ASEAN Integration in Trade in Services

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Share of Services in GDP

% of GDP

Source: ASEANStats
ASEAN Services Trade Volume

Source: ASEANStats
Evolution of ASEAN Integration in Services

ASEAN Internal Integration

1995
1. ASEAN Framework Agreement on Services (AFAS)

2003
2. ASEAN Economic Community (AEC) Blueprint

2007
3. ASEAN Economic Community (AEC)

2007-
4. ASEAN Trade in Services Agreement (ATISA)

2013-

2014-

2015

2015>

 ASEAN External Engagement

Starting Services FTA Negotiation: (ASEAN-China)

ASEAN-China 2007
ASEAN-Korea 2007
AANZFTA 2009
ASEAN-India (2014)
ASEAN-Japan (2015?)

Regional Comprehensive Economic Partnership (RCEP)

ASEAN-China (2015-?)
ASEAN-HK (2014-?)
ASEAN Framework Agreement on Services (AFAS)

- ASEAN integration in trade in services was institutionalised through the ASEAN Framework Agreement on Services (AFAS) signed by ASEAN Economic Ministers (AEM) during the 5th ASEAN Summit (Bangkok, 15 December 1995)
- One major objectives of the AFAS is to liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services
- AFAS adopts the structure and approach of General Agreement on Trade in Services (GATS) of the World Trade Organisation (WTO)
  - AFAS provides the framework for integration of services within ASEAN context (e.g. institutional mechanism, accession of new members, dispute settlement, etc.)
  - Article XIV(1) of AFAS provides that main services disciplines remains as per GATS (such as MFN, MA, NT, Domestic Regulations, Transparency, etc.)
- The AEC Blueprint as well as the Ministerial decisions dictates the details of requirements in progressing AFAS commitments and processes
Institutional Mechanism in AFAS Process

- The main ASEAN body overseeing AFAS integration process is the ASEAN Economic Ministers (AEM).
- Since 1999, liberalisation of air transport services is under the purview of ASEAN Transport Ministers (ATM), while the liberalisation of financial services is under the purview of ASEAN Finance Ministers Meeting (AFMM).
- Since 2001, liberalisation of services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying, is subject to investment disciplines instead of AFAS, regulated through the Framework Agreement on the ASEAN Investment Area (AIA), which since 2008 has been transformed into ASEAN Comprehensive Investment Agreement (ACIA).
## Approaches of AFAS Liberalisation

<table>
<thead>
<tr>
<th>Period</th>
<th>Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 – 1998 (Round 1)</td>
<td>Request and Offer</td>
<td>Similar to GATS Incl. Exchange of information on services regime</td>
</tr>
</tbody>
</table>
| 1999 – 2001 (Round 2) | Common Sub-Sectors        | • Common sub-sector = a sub-sector where 4 or more Member State had made commitments under GATS and/or previous AFAS packages.  
  • Member States are requested to make offer for these sub-sectors |
| 2002 – 2004 (Round 3) | Modified Common Sub-Sector | Same as above, but threshold is modified to 3 or more Member States (instead of 4) |
| 2005 – 2006 (Round 4) | 2 Tables of Subsectors*   | • Require a minimum number of subsectors to be submitted that meet certain levels of commitment:  
  • Table 1 = Mandatory subsectors  
  • Table 2 = List of subsectors and $\geq 5$ of them shall be scheduled |
| 2007 onwards       | AEC Blueprint*            | Follow requirements listed in the AEC blueprint and subsequent Ministerial decisions |

* No longer formally labelled as “approach”
ASEAN Economic Community (AEC)

• At the 9th ASEAN Summit (Bali, 7 October 2003), ASEAN Leaders declared Bali Concord II which contains *ASEAN Economic Community (AEC)* as one of its pillar

• The 12th ASEAN Summit (Cebu, 13 January 2007) accelerate the establishment of ASEAN Community by 2015 for all three pillars of *ASEAN Political-Security Community (APSC)*, *ASEAN Economic Community (AEC)*, and *ASEAN Socio-Cultural Community (ASCC)*

• The 13th ASEAN Summit (Singapore, 20 November 2007) adopted the *AEC Blueprint* to implement the AEC by 2015.

