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ASEAN INTEGRATION IN SERVICES



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TABLE OF CONTENTS

Table of Contents	1
I. Introduction	2
II. Trade in Services in ASEAN	3
III. ASEAN Framework Agreement on Services	3
IV. ASEAN Institutional Mechanism in Trade in Services	4
V. How Services Liberalisation are Negotiated in ASEAN	5
VI. What Have been Achieved?	5
VII. Mutual Recognition Arrangement (MRA)	7
VIII. ASEAN Economic Policies Related to Services	7
1997: ASEAN Vision 2020.....	7
1998: Ha Noi Plan of Action.....	8
1999: Parameters to Guide Services Liberalisation.....	8
2001-2002: Roadmap for Integration of ASEAN.....	8
2002-2003: ASEAN Minus X Formula and the Protocol to Amend AFAS.....	8
2003: Bali Concord II and Recommendations of the High Level Task Force on ASEAN Economic Integration.....	9
2004: Vientiane Action Programme and ASEAN Framework Agreement for the Integration of Priority Sectors.....	9
2005: Logistics Services and End-Date of Services Liberalisation.....	9
IX. Services Element in ASEAN's FTA with Dialogue Partners	10
X. Moving Forward	10
Appendix 1: Inquiries and Contact Points	12
Appendix 2: Some Basic Concepts and Terms in Trade in Services	13
Defining "Trade in Services": the 4 Modes of Supply.....	13
Basic Principles of Services Liberalisation.....	13
Schedule of Services Commitments.....	13
Appendix 3: Classification of Services Sectors and Sub-Sectors	15
Appendix 4: Glossary	16

ASEAN INTEGRATION IN SERVICES

I. INTRODUCTION

*“The ASEAN Economic Community is the realisation of the end-goal of economic integration as outlined in the ASEAN Vision 2020, to create a stable, prosperous and highly competitive ASEAN economic region in which **there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities in year 2020.**” (Bali Concord II, October 2003)¹*

Integration in services is one of the important elements in building the **ASEAN Economic Community (AEC)**, as envisaged by the ASEAN Heads of States/Governments in this Declaration of **Bali Concord II**. Following the achievement of the **ASEAN Free Trade Area (AFTA)** in reducing tariffs for trade in goods down to 0~5% level for almost all goods traded within the region, liberalisation of trade in services is one of the next critical initiatives in ASEAN economic integration. In fact, the decision of the subsequent 11th ASEAN Summit in December 2005 to accelerate the liberalisation of trade in all services sectors by 2015, with flexibility,

affirms the seriousness of ASEAN to further integrate its services sectors and deepen its economic integration.

While services has long played a vital role in economic development, international arrangement for cross-border trade in services is relatively new compared to that of trade in goods. The **General Agreement on Trade in Services (GATS)**, the first multilateral agreement on this subject, was only concluded in 1994 along with the conclusion of the **Uruguay Round** of trade negotiations.² Nonetheless, ASEAN has been prompt in responding to this development as it concluded the **ASEAN Framework Agreement on Services (AFAS)** about a year later. Following the signing of AFAS, ASEAN immediately proceeded with embarking rounds of negotiations to open up trade in services among its Member Countries.

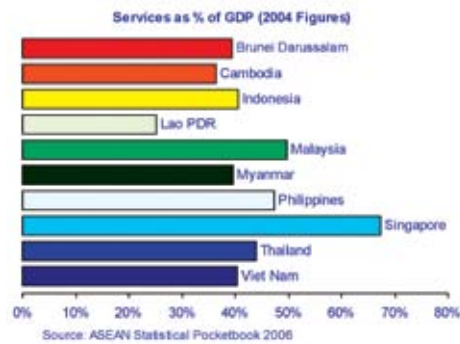
The following sections explain the state of play of trade in services in ASEAN and how the region moves forward in integrating its trade in services.

¹ Declaration of ASEAN Concord II which was done at the 9th ASEAN Summit held on 7 October 2003 in Bali, Indonesia. Also referred to as “Bali Concord II.”

