems that facilitate cross-border services, whether delivered through mobility of enterprises, mobility of individual professionals, or online.

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[4] Edlin and Haw (2014)

[5] See footnote 2.

[6] Kirkpatrick, I., Aulakh, S., & Muzio, D. (2023) The Evolution of Professionalism as a Mode of Regulation: Evidence from the United States. *Work, Employment and Society*, *37*(3), 685-702.

[7] OECD, 2023

The need for a developmental approach

The Australian APEC Study Centre's recent analysis of mutual recognition agreements (MRAs)[8] for professional qualifications and licensure across APEC revealed striking differences in the level of engagement of APEC economies. Any future work to improve recognition practices across the region will need to be mindful of the significant differences between economies' participation to date. A key challenge will be to help make the benefits of engaging more apparent and to provide capacity building where needed, especially for less active economies. Click here to enter text.

Uneven MRA development

While half of APEC's 21 member economies have entered 10 or fewer MRAs, five economies have each entered into 40 or more. These five active economies – Australia; Canada; Hong Kong, China; New Zealand; and the United States – are now connected by many bilateral MRAs and have played a leading role in many multilateral initiatives. There are three main enabling characteristics shared by the most active economies:

- One, they have a higher degree of regulatory alignment with each other.
- Two, they have a history of actively recruiting skilled migrants, so have routinely needed to assess foreign qualifications.
- Three, governments in these economies have been supportive of competent authorities entering into MRAs through various means.

This uneven development of MRAs across the region appears to be becoming more pronounced. In the five years between 1998 and 2022 there were 40 new MRAs established – 39 of these involved at least one of these active economies, while only seven involved any other APEC member economies.

Around half of APEC economies have not initiated any MRAs in the past five years. Two common impediments to recognition of foreign professional qualifications in these economies can be identified.

First, these economies are more likely to have systems of professional regulation that are less developed and not well aligned with those in other APEC economies. Second, in relation to migration, these economies are typically not seeking to recruit professionals from abroad and therefore may see MRAs as leading only to an outflow of professionals.

Nevertheless, there appears to be interest in entering into MRAs in these economies. Consistent with the aspirations of the APEC Services Competitiveness Roadmap, many APEC economies are driven by a desire to enhance the competitiveness of service industries, to become more integrated into global supply chains and to promote foreign investment in industries dependent on highly skilled professionals. This generates support for aligning professional regulations in technical professions that are more likely to be employed by

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[8] This section is adapted from Christopher Ziguras & Joanne Barker (2024) *Mutual Recognition Agreements for Professional Qualifications and Licensure in APEC: Experiences, Impediments and Opportunities*, APEC Group on Services, Singapore.

internationally oriented businesses, such as engineers and accountants, and in sectors of trade and investment priority which require specialist expertise.

The importance of regulatory alignment and collaboration

Formal agreements to recognise international qualifications typically emerge as the outcomes of an extended period of ongoing regulatory collaboration. MRAs can therefore be seen as a sign of having reached a level of maturity in achieving regulatory alignment, and function as a tangible codification of agreed principles. Even when MRAs fail to facilitate greater professional mobility across jurisdictions, they provide a valuable step in this broader process of sharing knowledge and achieving greater alignment.[9]

Over time, professional practice around the world is becoming gradually more aligned. This convergence is being driven both by the development of a single shared body of practical expertise on which the profession is based, and by the development of technological systems that are used by professionals in many different economies. As this occurs, many professional bodies undertake to work with partner organisations in other economies to develop a set of principles underpinning licensure that is shared across jurisdictions. As the practices of competent authorities converge around these agreed principles, mutual recognition becomes possible. While the methods employed by competent authorities may vary, a degree of equivalence is required in relation to the role of the competent authority in:

- **Setting standards** for education, training, and practice that are required for individuals to obtain and maintain a license to practice.
- **Ensuring competence** of individuals through education, training, examination, and continuing education.
- **Disciplining** professionals who violate ethical standards or engage in unsafe or unprofessional behaviour.

Where professions have been able to reach agreement on key principles, this has been the result of extensive purposeful collaboration between a set of like-minded jurisdictions with a commitment to harmonisation, within a structured setting that focuses discussion and provides mechanisms for differences to be resolved, and which is driven by a small group of actors who play a coordinating role. Annex 1 provides an illustrative case study, describing this process of global standard setting within the field of veterinary medicine over the past two decades.