• The AEC will establish ASEAN as a single market and production base. It envisages the following inter-related and mutually reinforcing key characteristics:
  - a single market and production base;
    • free flow of *goods*, free flow of *services*, free flow of *investment*, freer flow of *capital*, and free flow of *skilled labour*.
  - a highly competitive economic region;
  - a region of equitable economic development; and
  - a region fully integrated into the global economy.
Free flow of Services in the AEC

- There will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations.
  - Through consecutive rounds every two years until 2015
  - To schedule minimum 10 new sub-sectors meeting threshold in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and 7 in 2015*
  - Modes 1 and 2: To schedule “None” (few exceptions subject to CCS agreement)
  - Mode 3 (Foreign Equity Participation):
    - Priority Sectors**: 2008—51%, 2010—70%, 2013—70% (Logistics)
    - Other Sectors: 2008—49%, 2010—51%, 2015—70%
  - Progressive Removal of Other Mode 3 MA Limitations by 2015
  - Set Parameters of Liberalisation for Mode 3 NT, Mode 4, and Horizontal Limitations***

*Counting of number of subsectors is based on GATS’ MTN.GNS/W/120 classification
**Priority sectors covers air transport, healthcare, e-ASEAN, tourism, and logistics
***Ministerial decisions on these parameters were made in 2007 (Mode 3MA), 2009 (Flexibility), and 2010 (Mode 3 NT)
Progress of AFAS

- ASEAN Economic Ministers have signed 8 packages of commitments negotiated from 6 rounds of negotiations. Almost all ASEAN Member States have signed and completed their full commitments for the 9th AFAS package.

<table>
<thead>
<tr>
<th>Package</th>
<th>Venue and Date of Signing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kuala Lumpur, 15 December 1997</td>
</tr>
<tr>
<td>2</td>
<td>Ha Noi, 16 December 1998</td>
</tr>
<tr>
<td>3</td>
<td>31 December 2001 (Ad-Referendum)</td>
</tr>
<tr>
<td>4</td>
<td>Jakarta, 3 September 2004</td>
</tr>
<tr>
<td>5</td>
<td>Cebu, 8 December 2006</td>
</tr>
<tr>
<td>6</td>
<td>Singapore, 19 November 2007</td>
</tr>
<tr>
<td>7</td>
<td>Cha-am, 26 February 2009</td>
</tr>
<tr>
<td>8</td>
<td>Ha Noi, 28 October 2010</td>
</tr>
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</table>
Progress of AFAS (Cont.)

• In addition, there have also been 5 packages of commitments in financial services signed by the ASEAN Finance Ministers and 5 packages of commitments in air transport services signed by ASEAN Transport Ministers.

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<thead>
<tr>
<th>Sector</th>
<th>Package</th>
<th>Venue and Date of Signing</th>
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</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>2</td>
<td>Yangon, 6 April 2002</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Vientiane, 6 April 2005</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Da Nang, 4 April 2008</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Ha Noi, 4 May 2011</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Kuala Lumpur, 20 Mar 2015</td>
</tr>
<tr>
<td>Air Transport</td>
<td>4</td>
<td>Phnom Penh, 23 November 2004</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Bangkok, 8 February 2007</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Ha Noi, 10 December 2009</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Phnom Penh, 16 December 2011</td>
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<tr>
<td></td>
<td>8</td>
<td>Pakse, 20 December 2013</td>
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Mutual Recognition Arrangement (MRA)

- MRAs in 7 occupations have been signed and are in various stages of implementation
  - The 7th ASEAN Summit (Bandar Seri Begawan, November 2001) called for the start of negotiations on MRA