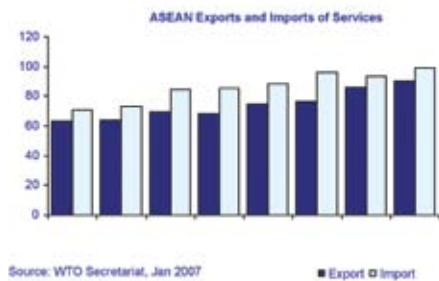
² Compare this with the General Agreement on Tariffs and Trade (GATT) developed in 1947. The Uruguay Round also resulted in the establishment of World Trade Organisation (WTO).

II. TRADE IN SERVICES IN ASEAN

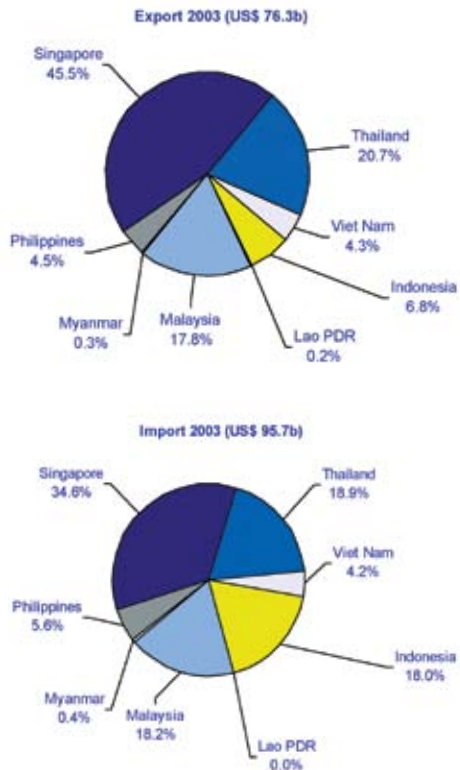
Services is a sizeable and continuously expanding component of GDP in ASEAN economies. On average, an ASEAN country generates about 40~50% of its **Gross Domestic Product (GDP)** from the services sectors.



In terms of trade, ASEAN export of services to the world market had grown steadily from US\$63.3 billion in 1998 to US\$ 76.3 billion in 2003. The current estimate of 2005 export volume is at US\$ 90.1 billion. Of relatively similar trend and magnitude, ASEAN import of services from the world market grew steadily from US\$ 70.5 billion in 1998 to US\$ 95.7 billion in 2003. The current estimate of 2005 import volume is at US\$ 99.4 billion.³



The share of services export and import among ASEAN Member Countries appears in the charts below, based on the latest statistics of the WTO Secretariat (2003 data).



III. ASEAN FRAMEWORK AGREEMENT ON SERVICES

Recognising the growing importance of working towards freer flow of trade in services within ASEAN, the **ASEAN Economic Ministers (AEM)** signed the **ASEAN Framework Agreement on Services (AFAS)** (<http://www.aseansec.org/6628.htm>) on 15 December 1995 during the 5th ASEAN Summit in Bangkok, Thailand.

The AFAS aim to:

- Enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity, and supply and distribution of services of their service suppliers within and outside ASEAN.

³ Note: excluding Brunei Darussalam due to lack of data

- Eliminate substantially restrictions to trade in services amongst Member States.
- 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.

It provides the broad guidelines for ASEAN Member Countries to progressively improve **market access** and ensure equal **national treatment** for services suppliers among ASEAN countries.⁴ All AFAS rules are consistent with international rules for trade in services as provided by the **General Agreement on Trade in Services (GATS)** of the World Trade Organisation (WTO) (http://www.wto.org/english/docs_e/legal_e/26-gats.doc).

The objective of AFAS to liberalise services trade towards achieving commitments beyond Member Countries' commitments under GATS, as mentioned above, is referred to as the **GATS-Plus** principle. It means that ASEAN Member Countries shall schedule commitments under AFAS that are better than their GATS commitments or offer new services sectors/sub-sectors that have not been scheduled under GATS.⁵

IV. ASEAN INSTITUTIONAL MECHANISM IN TRADE IN SERVICES

ASEAN integration in services is generally carried out through liberalisation processes negotiated under the **Coordinating Committee on Services (CCS)**. The CCS was established in January 1996, and reports to the **ASEAN**

Economic Ministers (AEM) through the **Senior Economic Officials Meeting (SEOM)**.