Such regulatory collaboration has proceeded very differently in each profession. Those competent authorities that are at the forefront of regulatory collaboration and become the early adopters of MRAs are typically well-resourced and are encouraged by their government in various ways. Many other competent authorities that are less well-resourced require extensive support to be able to participate in such collaboration.

Across APEC there have been many bilateral partnerships focused on supporting the development of professional regulatory systems. Such capacity building assistance is often

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[9] Nakamura and Tetlow, 2017.

provided to support competent authorities accede to international agreements that are already in place, where membership promises tangible benefits. For example, Japan provided assistance to Indonesia to allow it to become a signatory to the Washington Accord on engineering qualifications in 2022. This led to an MRA between Indonesia and Australia being signed in 2023, with other bilateral agreements likely to follow.

To assist competent authorities across APEC with the development of MRAs, a Toolkit has recently been developed as a practical resource.[10] This practical resource provides non-prescriptive guidance to all actors involved in the development and implementation of MRAs to accelerate the development and implementation of agreements.

Current approaches to recognition of professional qualifications and licensure

There are various existing practices which aid in expanding the recognition of professional qualifications across the region. Elements of these approaches can be drawn on to support forward looking arrangements that support regional interoperability of services in the longer term.

Unilateral recognition

Some competent authorities unilaterally recognise professional qualifications from other economies that they have assessed as being substantially equivalent to their own, or which partially meet their requirements. This is particularly common in the health professions, where unilateral recognition appears to be preferred to formal MRAs. For example, in the case of dental practitioners:

- The Dental Board of Australia[11] unilaterally recognises listed dental education programs from institutions in the United Kingdom and the Republic of Ireland (as well as those in Canada and New Zealand where MRAs are in place).
- The Dental Council of Hong Kong, China unilaterally recognises listed dental education programs from Australia; Canada; France; New Zealand; the Republic of Ireland; Singapore; Sweden; Chinese Taipei; Switzerland; the United Kingdom; and the United States.[12]
- The New Zealand Dental Council[13] unilaterally recognises dental education programs accredited by the United States Commission on Dental Accreditation and the United Kingdom General Dental Council (as well as those in Australia where an MRA is in place).

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[10] Howorth, 2023. The Mutual Recognition Agreements Toolkit is available at https://www.apec.org/publications/2023/10/mutual-recognition-agreements-toolkit

[11] Dental Board of Australia, 2023.

[12] Dental Council of Hong Kong, China 2023.

[13] New Zealand Dental Council 2023

- The Singapore Dental Council unilaterally recognises listed dental education programs from Australia; Canada; Hong Kong, China; New Zealand; the Republic of Ireland; the United Kingdom; and the United States.[14]

Across several health professions, similar patterns are evident. Unilateral recognition tends to involve high-income economies recognising other high-income economies. All four of the economies listed above recognise dental education programs from Australia, New Zealand, and the United Kingdom. Three economies recognise those from Canada, the United States and Ireland. Hong Kong, China and Singapore unilaterally recognise each other's dental education programs but do not have an MRA in place.

This is evidence of a high degree of alignment and trust between some economies, which provides a solid foundation for the development of either a multilateral MRA or a set of bilateral MRAs.

Bilateral MRAs

The APEC Inventory of Mutual Recognition Agreements for Professional Qualifications and Licensure identifies over 210 MRAs that involve at least one APEC economy.[15] Over 80 percent of these are bilateral agreements covering a single profession.[16] Most of these cover technical professions, with the largest numbers of agreements for engineers, accountants, spatial and quantity surveyors, architects, and actuaries. In stark contrast, there are only two bilateral MRAs specifically for nurses and none for teachers, even though these are among the largest professions.

Anglophone economies have been most active in initiating these agreements. For example, all 12 bilateral MRAs for architects involve at least one of: Australia; Canada; New Zealand; and the United States.

Multilateral MRAs

The APEC Inventory of Mutual Recognition Agreements for Professional Qualifications and Licensure identifies around 20 multilateral single-profession MRAs. Most of these were initiated by the same small group of active economies.

The earliest of these was the pathbreaking Washington Accord for engineers, a multilateral agreement between bodies responsible for accreditation or recognition of tertiary-level engineering qualifications. This was initiated in 1989 by four APEC economies – Australia; Canada; New Zealand; and the United States – along with Ireland and the United Kingdom, and has since expanded to 23 signatories, including most APEC economies. All the bilateral MRAs for engineers that APEC members have entered into are between Washington Accord signatories, and all involve either: Australia; the United States; Canada; or Hong Kong, China.