<table>
<thead>
<tr>
<th>MRA</th>
<th>Venue and Date of Signing</th>
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</thead>
<tbody>
<tr>
<td>MRA on Engineering Services</td>
<td>Kuala Lumpur, 9 December 2005</td>
</tr>
<tr>
<td>MRA on Nursing Services</td>
<td>Cebu, 8 December 2006</td>
</tr>
<tr>
<td>MRA on Architectural Services</td>
<td></td>
</tr>
<tr>
<td>Framework Arrangement for the Mutual Recognition of Surveying Qualifications</td>
<td>Singapore, 19 November 2007</td>
</tr>
<tr>
<td>MRA Framework on Accountancy Services</td>
<td></td>
</tr>
<tr>
<td>MRA on Medical Practitioners</td>
<td>Cha-am, 26 February 2009</td>
</tr>
<tr>
<td>MRA on Dental Practitioners</td>
<td></td>
</tr>
<tr>
<td>MRA on Accountancy Services</td>
<td>Nay Pyi Taw, 13 November 2014</td>
</tr>
</tbody>
</table>
Different Models of MRAs Signed by the AEM

- MRAs on Engineering and Architecture provide recognition of qualifications for registered ASEAN professionals.

- MRAs on Accountancy Services and Surveying lay down the broad principles and framework for the negotiations of bilateral or multilateral MRAs.
  - **Recent Development:** A new MRA on Accountancy Services (no longer in framework format and now provides for recognition of registered accountants) has been signed ad-referendum by November 2014.

- MRAs on Nursing, Medical Practitioners, and Dental Practitioners focus on exchange of information and best practices.
  - Possible mechanism to facilitate temporary entry for activities without patient contact is being explored.
Movement of Natural Persons (MNP)

- **ASEAN Agreement on Movement of Natural Persons (MNP)** was signed on 19 November 2012 in Phnom Penh, Cambodia by **ASEAN Economic Ministers (AEM)**
  - Aims to facilitate the movement of natural persons engaged in the conduct of trade: in goods, trade in services and investment between ASEAN Member States
  - Consolidates all of existing commitments under the **ASEAN Framework Agreement on Services (AFAS)** in relations to Mode 4 (MNP).
ASEAN Qualifications Reference Framework (AQRF)

- AQRF is a common reference framework that enables comparison of qualifications across ASEAN while enhancing each Member States’ qualification systems.
  - AQRF promotes mobility within ASEAN and specifically supports the implementation of AEC Blueprint through recognition of professional qualifications as well as the *ASEAN Socio-Cultural Community (ASCC)* Blueprint which targets to establish national skills frameworks as an incremental approach towards an ASEAN skills recognition framework.

- Consist of 8 levels of competency standard
  - Notion of competence include cognitive and functional competences; with personal and ethical competence attributed to NQF
  - Two (2) domains: Knowledge and Skills, Application and Responsibility
Status of AQRF

• Concept was first tabled in May 2010 at AANZFTA meeting
• Task Force on AQRF was established in May 2012 by the AANZFTA Joint Committee, with support from AANZFTA Economic Cooperation Work Program (ECWP)

• AQRF was endorsed by the 46th ASEAN Economic Ministers (AEM) on 25 August 2014 in Nay Pyi Taw, by the 8th ASEAN Education Ministers Meeting (ASED) on 11 September 2014 in Vientiane, and through ad referendum endorsement process by ASEAN Labour Ministers Meeting (ALMM) completed in 4 May 2015.

• Ongoing national consultations on implementation details:
  − Governance structure e.g. AQRF Board
  − Scope (all sectors & levels of education/training)
  − Monitoring and evaluation
  − Timeline for referencing process (by 2016 or at the latest by 2018)
ASEAN’s Services FTAs

Services is an important element of ASEAN’s Free Trade Area (FTA) and Comprehensive Economic Partnership (CEP) agreements with its Dialogue Partners.

