



Services Liberalization in ASEAN Countries: Impacts, Experiences and Lessons



Experiences on services sector reform: Main policy questions



- What are the driving forces for internationalization and growth in services?
- In which context (unilateral, preferential, multilateral) do services sector reforms occur?
- What is the role of government in the services reform process?





Selected experiences of export success and ongoing integration efforts



- Higher education services in Malaysia
- Financial services in Singapore
- Health services in Thailand
- Telecommunication-based services in The Philippines
- Transport services in the Greater Mekong Sub-region



Malaysia – Higher Education: Opportunities & challenges



- Additional revenues and incomes from services sales;
- Beneficial impact of competition on domestic service providers;
- Avoiding low quality and rogue providers (degree mills);
- Encouraging the recognition of degrees internationally;
- Putting in place an accommodating migration and visa policy.





Malaysia – Higher Education:

The experience



- Public sector could no longer satisfy demand for higher education:
 - Excess demands for tertiary education despite strong public investment;
 - In 1995, about 20% of Malaysian students were pursuing degrees abroad;
- Government launched fundamental reforms:
 - Private institutions and foreign universities could offer tertiary degrees;
 - Dedicated Ministry of Higher Education was created;
- MHE and Malaysian Qualification Agency set standards:
 - Approval for establishment of private higher educational institution;
 - Registration from the Private Higher Education Management Sector;
 - Permission for particular course or training programs from MHE;
 - Minimum standards for courses from MQA;
 - Accreditation and recognition of programs nationally and internationally;
- Country-specific advantages:
 - English is widely spoken and used as the language of instruction;
 - Melting pot of cultures, traditions and ethnicities;
 - Living costs and course fees are relatively low (e.g. vis-à-vis Australia).

