

ASEAN Integration: Services



The services sector is a large and expanding component of ASEAN's economies. On average, the services sector contributes 40-50% to the ASEAN GDP. ASEAN exports of commercial services to the world market have developed from US\$ 197.8 billion in 2007 to US\$ 253.2 billion in 2012. Vice versa, ASEAN imports of commercial services from the world market grew steadily from US\$ 211.6 billion (2008) to around US\$ 275.2 billion (2012).

ASEAN officially launched an agreement towards free flow of services at the 5th ASEAN Summit in Bangkok (1995). The **ASEAN Framework Agreement on Services (AFAS)** is expected to eliminate barriers to trade in services sectors among ASEAN countries. Free flow of services is expected to be facilitated further with the establishment of the ASEAN Economic Community (AEC) by 2015.

Three Objectives of AFAS:

- Enhance cooperation in services amongst Member States in order to improve efficiency and competitiveness, diversify production capacities and supply as well as distribution of services within and outside ASEAN,
- Substantially eliminate restrictions to trade in services amongst Member States, and
- Liberalize trade in services by expanding the depth and scope of liberalization beyond those undertaken by Member States under GATS.

All AFAS rules are consistent with international rules for trade in services set by the GATS Agreement of the World Trade Organisation (WTO).

Until 2010 the ASEAN leaders approved 8 packages of commitments. At present, the Member States are working towards full completion of their commitments from the 8th package, as per mandate of the AEC Blueprint.

One important pillar of ASEAN's activities on services are '**Mutual Recognition Arrangements**' (MRA) which aim at eliminating a significant barrier to trade in services. So far, ASEAN has concluded seven MRAs:

- on Accountancy Services, Medical Practitioners and Dental Practitioners (2009),
- on Engineering Services (2005), and on Nursing Services (2006),
- on Architectural Services and on Surveying Qualifications (2007).



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There are several ASEAN bodies concentrating on trade in services, such as:

- The Coordinating Committee on Services (CCS), following the signing of AFAS. CCS works on the integration of the following service sectors: business services, construction, healthcare, logistics and transport services, telecommunication and IT services, and tourism. The Coordinating Committee on Investment (CCI), being established at the meeting of the ASEAN Investment Area (AIA) Council in 1998, is tasked to assist the implementation of the AIA Agreement.
- The Air Transport Sectoral Negotiations (ATSN), a specific negotiating working group under the Air Transport Working Group (ATWG) that pursues liberalization of air transport services.
- The Working Committee on ASEAN Financial Services Liberalization (WC-FSL/AFAS, established in 2000).

Success Story:

ASEAN Single Aviation Market triggering domestic competitiveness

ASEAN has set the target of realizing an ASEAN Single Aviation Market (ASAM) by 2015. This will require not only air services liberalization, but also coming to an agreement on fundamental issues of a single aviation market, such as airport infrastructure, aviation industry structures, liberalization of ancillary air services, air traffic management and control, and air safety and security. The liberalization of passenger and cargo air services in the ASEAN region is basically connected to the projected AEC by 2015. It provides an essential component of the transport machinery to facilitate the movement of goods and people among the ASEAN Member States.

In 2012, Indonesia's domestic market grew by 20 %, coming from 60.2 million passengers (2011) to now 72.5 million passengers. This makes Indonesia the 5th largest domestic market in the world and one of the fastest growing. 2012's increase in domestic passenger traffic follows 16 % growth in 2011, 18 % growth in 2010 and 17 % growth in 2009. As a result Indonesia's domestic market has nearly doubled in only four years from originally 37.4 million passengers in 2008.

The national flagship carrier Garuda Indonesia has been repeatedly awarded for being a global best performer. Privately owned carriers Air Asia Indonesia and Lion Air pursue ambitious expansion plans, domestically and regionally.



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