- Completed trade in services agreements:
  - ASEAN-China: Signed on 17 January 2007 in Cebu
  - ASEAN-Korea: Signed on 21 November 2007 in Singapore
  - ASEAN-Australia-New Zealand: Signed on 27 February 2009 in Cha-am (Part of Single Undertaking under AANZFTA)
  - ASEAN-India: Signed on 13 November 2014 in Nay Pyi Taw

- Currently being negotiated:
  - ASEAN-Japan: Expected to be concluded in 2015
  - ASEAN-China Upgrading: started negotiation in 2015
  - ASEAN-Hong Kong: started negotiation in 2014
  - Regional Comprehensive Economic Partnership (RCEP): started negotiation in 2013
Regional Comprehensive Economic Partnership (RCEP)

- ASEAN Leaders at their 19th Summit (Bali, Nov 2011) adopted **ASEAN Framework on Regional Comprehensive Economic Partnership (RCEP)**
  - It established an ASEAN-led process by setting out the principles under which ASEAN would engage interested ASEAN FTA partners and subsequently with other partners
- Leaders of ASEAN and their 6 FTA Partners (Australia, China, India, Japan, Korea, New Zealand) launched the RCEP negotiations through a Joint Declaration on 20 November 2012 in Phnom Penh.
  - They mandated the commencement of negotiations in early 2013 with aim to complete them by the end of 2015
  - They endorsed the **Guiding Principles and Objectives** for negotiations adopted by the Economic Ministers earlier in Siem Reap in August 2012
- Negotiations commenced in May 2013 in Brunei Darussalam. The latest meeting to-date is the 8th round held in June 2015 in Kyoto, Japan.
Objectives and Guiding Principles for Negotiating the RCEP

**Objectives:**
- to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among ASEAN and its FTA Partners.

**Guiding Principles:**
- consistent with the WTO, including GATT Article XXIV and GATS Article V
- significant improvements over the existing ASEAN+1 FTAs
- include provisions to facilitate trade and investment
- include appropriate forms of flexibility, plus additional flexibility to the LDCs
- ASEAN+1 FTAs and the bilateral/plurilateral FTAs will continue to exist
- open accession
- technical assistance and capacity building may be made available
- negotiations on trade in goods, trade in services, investment and other areas will be conducted in parallel to ensure a comprehensive and balanced outcome
Challenges in AFAS Liberalisation

- A diverse grouping of 10 Member States
  - Integrating 10 nations with very different population size, economic/trade size, development level, political system, culture, etc.
- Short time frame for all services sectors and for everyone
  - 2015 is the ultimate timeline, and sooner for priority sectors
  - No a priori exclusion of any sector, with 15% flexibility
  - Cooperation from various domestic stakeholders is required
- Ambitious compulsory liberalisation targets
  - Stricter requirements for quantity and quality of services commitments for each succeeding packages
  - Constraints of domestic laws and regulations, even constitution, in many AMS
  - Perceived lack of ability to compete with foreign suppliers
- Interplay between AFAS and FTA/CEP Liberalisation
  - FTAs/CEPs push AFAS process, and vice versa
Moving Forward

- ASEAN is committed to achieve the free flow of trade in services by 2015 as outlined in the AEC Blueprint.
- To give more attention to facilitation and cooperation
- Enhancement of the AFAS is under discussions
  - To be called *ASEAN Trade in Services Agreement (ATISA)*
  - To be a Post-2015 AEC deliverable
  - Builds-upon and enhances the existing ASEAN services agreements including those signed with ASEAN’s dialogue partners
- On-going effort to conclude services and investment negotiations with Japan
- Reviews of concluded ASEAN services FTAs
- Priority on RCEP negotiations
Further Resources

• ASEAN Trade in Services Main Page: http://www.asean.org/communities/asean-economic-community/category/services

• Latest AFAS Publication: http://www.asean.org/communities/asean-economic-community/category/publications-4
Thank You