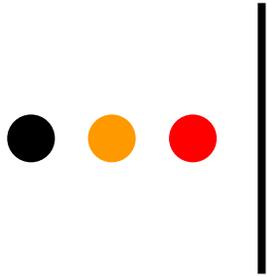


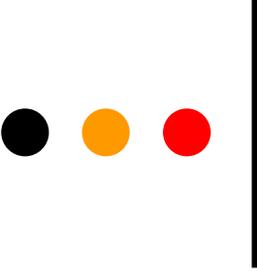
Drivers of Services Trade in ASEAN and implications for GMS countries

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ARTNeT Consultative Meeting on
Bridging the Development Gaps in the GMS
Centre for Analysis and Forecasting
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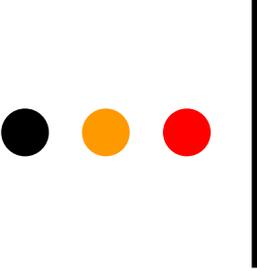


ASEAN AEC Blueprint: Free Flow of Service



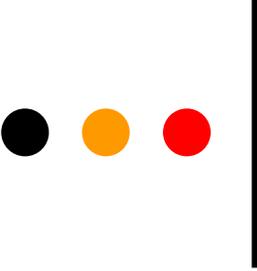
The Liberalization Milestones

- **2008:**
 - complete inventory of ASEAN barriers to services by August 2008
 - ASEAN equity participation not less than 51% in 4 priority service sectors (*air transport, e-ASEAN, healthcare and tourism*) and 49% for other service sectors
 - Complete MRAs currently under negotiation by 2008
- **2010:** ASEAN equity participation not less than 70 % in 4 priority service sectors, 51% for other service sectors.
- **2013:** ASEAN equity participation not less than 70 % for logistics
- **2015:**
 - ASEAN equity participation not less than 70 % for other services.
 - Progressively remove other mode 3 market access limitations by 2015.



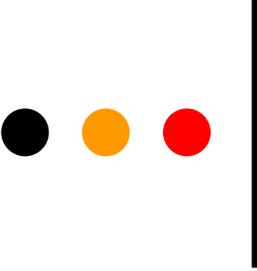
The Liberalization Milestones (2)

- Allow for flexibilities (sectoral exclusion and partial liberalization)
- Liberalization through ASEAN – X is allowed.
- Identify MRAs for other professional services by 2012 and complete all MRAs by 2015



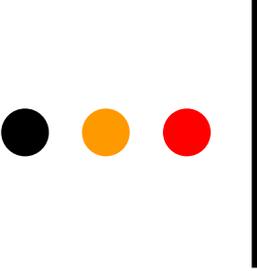
Observations

- 2008 deadlines have passed.
- Scope of liberalization of 4 priority sectors are unclear.
- Flexibility, if not confined, can undermine the comprehensiveness of ASEAN service liberalization
- Mode 3 liberalization concentrates narrowly on equity share.
- No established procedures for dealing with domestic regulations.



Why service liberalization is difficult ?

- Service sector liberalization requires coordination across many Ministries and government agencies.
- Many ASEAN countries maintain a relatively protectionist stance for service sector. Most liberalization steps have been unilateral (except for countries with late accession to the WTO).
- The scope of “*quid pro quo*” in negotiations are limited.
- No clear industrial policy available for the service sector.



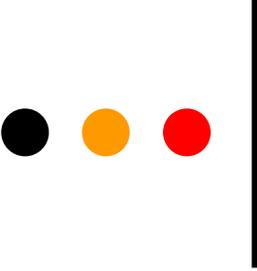
What are the remaining Barriers ?

- Mode 3

- Foreign equity share
- Permits and license
- Business regulations
- State-owned enterprises unfair advantage
- Land ownership

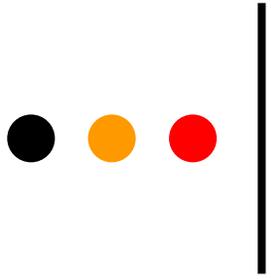
- Mode 4

- Prohibition of employment in certain professions
- Lack of skills recognition
- Restrictions imposed on the hiring of foreign workers (field of work, position that can assume, local to foreign workers ratio, limitation on the number of foreign workers, etc.)



Going forward:

- Much more information on service sector at the national and regional level (ASEAN sec) is required for an effective policy making.
- Liberalization must be “*comprehensive*” rather than “*piecemeal*”. Perhaps it would be more workable to concentrate just on a few sectors such as telecom in the WTO.
- Individual bilateral trade agreements of each ASEAN member state may help pave way for broader liberalization.
- The need to remain “competitive” may make liberalization inevitable.



THANK YOU