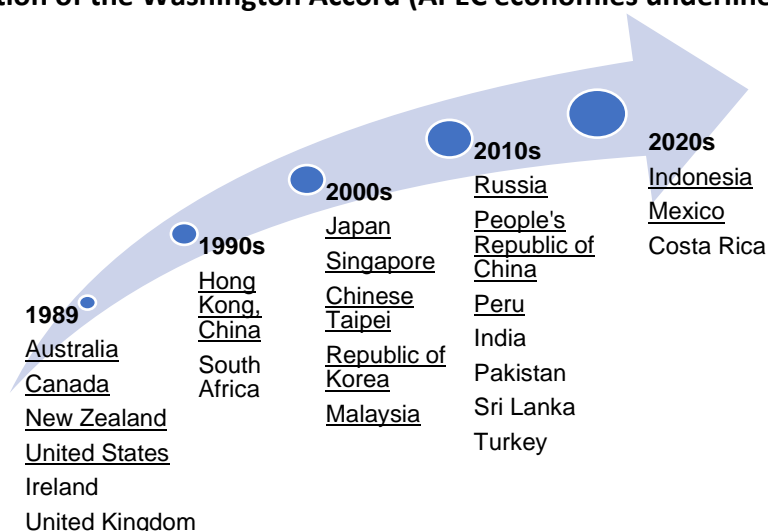[14] Singapore Dental Council 2021

[15] The number of agreements in the Inventory is increasing as more existing MRAs are identified and new MRAs are developed.

[16] The few trilateral single-profession MRAs have also been included in this category.

Figure 1 depicts the historical development of the Washington Accord, illustrating the way in which the agreement, initially developed by closely aligned economies, has expanded to include most APEC members over time. In addition, Chile, The Philippines and Thailand are provisional signatories in the process of acceding. Only Brunei Darussalam, Papua New Guinea and Viet Nam are yet to engage.

The same group of active APEC economies – Australia; Canada; New Zealand; and the United States – established an MRA for language pathologists and audiologists that came into effect in 2004, which also includes Ireland and the United Kingdom. Similar patterns are evident in other professions, but none have yet emulated the success of the engineering profession in broadening engagement beyond this small group.

Figure 1. Evolution of the Washington Accord (APEC economies underlined)

1989	1990s	2000s	2010s	2020s
Australia	Hong Kong, China	Japan	Russia	Indonesia
Canada	South Africa	Singapore	People's Republic of China	Mexico
New Zealand		Chinese Taipei	Peru	Costa Rica
United States		Republic of Korea	India	
Ireland		Malaysia	Pakistan	
United Kingdom			Sri Lanka	
			Turkey	

A different approach has been adopted by ASEAN members. These economies have entered eight multilateral MRAs which have played an important role in developing regional standards and supporting regulatory cooperation but have had minimal impact on mobility.[17]

Comprehensive MRAs

The APEC Inventory of Mutual Recognition Agreements for Professional Qualifications and Licensure[18] identifies 13 comprehensive MRAs which have been negotiated between governments and cover all regulated professions. While few, comprehensive MRAs have the potential to be far more impactful than single-profession agreements. They include the Australia – New Zealand Trans-Tasman MRA, the Canada (Québec) agreements with France and Switzerland, Chile's bilateral MRAs with eight economies including Peru, and the 'Mexico Convention,' which includes nine Latin American economies including Chile and Peru.

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[17] Ziguras and Barker, 2024.

[18] See https://aasc.knack.com/mra-inventory

Trade agreements

Many recent free trade agreements (FTAs) among APEC economies include frameworks for mutual recognition of professional qualifications as a part of broader commitment to reduce barriers to the delivery of services across borders. Treatment of mutual recognition varies among agreements and is reflected in different ways. In some, commitments form part of the text of the agreement, while in others mutual recognition is dealt with in side-letters and annexes. Provisions range from profession-specific obligations to 'best endeavours clauses' which encourage cooperation. Illustrative examples are provided in Table 1.

Recognition frameworks set up under the agreements rely on competent authorities, which are sometimes quite independent from government, to negotiate and formalise MRAs. Ongoing engagement between these parties is essential in developing understanding, trust and a willingness to progress the recognition process. The FTA enables such engagement by creating 'building blocks' that support discussions between relevant stakeholders. These include the establishment of committees or working groups that bring regulators and professional bodies together and guidelines and principles supporting the creation of MRAs under the auspices of the FTA.