There are currently six sectoral working groups under the CCS: business services, construction, healthcare, maritime transport, telecommunication and IT services, and tourism sectoral working groups. There is also one caucus on education services. Despite the grouping, ASEAN Member Countries could also schedule liberalisation commitments in other services sectors.

In addition to this, the liberalisation of air transport services, financial services, and services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying are undertaken by ASEAN sectoral bodies in transport, finance, and investment, respectively, since 1999. More specifically:

- The **Air Transport Working Group (ATWG)** under the purview of ASEAN Transport Ministers undertakes the negotiations to liberalise air transport services.
- The **Working Committee on ASEAN Financial Services Liberalisation under AFAS (WC-FSL/AFAS)**⁶ under the purview of ASEAN Finance Ministers undertakes the negotiations to liberalise financial services.
- The **Coordinating Committee on Investment (CCI)** undertakes the negotiations to liberalise services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying under the framework of **ASEAN Investment Area (AIA) Agreement**.⁷
- Prior to 1999, liberalisation of these sectors was undertaken by the CCS.

⁴ See also **Appendix 2** for technical explanations of "Market Access" and "National Treatment".

⁵ When AFAS was signed in 1995, Cambodia, Lao PDR, and Viet Nam had not acceded to the WTO and that Cambodia, Lao PDR, and Myanmar had not joined ASEAN.

⁶ The abbreviation "WC-AFAS" was previously used until the decision of the 12th Meeting of this Working Committee held on 26 February 2007 in Pattaya, Thailand.

⁷ The AIA Agreement is available at <http://www.aseansec.org/6480.htm>. However, the decision to transfer the liberalisation of services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying into AIA was incorporated in the **Protocol to Amend the Framework Agreement on the ASEAN Investment Area** (<http://www.aseansec.org/6467.htm>) signed in 2001.

V. HOW SERVICES LIBERALISATION ARE NEGOTIATED IN ASEAN

Following the signing of AFAS, officials of ASEAN Member Countries immediately started to embark on the negotiations to achieve the objective of AFAS of creating a freer trade in services within the region. ASEAN started with a three-year cycle of rounds of services negotiation.

During the first round (1996 – 1998), ASEAN adopted the GATS-style of **Request and Offer Approach** for its services liberalisation. The process started with exchange of information among ASEAN Member Countries on each other's GATS Commitments and services trade regime.

During the second round (1999 – 2001), ASEAN adopted **Common Sub-Sector Approach**. A common sub-sector is defined as a sub-sector where 4 (four) or more countries had made commitments in that sub-sector under GATS and/or previous AFAS package.⁸ All Member Countries were requested to make MFN commitments in these identified sub-sectors.

During the third round (2002 – 2004), ASEAN adopted **Modified Common Sub-Sector Approach**. The approach is basically the same as Common Sub-Sector Approach, but the threshold is reduced to 3 (three) or more countries instead of 4 (four) or more. In addition to this approach, ASEAN also started negotiating using **ASEAN Minus X Formula**.⁹ Under this approach, two or more countries may proceed with an agreed services sector liberalisation without having to extend the concessions to non-participating countries. Others may join at a later stage or whenever ready.

The fourth round was launched by the AEM at its 36th Meeting held on 3 September 2004 to start in 2005 and shall be concluded in two years. For this round, ASEAN agreed on a list of 65 sub-sectors where all Member Countries shall schedule commitments (known as **Table 1**) and a list of 19 sub-sectors where Member Countries are required to schedule at least 5 sub-sectors (known as **Table 2**).

VI. WHAT HAVE BEEN ACHIEVED?

ASEAN integration in services is mainly carried out through successive rounds of liberalisation negotiations, resulting in packages of services commitments from each ASEAN Member Country. There have also been progresses made in the area of facilitation through Mutual Recognition Arrangements, which will be discussed in **section VII**.

