ASEAN Services Integration Post-2015: Opportunities & Challenges for Indonesia

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Perspectives on the Role of Services Integration to Supporting the Development of its Members

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Structure

- ASEAN Trade in Services in figures
- ASEAN Framework Agreement on Services (AFAS)
- Complementary initiatives supporting ASEAN integration in trade in services
- How ASEAN integration in trade in services supports development of Members States
ASEAN GDP by Sector: Services

Source: ASEANstats Database
Note: Author’s own elaboration.
## Trade in Services Trend in ASEAN

**USD Million**

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<td>2005</td>
<td>USD 562 million</td>
<td>USD 258 million</td>
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<td>2012</td>
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**Source:** ASEANstats Database  
**Note:** (1) Author’s own elaboration; (2) Average growth rates are based on author’s own calculations.
The rest:
- Communications
- Construction
- Insurance
- Financial
- Computer & Information
- Royalties & licenses fees
- Personal, cultural & recreational
- Government, n.i.e

Source: ASEANstats Database
Note: (1) Author’s own elaboration; (2) The figures for The Rest are based on Author’s calculations.
Trend in Intra-ASEAN Total Trade in Services

USD Million

Year

Source: ASEANstats Database
Note: Author’s own elaboration
Composition of Intra-ASEAN Trade in Services

The rest:
- Communications
- Construction
- Insurance
- Financial
- Computer & Information
- Royalties & licenses fees
- Personal, cultural & recreational
- Government, n.i.e

Source: ASEANstats Database
Note: (1) Author’s own elaboration; (2) The figures for The Rest are based on Author’s calculations.
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<tr>
<th>Pillar 1</th>
<th>Pillar 2</th>
<th>Pillar 3</th>
<th>Pillar 4</th>
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<tbody>
<tr>
<td><strong>Single Market &amp; Production Base</strong></td>
<td><strong>Competitive Economic Region</strong></td>
<td><strong>Equitable Economic Development</strong></td>
<td><strong>Integration into the Global Economy</strong></td>
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<tr>
<td>• Free flow of goods</td>
<td>• Competition policy</td>
<td>• SME development</td>
<td>• Coherent approach towards external economic relations</td>
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<td>• <strong>Free flow of services</strong></td>
<td>• Consumer protection</td>
<td>• Initiative for ASEAN Integration</td>
<td>• Enhanced participation in global supply networks</td>
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<td>• Free flow of investment</td>
<td>• Intellectual property rights</td>
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<td>• Freer flow of capital</td>
<td>• Infrastructure development</td>
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<tr>
<td>• <strong>Free flow of skilled labor</strong></td>
<td>• Taxation</td>
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<td>• Priority Integration Sectors</td>
<td>• E-Commerce</td>
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<td>• Food, agriculture and forestry</td>
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**HUMAN RESOURCE DEVELOPMENT**

**RESEARCH AND DEVELOPMENT**
ASEAN Framework Agreement on Services (1)

- **2004**
  - 4th Package
  - 4th Package of Air Transport Services

- **2002**
  - 2nd Package of Financial Services

- **2000**
  - WC-FSL took over Financial Services
  - ATSN took over Air Transport Services

- **1998**
  - 2nd Package

- **1997**
  - 1st Package

- **1996**
  - CCS created

- **2001**
  - Services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying transferred to CCI
  - 3rd Package (excludes Financial and Air Transport Services)

- **1995**
  - ASEAN Framework Agreement on Services

Source: Author’s own elaboration
ASEAN Framework Agreement on Services (2)

- 2015
  - Aim to sign the 10th Package

- 2014
  - 9th Package

- 2010
  - 8th Package
  - 5th Package Financial Services
  - 7th Package of Air Transport Services

- 2009
  - 7th Package
  - 6th Package of Air Transport Services

- 2008
  - 4th Package of Financial Services
  - 5th Package of Air Transport Services

- 2007
  - 6th Package
  - 5th Package of Air Transport Services

- 2005
  - 3rd Package Financial Services

Source: Author’s own elaboration
AFAS Approaches

2014
- 9th Package

2010
- 8th Package

2009
- 7th Package

2008

Round 4
- "None" for Modes 1 and 2, and
- Mode 3 Foreign Equity
  - 49 percent for priority sectors
  - 51 percent for construction subsectors
  - 30 percent for other sectors