The level of commitment to recognition of professional qualifications and licensure varies widely between agreements. The deeper, more detailed commitments are found in agreements between those active economies where professional standards and licensing processes are most aligned, and which already have many MRAs in place. For example, the Australia – United Kingdom FTA commits each economy to "encourage, as appropriate, its relevant bodies to establish and operate systems for recognition of professional qualifications obtained in the other Party's jurisdiction."[19] Bilateral agreements between economies with less aligned systems sometimes include substantial commitments in relation to specific professions of interest. For example, the India – Singapore Comprehensive Economic Cooperation Agreement resulted in commitments in relation to nurses and the Indonesia – Australia Comprehensive Economic Partnership includes commitments in relation to engineers. Less ambitious agreements typically go only as far as encouraging cooperation between competent authorities. See Annex 2 for more detail.

Digital transformation and the recognition of professionals

The digital transformation of services presents both challenges and opportunities for the international recognition of professional qualifications and licensure. There is an accelerating global shift towards the delivery of services via digital means, using Internet-based and online platforms. In 2023, the WTO observed that, since 2005, global exports of digitally delivered services have grown at a faster rate than exports of goods and other services.[20] The Asian Development Bank (ADB) has also recently observed that digital services trade is accelerating in Asia and its global share in digitally delivered services trade is increasing.[21]

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[19] Article 10.5

[20] *Digital Trade for Development* World Trade Organisation 2023, p13

[21] *Unlocking the Potential of Digital Services Trade in Asia and the Pacific,* Asian Development Bank 2022, p2

These general trends in digital services trade are impacting upon the delivery of professional services too. According to UNCTAD data, in Asia and the Pacific, trade in digitally delivered professional and consulting services increased by almost a third between 2005 and 2020, one of the largest areas of digital services trade growth during that time.[22]

Digital transformation opportunities

Trusted recognition and verification of professional credentials is needed to maintain standards both domestically and internationally as this shift in modes of delivery occurs. Digitalisation is creating opportunities to enhance and improve recognition and verification processes, including through emerging technologies such as the use of digital credentialing. In the best case, digital credentialing is not only likely to be a vastly more efficient approach to recognition, but it could also be more secure and trustworthy.

The digital delivery of professional services across borders is usually via remote means using open market digital platforms, often at short order. Emerging digital technologies (like virtual reality and artificial intelligence) are likely to further accelerate this shift in the mode of services delivery. Current approaches to the recognition of professionals, which are still most often paper-based and slow, will need to adapt to meet this shift and demand.

Other trade policy goals in the region, such as inclusive trade and reductions in services trade restrictiveness, could also be advanced by the shift to digital delivery. For example, developing economies, SMEs and MSMEs could leverage growth in digital services delivery to access new markets for their professional services, provided other barriers could be overcome.[23]

Mutual recognition and digital technologies

Digital technologies could be used to transform how mutual recognition is implemented and how professional standards are monitored (for example, through using digital credentials). This transformation would need to begin with mutual recognition agreements increasingly recognising and working with these technologies.

An approach would be for MRAs to openly recognise that providers of digitally delivered professional services ought to be able to qualify for and access an internationally recognisable and verifiable digital credential where this is available (there are already some examples of where this is becoming practice). Domestic regulators and consumers of digitally delivered professional services would be able to see, check and verify a digital credential before allowing, commissioning or receiving services. Regulators would to be able to maintain their oversight of recognition / issuing of credentials, for the primary purpose of

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[22] UNCTAD and ADB 2023

[23] For a discussion on this, see *Digital Transformation to Generate New Business Opportunities, Opening to New Markets in the MSMES and Gender Focused Cooperatives, in Response to the Economic Crisis Caused by COVID-19 APEC* Small and Medium Enterprises Working Group July 2023.

maintaining standards. Digital credentials could also be instantly suspended or revoked where there are concerns about standards.

Any pathway towards efficient and effective use of digital credentialing for mutual recognition is founded upon the digitalisation of recognition processes, making these processes accessible and operable from anywhere. Once MRAs are established and are being implemented, recognition processes are relatively standardised, as far as they follow broadly the same series of steps. This makes them highly suitable for digitalisation. There are already examples emerging of fully digitalised, end-to-end recognition processes (see for example, the Architect Accreditation Council of Australia's recognition system).