At present, ASEAN has concluded 5 **Packages of Commitments under the AFAS** through 4 rounds of negotiations since 1 January 1996. These packages are signed by the ASEAN Economic Ministers (AEM) and provide for details of how each ASEAN Member Country will liberalise each of the sectors and sub-sectors where commitments are made.¹⁰

These 5 packages consist of the following:

Round 1 (1996 – 1998)

- 1st Package, signed on 15 December 1997 in Kuala Lumpur, Malaysia.
- 2nd Package, signed on 16 December 1998 in Ha Noi, Viet Nam.

Round 2 (1999 – 2001)

- 3rd Package, signed by 31 December 2001 (Ad-Referendum Signing).

⁸ See also **Section VIII, 1999**.

⁹ See also **Section VIII, 2002-2003**.

¹⁰ See also **Appendix 2** for technical explanation on how to read schedules of services commitments.

Round 3 (2002 – 2004)

- 4th Package, signed on 3 September 2004 in Jakarta, Indonesia.

Round 4 (2005 – 2006)

- 5th Package, signed on 8 December 2006 in Cebu, the Philippines.

The compilation of AFAS services commitments of each ASEAN Member Country can be downloaded from <http://www.aseansec.org/19087.htm>.

Please note that the 5th Package of AFAS consolidates all commitments made in earlier AFAS and GATS packages¹¹ along with new/improved commitments made in the 4th round of negotiations.

In addition, there have also been two additional packages of commitments in financial services signed by the ASEAN Finance Ministers (the **second** and **third Package of Commitments of Financial Services under the AFAS**) and two additional packages of commitments in air transport signed by the ASEAN Transport Ministers (the **Fourth** and **Fifth Package of Commitments on Air Transport Services under the AFAS**).¹²

The packages of commitments in financial services are as follows:

- 2nd Package, signed on 6 April 2002 in Yangon, Myanmar.
- 3rd Package, signed on 6 April 2005 in Vientiane, Lao PDR.

and can be downloaded from <http://www.aseansec.org/6321.htm>.

The packages of commitments in air transport are as follows:

- 4th Package, signed on 23 November 2004 in Phnom Penh, Cambodia.
- 5th Package, signed on 8 February 2007 in Bangkok, Thailand.

and can be downloaded from <http://www.aseansec.org/7365.htm>.

For further information and reference, the commitments of ASEAN Member Countries under the GATS/WTO can be downloaded from the following page of the WTO website:

http://www.wto.org/english/tratop_e/serv_e/serv_commitments_e.htm.

Through all these packages of commitments, services industries can expect an increasingly freer trade and improved certainty in conducting international businesses within ASEAN region in various sectors and sub-sectors, which include:

- Air transport: sales and marketing of air transport services, computer reservation, aircraft repair and maintenance, etc.
- Business services: IT services, accounting, auditing, legal, architecture, engineering, research and development, computer-related services, etc.
- Construction: construction of commercial buildings, civil engineering, installation works, rental of construction equipments, etc.
- Distribution: commission agent services, wholesale trade, retail trade, etc.
- Education: adult education, primary education, secondary education, etc.
- Environment: sewage, sanitation, noise abatement, nature and landscape protection, etc.
- Financial services: banking, insurance, securities and broking, financial advisory, consumer finance, etc.
- Healthcare: medical and dental services, hospital services, nursing, ambulance, etc.

¹¹ Except for financial services (which had been undertaken by ASEAN Finance Ministers), air transport services (which had been undertaken by ASEAN Transport Ministers), and services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying (which had been undertaken by ASEAN Coordinating Committee on Investment). See also **section IV**, above on this mechanism.

¹² See also **section IV**, on this institutional mechanism.

- Maritime transport: international passenger and freight transport, storage and warehousing, freight forwarding, etc.
- Telecommunication: voice telephone services, mobile phone services, business networks services, data and message transmission, e-mail, etc.
- Tourism: hotel and lodging services, food serving, tour operator, travel agency, etc.

ASEAN continues to work on further expanding and deepening the negotiations to cover all sectors and all modes of supply. Steps are being taken to achieve a free flow of services by 2015, with flexibility.