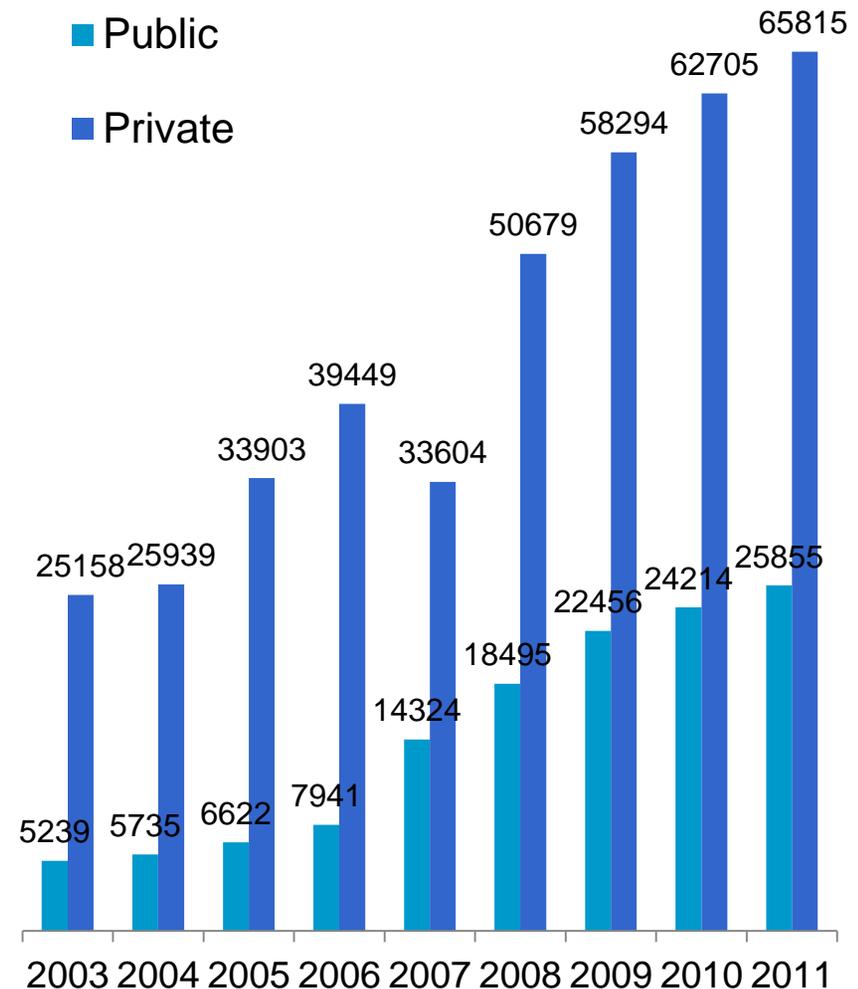


Malaysia – Higher Education: Trade outcomes



- Number of international students hosted in Malaysia more than tripled between 2003 and 2011 (Indonesia, China, and Iran being the most prominent countries of origin);
- Cross-border trade through distance or online learning services (Asia e-University & Open University Malaysia);
- Several branch campuses of Australian, British, Dutch, and Indian universities & development of EduCity Iskandar;
- Also, imports of higher education services through the temporary movement of natural persons;

Foreign students hosted in Malaysia





Singapore – Financial Services: Opportunities & challenges



- Introduction of high-quality banking services at lower cost;
- Increased competition and greater variety of products;
- Promotion of better credit assessment, accounting and auditing practices;
- Risk of instability from sudden shift of funding abroad;
- Potential of domestic banks being pushed into engaging in riskier lending;





Singapore – Financial Services:

The experience



- From the early 1970s, the Monetary Authority of Singapore (MAS) had adopted policies to protect retail banking;
- Asian Financial Crisis prompted comprehensive review of Singapore's financial system;
 - Opening of the market to competition in order to strengthen local banks;
 - More risk-based supervisory approach;
- Gradual and managed licensing of foreign service providers;
 - New category of banking licenses, the “Qualifying Full Bank”;
 - Removal of 40% limit on foreign shareholding of local banks;
 - Increase over time in the number of service locations a QFB can operate;
 - Authorities encouraged consolidation among the local banks;
 - Reforms also extended into wholesale banking, capital markets, and the direct life and general insurance markets;
- Stronger regulatory framework through more demanding disclosure standards, liquidity support, and deposit guarantees;
- Bilateral and plurilateral agreements to anchor reforms;