Digital convergence and collaboration

The rise in the digital delivery of professional services trade has implications for approaches to the mutual recognition of professionals between economies. There is a need for more efficient but effective recognition of professionals, so that these services can move more freely while professional standards for consumers are maintained.

As noted above, current approaches to mutual recognition centre around sector-specific agreement making between two or a few economies, usually based upon establishing a substantial degree of convergence on education, qualification, and other professional requirement standards. This convergence around standards is a prior condition to the making of a mutual recognition arrangement and will continue to be so even as digital transformation continues. Digital collaboration on the convergence of standards could help to accelerate this process and help to monitor and maintain standards in a more transparent way once mutual recognition is established.

Currently, the process of digitalisation usually happens sector by sector, economy by economy, partly out of necessity because of how mutual recognition operates, but this is a slow track. To move more quickly, consideration could be given to establishing or supporting regional level, sector-wide systems for digital recognition, which domestic level processes can take advantage of and step into when they are ready.

Advancing an FTAAP approach

FTAAP presents a fresh opportunity to consider initiatives to support recognition that significantly enhances the mobility and interoperability of professional services across the region. There is currently no appetite for the development of binding multilateral recognition agreements for professional qualifications and licensure. But there are opportunities for considerable progress to be made by identifying and amplifying the momentum that exists in many professions. An approach which is targeted, voluntary, ambitious, and evidence-based is advocated.

To most effectively allocate resources to improving recognition, APEC members and stakeholders could:

1. Focus on enhancing the alignment of professional licensing and qualifications requirements across the region in priority areas of interest and economic importance, promoting MRAs as a means of formalising such alignment.

2. Work closely with those economies, regulators and professional bodies that are most engaged to develop MRAs that encourage greater regional convergence of standards and provide support to others that seek to participate, including over time, advancement of a regionally integrated digital system.

3. Undertake research on the utilisation and broader impact of MRAs to inform and encourage cooperation on MRA development and standards alignment.

Experience to date suggests there are opportunities to enhance mutual recognition efforts in the region by more proactively driving participation towards convergence around minimum standards for recognition and working toward a platform capable of operationalising them at a regional level. There are opportunities for APEC, through its FTAAP vision, to engage in a more comprehensive, coordinated effort at the regional level to support this.

This is elaborated below along with proposed steps to inform future action in APEC and the work of individual economies. These recommendations encapsulate the findings of analysis of the development of recognition practices in recent decades. They can provide a basis to assist economies to channel their resources into those areas of activity that are most likely to result in significant improvements in recognition practices and improve professional services interoperability across the region.

Foster regulatory alignment in priority professions

To support the interoperability of professional services across the region, there is a need for regulatory reforms that reduce compliance costs, encourage investment, and facilitate access to foreign providers. This is achieved through the alignment of professional regulation between economies, especially for initial education and licensing requirements. In practice, such alignment is a pre-condition for competent authorities to recognise each other's qualifications.

In most professions there exist international organisations, forums or networks that allow competent authorities to engage with each other on regulatory matters. In some professions, these are well-developed and have led to global standards that support mutual recognition. In other professions such initiatives are nascent. The range of economies participating in such international initiatives also varies significantly. These forums are an essential requirement for progress on regulatory alignment. They are likely to be global rather than regional, but the most effective way to promote alignment across the Asia Pacific is to support active participation by the region's economies in the process of global standard-setting.

Governments and other stakeholders can accelerate progress by supporting such initiatives, both by assisting their own competent authorities to engage and by engaging in the

international bodies that are leading in each profession. There is a need for a multi-stakeholder process of engagement, that involves professional bodies, the private sector, and other key stakeholders in such initiatives.

Each economy will have its own priorities when considering which professions to support in this way, but there are two groups of professions that warrant special attention.

- The first is professions in which women predominate, particularly **healthcare and human services**. The state of qualifications recognition in these professions lags far behind more technical professions in which men predominate.[24] Improving opportunities for healthcare professionals will make a significant contribution to the economic empowerment of women.

- The second group of priority professions are those in priority areas of economic activity. These initiatives could be sectoral in focus and capable of capturing a cluster of professional services needed to support cross border trade and investment. For example, economies could cooperate to prioritise recognition of those professions related to **environmental services** to support green transition. This could involve first, selecting strategically important sectors or activities, second, identifying the professions or occupations that are regulated in these sectors, third, working together to identify the barriers and impediments to practice and finally, collaborating to work towards recognition arrangements to overcome these barriers. Over time, collaborative efforts could be widened to include more areas of the 'green economy,' a wider range of professional services, and more economy and professional body participants, thereby contributing to greater alignment of standards on green activities. This approach is elaborated in more detail at Annex 3.