VII. MUTUAL RECOGNITION ARRANGEMENT (MRA)

Mutual Recognition Arrangements (MRAs) is the more recent development in ASEAN integration in services in the area of facilitation. An MRA enables professional service providers who are registered or certified in signatory Member Countries to be equally recognised in other signatory Member Countries, hence facilitating the flow of professional services providers in the region.

At the 7th ASEAN Summit held on 5 November 2001 in Bandar Seri Begawan, Brunei Darussalam, ASEAN Heads of States/Governments mandated the start of negotiations on MRA to facilitate the flow of professional services under AFAS. The **ASEAN Coordinating Committee on Services (CCS)** established Ad-hoc Expert Group on MRA under its Business Services Sectoral Working Group in July 2003 to start and coordinate services MRA negotiations. To-date, MRA development

has been discussed and negotiated in various CCS working groups.

At present, **MRA on Engineering Services (<http://www.aseansec.org/18009.htm>)** and **MRA on Nursing Services (<http://www.aseansec.org/19210.htm>)** had been concluded and signed by the AEM on 9 December 2005 in Kuala Lumpur, Malaysia and on 8 December 2006 in Cebu, the Philippines, respectively.

A number of other services sub-sectors are currently in various stages of negotiations. They include Architecture, Accountancy, Surveying, Medical, and Tourism. Additional possible MRAs in other sub-sectors are also under consideration.

VIII. ASEAN ECONOMIC POLICIES RELATED TO SERVICES

1997: ASEAN Vision 2020

The Heads of States/Governments of ASEAN Member Countries adopted the **ASEAN Vision 2020 (<http://www.aseansec.org/5228.htm>)** during their 2nd Informal Summit held on 15 December 1997 in Kuala Lumpur, Malaysia. The Vision 2020 states the determination of ASEAN to, amongst others:

- Create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities.
- Accelerate liberalisation of trade in services.
- Accelerate free flow of professional and other services in the region.

1998: Ha Noi Plan of Action

The 6th ASEAN Summit held on 16 December 1998 in Ha Noi, Viet Nam, adopted **Ha Noi Plan of Action (HPA)** (<http://www.aseansec.org/8754.htm>) as the first in a series of plans of action building up to the realisation of the goals of the Vision 2020. The HPA has a six-year timeframe covering the period from 1999 to 2004.

During this Summit, the ASEAN Heads of States/Governments also issued the **Statement on Bold Measures** (<http://www.aseansec.org/8756.htm>) aiming to regain business confidence, enhance economic recovery and promote growth after the economic and financial crisis.

1999: Parameters to Guide Services Liberalisation

In response to the decision of the Sixth ASEAN Summit calling for a new round of negotiations in services, the ASEAN Economic Ministers (AEM) at their 31st Meeting held on 30 September 1999 in Singapore endorsed the following set of parameters to guide liberalisation in trade in services:

- In the short-term, the target will be for all Member Countries to make commitments in common sub-sectors. A common services sector/sub-sector is defined as a service sector/sub-sector in which four or more ASEAN Member Countries have made commitments under the GATS or previous AFAS packages.
- In the long-term, the target will be to achieve free flow of services in all services sectors and all modes of supply.

2001–2002: Roadmap for Integration of ASEAN

The 7th ASEAN Summit held on 5 November 2001 in Bandar Seri Begawan, Brunei Darussalam agreed on the need for a **Roadmap for Integration of ASEAN (RIA)** charting milestones along the way including specific steps and timetables.

The following 34th AEM held on 12 September 2002 in Bandar Seri Begawan, Brunei Darussalam, endorsed a set of RIA. In the area of trade in services, a number of action plans was laid out, including:

- Develop and adopt alternative approaches to liberalisation.
- Endeavour to put the regulatory frameworks in place.
- Remove all impediments to facilitate free flow of trade in services in the region.
- Conclude Mutual Recognition Arrangements (MRAs) for each professional services.