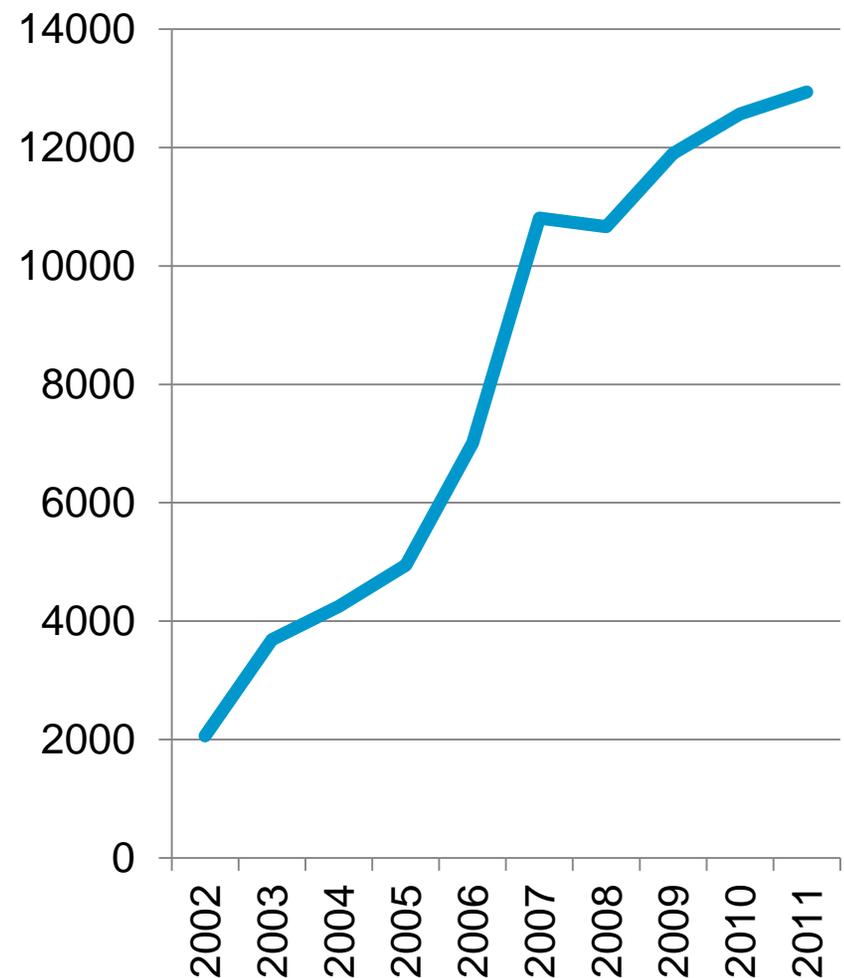


Singapore - Financial services: Trade outcomes



- Strong increase of exports and imports of insurance and financial services;
- Surge in net-exports during the 2000s - finance became biggest contributor to positive services trade balance;
- Financial center for the entire ASEAN region;

Net exports of insurance and financial services





Thailand - Health services Opportunities & challenges



- Rising health care costs, limited insurance cover and long waiting queues in high-income countries;
- Emerging countries can often provide health services of similar quality at lower prices;
- Risk of dual market structure and internal brain drain.





Thailand - Health services Opportunities & challenges



- Low bed occupancy in private hospitals after Asian financial crisis;
- Medical tourism promotion for wellness, herbal treatment, and cosmetic surgery;
 - Vision to become a world-class medical hub;
 - Standards for hospital accreditation
- Government active to contain effects of internal brain drain and dual market structure;
 - three-year compulsory public service for graduates;
 - financial incentives for doctors in rural areas;
 - “One District, One Doctor Project” of local education, training and employment;