Facilitate MRAs development between those economies and competent authorities that are aligned and willing to engage

As noted above, across APEC there is wide variability in economies' level of interest in alignment of professional qualifications and licensure. Examining the history of MRAs shows that progress has been made when the most interested and engaged parties work closely together to achieve alignment around agreed international standards, and then establish mechanisms to improve recognition between them.

Engaging a wider range of economies in efforts to facilitate recognition, and to strengthen participation in international forum are important goals that would support growth. However, regional experience suggests there are risks in seeking to advance recognition agreements too quickly where economies are not strongly committed or have capacity constraints. In some cases, this has made progress slow and outcomes that do not make

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[24] Ziguras, C & Barker, J (2024). *Mutual Recognition Agreements for Professional Qualifications and Licensure in APEC: Experiences, Impediments and Opportunities*, APEC Group on Services, Singapore.

much practical difference. ASEAN-wide MRAs, for example, to date have had limited impact.[25]

There are many opportunities to expand MRAs between those economies that are already aligned and active in promoting recognition. Using the APEC Inventory of Mutual Recognition Agreements for Professional Qualifications and Licensure, opportunities can be identified where: unilateral recognition exists between economies, enabling the development of bilateral MRAs; an economy has a bilateral MRA with one economy, enabling the development of similar MRAs with other aligned economies, and; where there is a web of bilateral arrangements between a group of economies, enabling the development of multilateral MRAs.

It is important to ensure that new MRAs are **aligned with good regulatory practice** and that they function to reduce barriers as much as possible, recognising the need to ensure the quality of services. They should take advantage of opportunities arising from digitalisation, supporting the interoperability of services across borders and adopting best practice in the use of digital platforms to facilitate recognition processes. APEC has a large body of work in the areas of services, domestic regulation and digital trade which could be injected into work on MRAs.

Digitalisation creates a clear opportunity over the longer term to develop a **regionally integrated digital system** that supports the recognition of professionals providing services in the region. This would be guided by a vision that includes the eventual creation of a digital platform through which all actors could choose to collaborate on the development and implementation of mutual recognition in the region. Economies, professional services sectors and their competent authorities could engage in the platform on an opt-in basis. Professionals engaging with this system would be able to apply for a regionally recognised 'APEC Professional' digital credential. Over time, consumers of professional services would trust this credential as an assurance of professional standards.

As a first step towards this vision, regional collaboration on a framework to guide the development of a digital platform could be considered in the context of longer-term efforts to advance an FTAAP. This could be progressed initially among actors already strongly aligned around mutual recognition, but in such a way that it both provides a clear pathway for engaging others as they move towards greater alignment and demonstrates the value of a regional system.

Undertake research on the utilisation and broader impact of MRAs

It is common to hear economies, competent authorities and professional associations express doubts about the benefits of improving the recognition of professional qualifications and licensure. This is especially the case for the development of MRAs, which require considerable resources and can be a lengthy process. This also reflects a concern

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[25] Papademetriou, D. G., Sugiyarto, G., Mendoza, D. R., & Salant, B. (2016). *Achieving skill mobility in the ASEAN economic community: Challenges, opportunities, and policy implications*, Asian Development Bank; Mendoza, D. R., Desiderio, M. V., Sugiyarto, G., & Salant, B. (2016). *Open Windows, Closed Doors: Mutual Recognition Arrangements on Professional Services in the ASEAN Region*, Asian Development Bank.

that some agreements have not delivered substantial practical outcomes. The broader benefits of effective recognition processes are not always well understood.

There is a need for further evaluation of MRAs that consider their use by, and impact on, a range of stakeholders, including individual professionals, the professional workforce, the competent authority, students and education providers, and employers. The objective of evaluations should be to better understand the impact of the design of different types of agreements, to identify areas for improvement and to inform the design of future agreements.

The APEC Inventory of Mutual Recognition Agreements gives researchers easy access to the text of many MRAs and/or descriptions and instructions provided online by competent authorities. However, evaluation studies also require the active participation of competent authorities to share their data and insights and to assist evaluators engage with stakeholders. There is a need for economies and stakeholders to encourage competent authorities to participate in studies that generate a public benefit by sharing findings openly.