2002-2003: ASEAN Minus X Formula and the Protocol to Amend AFAS

With a desire to expedite liberalisation of trade in services within ASEAN, the AEM during their Retreat on 6 July 2002 in Genting Highland, Malaysia called for “**10 Minus X Principle**” be applied in services negotiation. Under this principle (Subsequently renamed as “**ASEAN Minus X Formula**”), two or more countries may proceed with the agreed service sector liberalisation without having to extend the concessions to non-participating countries. Others may join at a later stage or whenever ready.

At the 34th AEM Meeting held subsequently on 12 September 2002 in

Bandar Seri Begawan, Brunei Darussalam, the Ministers endorsed a set of parameters to guide the implementation of this ASEAN Minus X Formula. To enable for application of this formula, the 35th AEM held on 2 September 2003 in Phnom Penh, Cambodia signed the **Protocol to Amend the ASEAN Framework Agreement on Services** (http://www.aseansec.org/AFAS_Amendment_Protocol.pdf).

2003: Bali Concord II and Recommendations of the High Level Task Force on ASEAN Economic Integration

The Special Informal AEM Meeting held on 12-13 July 2003 in Jakarta, Indonesia, identified 11 sectors for priority integration. Out of these 11 sectors, 4 are related to services, namely: tourism, e-ASEAN, air travel, and healthcare.

At the 9th ASEAN Summit held on 7 October 2003 in Bali, Indonesia, ASEAN Heads of States/Governments declared **Bali Concord II** (<http://www.aseansec.org/15159.htm>) which contains ASEAN Economic Community (AEC) as the realisation of the end-goal of economic integration as outlined in the ASEAN Vision 2020. To achieve AEC, the Summit adopted the Recommendations of the **High Level Task Force on ASEAN Economic Integration (HLTF)**.¹³

The HLTF outlined a number of measures for trade in services, including:

- Set clear targets and schedules of liberalisation towards achieving free flow of trade in services earlier than 2020, with accelerated liberalisation of priority sectors by 2010.

- Accelerate liberalisation in specific sectors earlier than end-date through the application of ASEAN-X formula.
- Complete Mutual Recognition Arrangements (MRAs) for major professional services by 2008.

2004: Vientiane Action Programme and ASEAN Framework Agreement for the Integration of Priority Sectors

The 10th ASEAN Summit held on 29 November 2004 in Vientiane, Lao PDR noted the Assessment Report on the Implementation of the Ha Noi Plan of Action (HPA) and signed the **Vientiane Action Programme (VAP)** (<http://www.aseansec.org/VAP-10th%20ASEAN%20Summit.pdf>), a six-year plan which is the successor of the HPA to realise the end goal of the ASEAN Vision and the Declaration of ASEAN Concord II.

To further deepen regional economic integration, the ASEAN Heads of States/Governments also signed the **ASEAN Framework Agreement for the Integration of Priority Sectors** (<http://www.aseansec.org/16659.htm>). This agreement lists out measures to be implemented, with clear timelines, by Member States in respect of the priority sectors.

2005: Logistics Services and End-Date of Services Liberalisation

The 37th AEM held on 28 September 2005 in Vientiane, Lao PDR identified logistics services as the 12th priority sector for integration in ASEAN.

The 11th ASEAN Summit held on 12 December 2005 in Kuala Lumpur, Malaysia endorsed the decision of AEM

¹³ Contained in the Declaration of the Bali Concord II.

to accelerate the liberalisation of trade in services not covered in the Priority Integration Sectors by 2015, with flexibility.

IX. SERVICES ELEMENT IN ASEAN'S FTA WITH DIALOGUE PARTNERS

Along with ASEAN's active engagement in **Free Trade Area (FTA)** and **Comprehensive Economic Partnership (CEP)** negotiations with an increasing number of its Dialogue Partners in the recent years, services has also become an increasingly important element of these negotiations.

The first concluded services agreement between ASEAN and a Dialogue Partner is the **Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People's Republic of China** (<http://www.aseansec.org/19346.htm>), signed on 17 January 2007 in Cebu, the Philippines. The market access commitments of the Parties to this Agreement are contained in the **First Package of Specific Schedule of Commitments** (<http://www.aseansec.org/19330.htm>) attached to the Agreement.