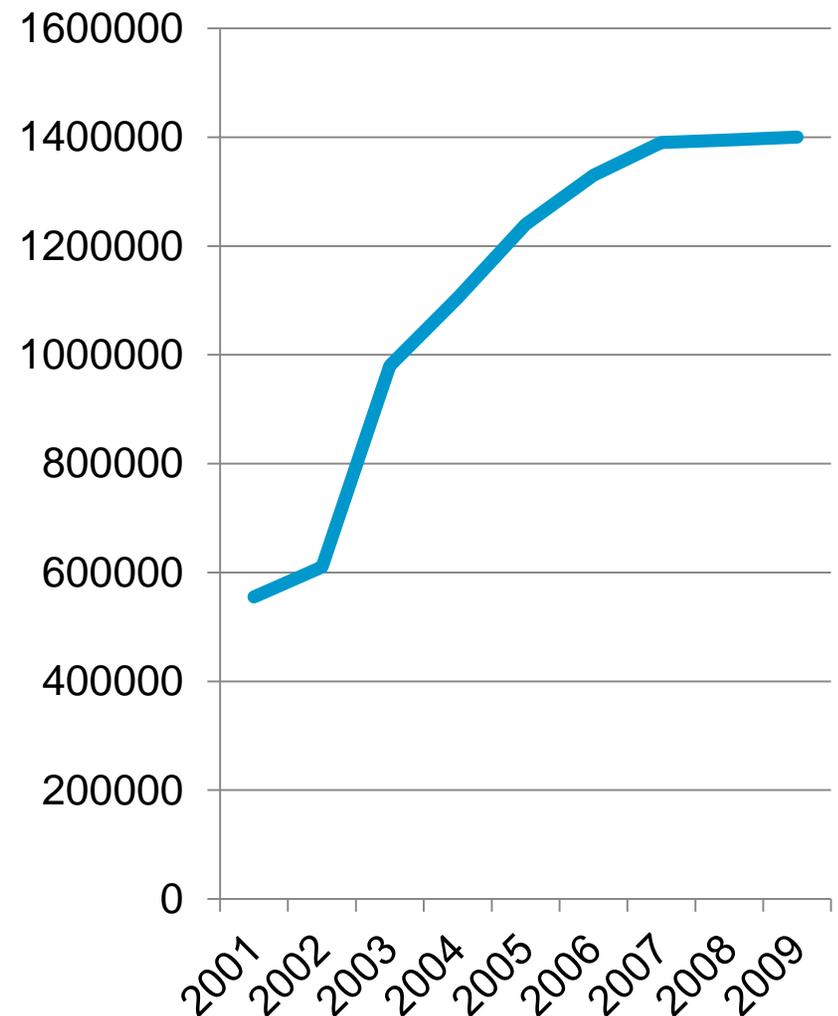
Thailand - Health services

Trade outcomes



- Number of international patients increased markedly during the 2000s;
- Thailand became the leading medical tourist destination in SE-Asia;
- Situation vis-à-vis competitors is bolstered by cost advantage and hospitable culture.

Number of Foreign Patients Treated in Thailand





The Philippines – BPO: Opportunities & challenges



- Increased tradability of many services activities;
- Production of services becoming location-independent;
- BPO is labor-intensive, so that competitive compensation rates are key;
- Quality and reliability of telecommunications.





The Philippines – BPO: The Experience



- Favorable economic environment:
 - Modest labor compensation costs;
 - Large pool of suitably qualified talent;
 - High level of proficiency in American English;
 - Low telecommunications and real estate costs;
- Government support in key areas:
 - Telecom reform (liberalization of the telecommunications industry in the mid-1990s);
 - Investment incentives (possibility of 100% foreign ownership of BPO-firms; tax and import duty reductions for eligible firms);
 - Education policy (standards for degree-granting programs; voucher-based funding for private sector training initiatives) ;