Given the significance of digital transformation for the delivery of professional services, and the ability to use digital systems to improve recognition processes, evaluations should include an explicit focus on the effectiveness of agreements in relation to cross-border provision of services and on opportunities to use digital solutions to enable more efficient recognition processes.

Conclusion

Given the significance of services to the region's economies, and the rapid rate of growth of trade in services, there is much to be gained by taking coordinated action to reduce persistent barriers to the internationalisation of professional services. Deficiencies in the recognition of professional qualifications and licensure are restricting the ability of service providers to respond to unmet demand for services in other jurisdictions.

The FTAAP presents a fresh opportunity to promote better recognition of foreign professionals. APEC members and stakeholders can accelerate regulatory alignment by supporting work on global standards in each profession, collaborating with competent authorities and aligned economies to further develop MRAs in priority professions of interest, pursuing the development of a digital approach to supporting regional collaboration on recognition, and commissioning research to inform the improvement of existing MRAs and the design of new agreements.

Annex 1 - The development of global standards for veterinary medicine practitioners

Within veterinary medicine there has been a global initiative through which the most active economies have provided coordinated support to economies that have yet to develop accreditation standards for initial professional education.

Over twenty years ago, licensing and accreditation bodies in North America, Australasia and Western Europe committed to developing global standards and promoting mutual recognition. The competent authority for Australia and New Zealand, the competent authority for the United States and Canada, and the competent authority for Europe all entered MRAs with the competent authority for the United Kingdom.[26]

In 2009, the World Organisation for Animal Health (OIE) held the first global conference on veterinary education, and this led to the development of *OIE Recommendations on the Competencies of Graduating Veterinarians ('Day 1 graduates')* in 2012 and the *Veterinary Education Core Curriculum OIE Guidelines* in 2014.

The Organisation then developed a twinning program that supported partnerships between veterinary medicine programs in economies with well-established accreditation systems and leading programs in economies where professional accreditation systems were not yet in place. Within APEC, partnerships were implemented between universities in Thailand and the United States (supported by the United States' government) and Australia and Vietnam (supported by the Australian government). New Zealand and Japan also supported universities outside APEC. The overarching objective of these partnerships was to aid in the global adoption of the Day 1 Competencies and Core Curriculum, by first working with leading institutions and then with competent authorities to integrate the learning from these projects into their own processes.

By 2020 the twinning project had led to curriculum reform in multiple institutions in Bangladesh, Ethiopia, Jordan, Sri Lanka, Thailand, and Ukraine.[27] This is likely to lead to new MRAs being developed over the next decade between a wider range of economies as they implement new global curriculum and competency standards.

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[26] Edwards, J. (2004). Global perspectives of veterinary education: Reflections from the 27th World Veterinary Congress. *Journal of Veterinary Medical Education*, *31*(1), 9–12.

[27] Sherman, D. M., & Dehove, A. (2020). Perspective on the OIE Veterinary Education Establishment Twinning Programme. *Journal of Veterinary Medical Education*, *47*(s1), 3–7.

Annex 2 - Mutual recognition of professional qualifications in trade agreements – illustrative examples

Agreement	Scope of commitment	Mechanism
Canada/EU Trade Agreement (CETA)	Creates a framework for the mutual recognition of professional qualifications and sets out the general conditions for the negotiation of MRAs. Applies to regulated professions. Allows relevant authorities or professional bodies in both parties to negotiate a proposal on mutual recognition that can then be integrated into the agreement by the Joint MRA Committee. Includes non-binding guidelines with respect to the negotiation and conclusion of MRAs.	Chapter on Mutual recognition of professional qualifications Annex 11-A non-binding guidelines
Aus/UK Free Trade Agreement	Establishes a committee to facilitate dialogue on recognition of professional qualifications between government and professional bodies. Recognises the qualifications of lawyers of the other party to allow the practice of some types of law. Establishes a dialogue between legal professions to consider qualification and recognition matters.	Chapter on Professional Services and the Recognition of Professional Qualifications
Comprehensive Progressive Trans Pacific Partnership (CPTPP)	Allows parties to consider implementing temporary or project specific licensing or registration regimes based on recognition of qualifications or membership. Recognises and supports building on work in APEC on mutual recognition in engineering and architecture. Encourages recognition of legal services. Establishes a Professional Services Working Group to facilitate discussion between government and relevant bodies. Sets out non-binding guidelines to provide practical guidance on MRAs for governments and relevant bodies.	Annex 10-A Professional Services
Regional Comprehensive Economic Partnership (RCEP)	Creates a framework to support the engagement of the parties' professional bodies in dialogue on recognition of qualifications, licences and registration, and the development of mutual recognition agreements in professions of mutual interest. Encourages relevant bodies to work towards the development of mutually acceptable professional standards and criteria in agreed areas, which may	Annex 8C Professional Services