Aside from increased trade, this Agreement is also expected to bring about higher levels of investments in the region, particularly in sectors where commitments have been made, namely:

- business services such as computer related services, real estate services, market research, management consulting;

- construction and engineering related services;
- tourism and travel related services;
- transport services; educational services;
- telecommunication services;
- health-related and social services;
- recreational, cultural and sporting services;
- environmental services; and
- energy services.

ASEAN is currently also negotiating services agreement with other Dialogue Partners, such as Korea and Australia and New Zealand.

X. MOVING FORWARD

Liberalising trade in services in ASEAN is not simple. International trade in services is a relatively new development as compared to trade in goods and it is inherently different from goods trade: it is intangible, is governed through complex rules and regulations, and its cross-border trade can be provided through different modes of supply.¹⁴ Services cover very diverse and large number of sectors and sub-sectors, they are under the purview of numerous government agencies and ministries, and some of them may not have (or probably even need) regulatory framework in place. Furthermore, international services trade volume of ASEAN Member Countries may vary significantly between one and another.¹⁵

Despite all these challenges, being cognisant of rapid international trade developments, including the intensifying pace of FTA/CEP negotiations with ASEAN's Dialogue Partners, ASEAN is committed to work towards higher degree

¹⁴ See also **Appendix 2** for more information on modes of supply as well as other technical aspects of international trade policies in services.

¹⁵ See also **Section II**, for statistical data on this subject.

of integration and cooperation in the area of services among its Member Countries. A number of packages of liberalisation commitments had been scheduled, two MRAs had been concluded, and a number of other works are well underway.

The works certainly do not stop here. ASEAN continues to work towards achieving free flow of trade in services

by 2015 with flexibility, as mandated by ASEAN Heads of States/Governments. The cooperation between all stakeholders (business communities, governments, academia, and so on) will play a critical role in the endeavour to chart the way forward and to ensure effective undertaking of ASEAN integration in services.



APPENDIX 1: INQUIRIES AND CONTACT POINTS

National contact points of ASEAN Member Countries are provided as follows:

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APPENDIX 2: SOME BASIC CONCEPTS AND TERMS IN TRADE IN SERVICES

Defining “Trade in Services”: the 4 Modes of Supply

In its most basic form, international trade refers to an economic exchange between residents and non-residents, either firms or persons, and imply gain or loss of foreign exchange. For trade in goods, the concept is relatively straightforward because the producers stay in one country and the goods travel across a border to the consumers in another country.

For services, the situation is more complex because in many cases the supplier and the customer need to be in the same location. There are four possibilities of international provision of services:

- the service moves across the border.
- the customer moves across the border to receive the service.
- the producer moves across the border to provide the service through commercial establishment.
- the producer moves across the border only temporarily to provide the service.

These four possibilities are known as the “**Modes of Supply**” of services trade. They are referred to as Mode 1 (or the so-called **Cross-Border Supply**), Mode 2 (**Consumption Abroad**), Mode 3 (**Commercial Presence**), and Mode 4 (**Movement of Natural Persons**), respectively.

Basic Principles of Services Liberalisation

Following the conclusion of the Uruguay Round in 1994 resulting in the first-ever

multilateral services trade agreement, the **General Agreement on Trade in Services (GATS)**, it is generally accepted that the key principles governing liberalisation of international trade in services shall include the following:

- **Transparency:** Members must notify each other of all relevant measures affecting services trade, including prompt publication, maintenance of enquiry points, and fair judicial review.
- **Most-Favoured-Nation (MFN):** Members must grant each other the most-favourable treatment accorded to any of their trading partners.
- **Non-Discrimination:** Members must treat services and services suppliers from one Member no less favourably than those from other Members.
- **Market Access:** In terms of access to the market of a Member, services and services suppliers of any other Member must be accorded the same treatment specified in its schedule of commitments.
- **National Treatment:** Services and services suppliers of a Member must be permitted access to the market of another Member on the same terms as those accorded to domestic services or services providers.
- **Progressive Liberalisation:** Members shall enter into successive rounds of negotiations, with a view to achieving a progressively higher level of liberalisation.

AFAS also adopts the same principles.