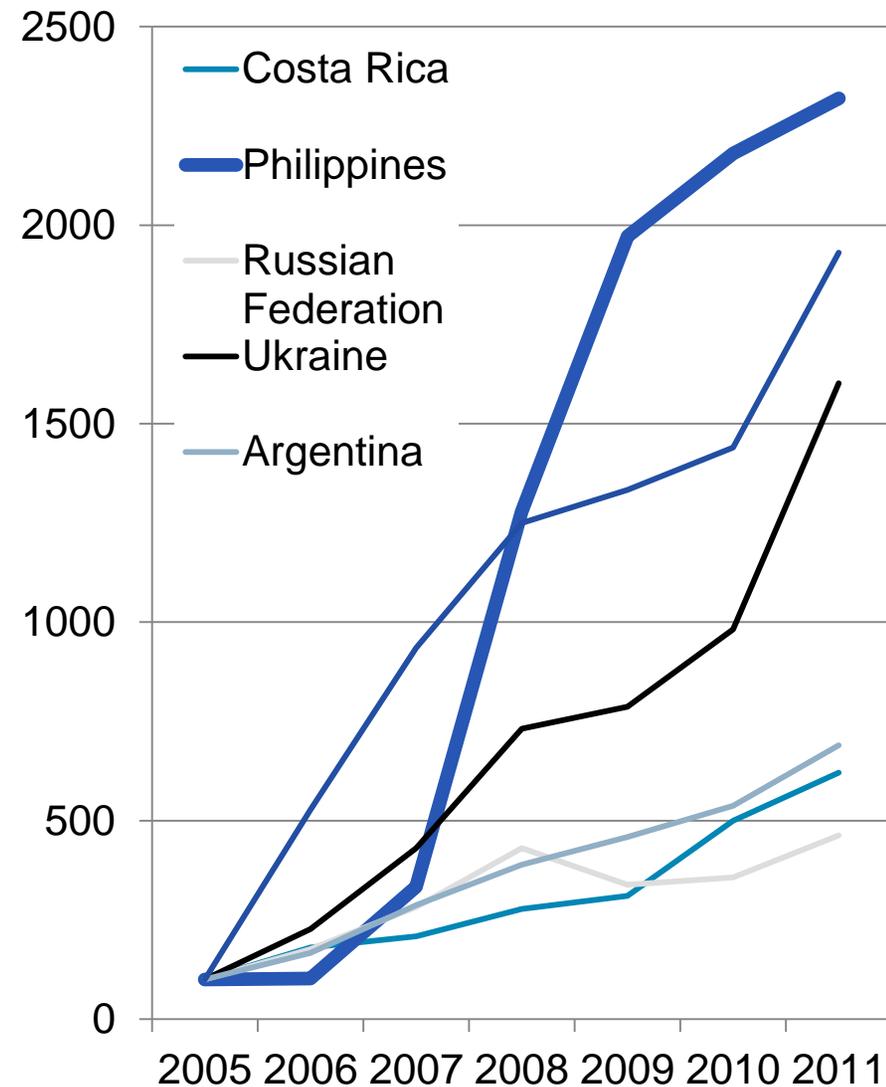


The Philippines – BPO: Trade outcomes



- During 2005-11, exports of computer services rose by an annual average of 69%;
- World's biggest voice-BPO provider;
- Revenues of USD 15 billion in 2013, and employment of 900,000 staff;
- Four-fifth of activities is call-center oriented, but efforts to diversity into more complex, analytical services.

Exports of computer services

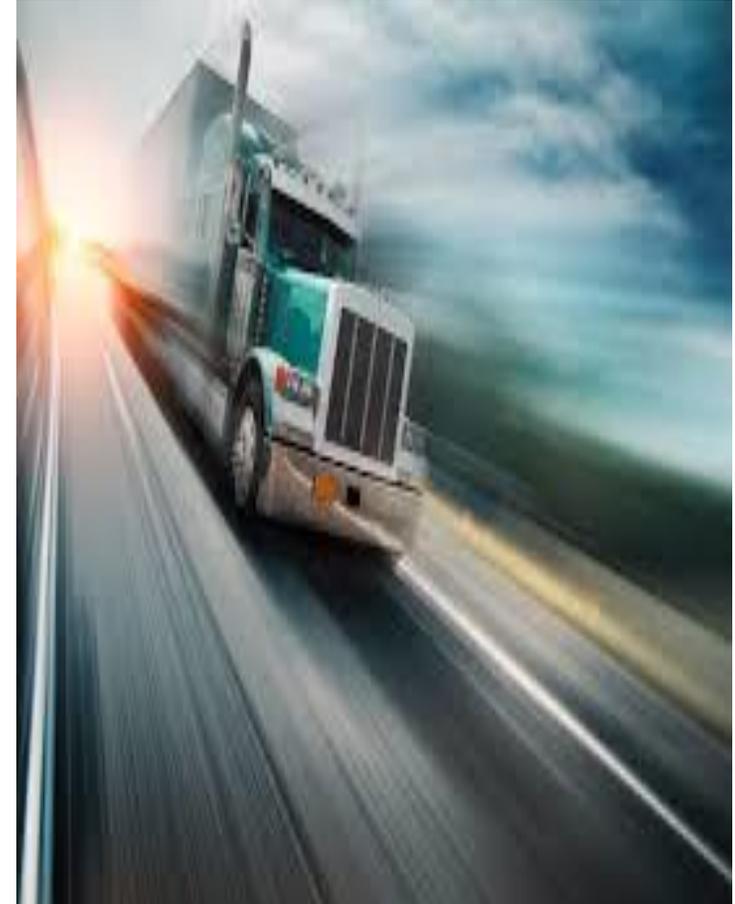




Greater Mekong – Transport: Opportunities & challenges



- Improved connectivity and reduced trade costs;
- Mobilizing funds and loans for developing national and regional road and rail infrastructure;
- Streamlining regulations, procedures and expertise;