	include education; examinations; experience; conduct and ethics; professional development and re-certification; scope of practice; local knowledge; and consumer protection.	
Indonesia Australia Comprehensive Economic Partnership Agreement (IACEPA)	Provides for cooperation between relevant bodies in each party to support Indonesia advance mutual recognition of engineers, including the Washington Accord. Encourages bodies in Australia and Indonesia to negotiate an MRA on engineers, including mining engineers. Recognises the APEC Engineer Register as a vehicle to promote mobility of professionals.	Side letter on Mutual Recognition of Professional Engineers
United States Mexico Canada Trade Agreement (USMCA)	Encourages dialogue between relevant bodies of the parties to consider MRAs, autonomous recognition of qualifications, mutually acceptable standards and criteria, and temporary or project-specific licensing or registration, among others. Included non-binding guidelines to aid discussions on creation of MRAs. Establishes a Professional Services Working Group composed of representatives of each Party.	Annex 15-C Professional Services. Guidelines for Mutual Recognition Agreements or Arrangements for the Professional Services Sector

Annex 3 - Prioritising recognition efforts to support the green economy

Work on an FTAAP could help support a regional market for environmental services providers. Initiatives that facilitate recognition of professionals in green activities could be advanced to enhance relevant trade and investment, and to help build the workforce for green industries.

Professional services and the green economy
The development of green industries is important to all APEC economies to meet commitments to green transition and as a source of jobs and a driver of economic growth. Services, including professional services, increasingly underpin the economic activity that is needed to make this happen.[28] At the same time, new 'environmental services' are emerging, demanding an evolving blend of skills and qualifications.[29]

However, mobility of professional services providers remains constrained where qualifications, skills and experience are not recognised across markets, inhibiting trade and innovation, and slowing green transition. While existing MRAs for professional services may help alleviate this issue, applying an FTAAP lens provides an opportunity to think about how they could be adapted or improved for the future.

A fresh approach to mutual recognition
An FTAAP could take a fresh approach to MRAs to account for these new developments. Recognition efforts could:
- Focus on an activity where professional services are important and are needed to drive growth. 'Green activities' could be selected as a priority area or 'pilot activity.' (e.g.: clean transport, waste management, or renewable energy).
- Involve a broad cluster of professional services that are needed to support the activity (e.g.: environmental, financial, technical and data services) reflecting the reality of trade and how supply chains work, and better capturing the connections between services, goods and data.
- Adopt a skills lens on qualifications to capture broader skill sets - not only formal licensing or academic requirements - to foster greater workforce inclusion and capture evolving skills requirements.
- Experiment with different forms of recognition arrangements. Participation could be unilateral to support growth areas in a domestic economy, or bilateral/plurilateral to service mutually beneficial investments. Economies could opt in or out as required.
- Expand incrementally. The scope of activities, services and skills covered could be expanded over time, whereby a series of agreements is built up under an umbrella of core principles to support broader alignment of standards and reach of arrangements.

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[28] See https://intracen.org/resources/publications/sme-competitiveness-outlook-2022-connected-services-competitive-businesses
[29] LinkedIn data reveals that the skills profile for the average job changed 24% between 2015 and 2022 and that green skills are increasingly among the newly added workforce skill requirements.

FTAAP pathways

Where there is willingness among policy makers, businesses and professional bodies to cooperate to progress MRAs along this path the initial steps might include:

- <u>A pilot arrangement between one or two economies,</u> covering green activities and professional services of mutual interest.
- <u>Cooperation on the development of guiding criteria/principles</u> that could apply to eventual recognition arrangements.
- <u>Establishment of a dialogue</u> between regulators, professional bodies, education/training providers and businesses to encourage activity which reflects whole of value chain responses.
- <u>Capacity building in priority activities</u>, to support training and upskilling of the professional services workforce in priority areas.
- <u>Development of complementary actions</u> to reduce regulatory barriers to services providers and qualification requirements, including eventually, barriers to goods which impact on the delivery of professional services.

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