2007
- 6th Package

2006
- 5th Package

2005

Round 3
- Modified Common Sub-Sector Approach, and
- ASEAN Minus X Formula

2004
- 4th Package

2002

Round 2
- Common Sub-Sector Approach

1999
- 3rd Package

1998
- 2nd Package

1997
- 1st Package

1996

ASEAN Economic Community (AEC) Blueprint
Remove restrictions substantially in the 5 priority services sectors by 2013 and all other services sectors by 2015:
- Undertake liberalisation biennially,
- Target to schedule at least 72 additional subsectors between 2007 and 2015,
- No restrictions for Mode 1 and 2, and
- Foreign equity at least 70 percent

Source: Author’s own elaboration
**ASEAN Economic Community Blueprint**

- **2015***
  - Remove substantially all restrictions for all other services sectors
  - Schedule at least 7 additional subsectors
  - No restrictions on Modes 1 and 2
  - Allow at least 70 percent foreign equity for all other services sectors

- **2013***
  - Remove substantially all restrictions for the 5th priority services sector: logistics services
  - Allow at least 70 percent foreign equity for logistics services
  - Progressive removal of other Mode 3 MA limitations

- **2010***
  - Remove substantially all restrictions on trade in services for the 4 priority services sectors:
    - Air transport
    - e-ASEAN
    - Healthcare
    - Tourism
  - Schedule at least 15 additional subsectors
  - No restrictions on Modes 1 and 2
  - Allow at least 70 percent foreign equity for the above 4 priority services sectors
  - Allow at least 51 percent foreign equity for logistics services and all other services sectors

- **2009***
  - Set liberalisation parameters for limitations on NT, Mode 4, and horizontal commitments each round

- **2008***
  - Undertake liberalisation biennially
  - Schedule at least 10 additional subsectors
  - No restrictions on Modes 1 and 2
  - Allow at least 51 percent foreign equity for the 4 priority services sectors:
    - Air transport
    - e-ASEAN
    - Healthcare
    - Tourism
  - Allow at least 49 percent foreign equity for logistics services and all other services sectors

*Source: Author’s own elaboration*
Complementary Initiatives

1. ASEAN Agreement on Movement of Natural Persons

- ASEAN Economic Ministers (AEM) signed the ASEAN Agreement on Movement of Natural Persons (MNP) in November 2012, Cambodia.

- The aim is to be an effective mechanism to further liberalise and facilitate movement of natural persons toward free flow of skilled labour in ASEAN and to eliminate substantially all restrictions in the temporary cross-border movement of natural persons involved in trade of goods and services, and investment.
Complementary Initiatives

2. ASEAN Agreement on Movement of Natural Persons

- **MRA on Engineering Services**, on 9 December 2005 in Kuala Lumpur, Malaysia;
- **MRA on Nursing Services**, on 8 December 2006 in Cebu, the Philippines;
- **MRA on Architectural Services** and **Framework Arrangement for Mutual Recognition of Surveying Qualifications** on 19 November 2007 in Singapore;
- **MRA on Medical Practitioners** and **MRA on Dental Practitioners** both on 26 February 2009 in Cha-am, Thailand;
- **MRA Framework on Accountancy Services**, on 26 February 2009 in Cha-am, Thailand and subsequently as **MRA on Accountancy Services**, on 13 November 2014 in Nay Pyi Taw, Myanmar; and
- **MRA on Tourism Professionals**, on 9 November 2012 in Bangkok, Thailand.
Complementary Initiatives

3. ASEAN Qualification Reference Framework (AQRF)

- The proposed regional framework will function as a device to enable comparisons of qualifications across ASEAN Member States, meanwhile support and enhance each country’s national qualifications framework or qualifications systems that are currently at varying levels of development, scope and implementation.

- Taking a close look at other related initiatives, including from different sectoral bodies and industry associations, the AQRF could also be used as a reference of possible linkage with other regional and international qualifications systems in future.
How ASEAN integration in trade in services supports development of Member States?

- Opportunity to expand cross-border trade and investment in an increasing range of services subsectors
- Market consolidate to take advantage of economy of scale
- Consumers get to enjoy wider range and higher quality of services at more competitive prices
- ASEAN MRAs helped the development, establishment and improvement in regulatory system of the professional practices, and competences
- Similarly for AQRF
Thank You