Greater Mekong – Transport: The experience



- Greater Mekong Sub-region (GMS) comprises Cambodia, China, Lao PDR, Myanmar, Thailand and Viet Nam;
 - Cross-Border Transport Agreement: trade and transport facilitation;
 - Strategic Framework for Action on Trade Facilitation: institution building, training, and research;
- Good progress in upgrading hard infrastructure, but soft infrastructure reforms have been lagging;
 - coordination among border agencies;
 - informal payments and lack of transparency with respect to the applicable procedures and regulations;
 - differences in logistics regulations (e.g. axel load);
- In parallel, National Single Window & National Logistics Plans;

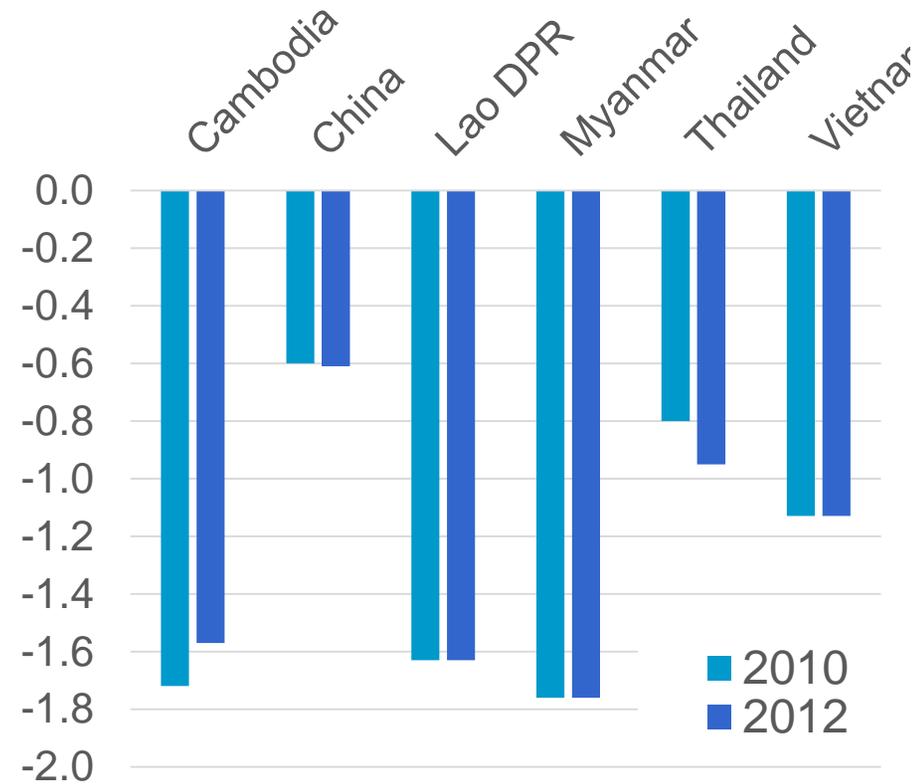


Greater Mekong – Transport: Trade outcomes



- Logistics performance has been improving in (almost) all GMS countries;
- Yet, a substantial gap persists vis-à-vis best practice in ASEAN;
- Some elements of the CBTA have over time been overtaken by broader regional initiatives, such as the ASEAN Single Window initiative.

Logistics performance index
(gap to Singapore)





Main cross-cutting findings



- Private sector the driving force of internationalization and growth;
- Mostly unilateral initiatives;
- Supportive role for government in
 - Enabling private sector investment and FDI;
 - Setting standards and auditing/enforcing them;
 - Guarding domestic population against adverse reform impacts;
 - In some cases, active management of market entry;



Lessons for ASEAN



- Government is best at accommodating liberalization to contain adverse impacts, rather than micro-managing the process;
- Setting and controlling quality standards is important, but uniform requirements seem difficult to implement region-wide in diverse ASEAN;
- Reforms can be initiated at different levels, but overlapping, overambitious targets might be counterproductive (add to administrative burden/confusion), if implementation lags behind;



Thank you for your attention!

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