Schedule of Services Commitments

In a typical GATS-style services liberalisation, including in AFAS, a

Member Country **schedules** (i.e., specifies the details of agreement it is to bind) its commitments to liberalise its services sectors comprising of the following set of documents:

- **Horizontal Commitments:** It specifies a Member Country's commitments which are common and bound across all scheduled services sectors, unless otherwise specified.
- **Schedule of Specific Commitments:** It specifies the details of a Member Country's commitments in the scheduled services sectors and subsectors.
- **List of MFN Exemptions:** It specifies the details of cases where MFN obligations of a Member Countries are exempted. Such exemptions, however, shall be subject to requirements stipulated in Article II of the GATS on MFN.

Both horizontal commitments and schedule of specific commitments typically take the format as shown in Table 1.

Table 1

Sector/Sub-Sector	Market Access (MA) Commitments	National Treatment (NT) Commitments	Additional Commitments
Name of Sector/Sub-Sector ¹⁶	Details of Mode 1 MA Limitations	Details of Mode 1 NT Limitations	Details of Additional Commitments (if any)
	Details of Mode 2 MA Limitations	Details of Mode 2 NT Limitations	
	Details of Mode 3 MA Limitations	Details of Mode 3 NT Limitations	
	Details of Mode 4 MA Limitations	Details of Mode 4 NT Limitations	

Table 2

Sector/Sub-Sector	Description of Measure	Countries to which the Measure Applies	Intended Duration	Conditions Creating the Need for the Exemption
Name of Sector/Sub-Sector	Detail descriptions of measure inconsistent with MFN provisions	List of Countries to which the measure applies	Intended duration of the MFN exemption	Details of reasons/ conditions creating the need for the exemption

The details of limitations for each mode of supply, are in many cases scheduled using the following common terms:

- **None:** In the schedules of specific commitments, meaning that the Member Country does not limit market access or national treatment in the given sector/sub-sector and mode of supply, other than those prescribed in the horizontal commitments (if any).
- **Unbound:** the Member Country remains free in the given sector/sub-sector and mode of supply to introduce or maintain measures inconsistent with market access or national treatment.¹⁷
- **Unbound* or Unbound due to Technical Feasibility:** the supply of given services sector/sub-sector may not be technically feasible for this mode of supply.¹⁸

The List of MFN exemptions is typically detailed using the format as shown in Table 2.

¹⁶Typically listed as "All sectors" in Horizontal Commitment.

¹⁷This case is only relevant where a commitment has been made in a sector with respect to at least one mode of supply. Where all modes of supply are "unbound"; and no additional commitments have been undertaken in the sector, the sector should not appear on the schedule.

¹⁸Where the mode of supply thought to be inapplicable is in fact applicable, or becomes so in the future, the entry means "unbound".

APPENDIX 3: CLASSIFICATION OF SERVICES SECTORS AND SUB-SECTORS

The universally recognised and adopted classification of services sectors and sub-sectors is the one based on WTO Secretariat's **Services Sectoral Classification List**.¹⁹ Each sector contained in this list is identified by a corresponding **Central Product Classification (CPC)** number.²⁰ If a Member Country wishes to use its own sub-sectoral classification or definitions it should provide concordance with the CPC. If this is not possible, it should give a sufficiently detailed definition to avoid any ambiguity as to the scope of the commitment.

While the CPC coding had been updated a number of times to keep up with economic development and technology advancement, for the purposes of services trade negotiations, the so-called **Provisional CPC** published in 1991²¹ remains the major reference point for classification of services sectors/sub-sectors.

Broad categories of services sectors provided in WTO Secretariat's Services Sectoral Classification List are as follows:

- Business Services
 - Professional Services
 - Computer-Related Services
 - Research and Development Services
 - Real Estate Services
 - Rental/Leasing Services without Operators
 - Other Business Services
- Communication Services
 - Postal Services
 - Courier Services
 - Telecommunication Services
 - Audio-Visual Services

- Construction and Related Engineering Services
- Distribution Services
- Education Services
- Environmental Services
- Financial Services
 - Insurance and insurance-related services
 - Banking and other financial services
- Health-Related and Social Services
- Tourism and Travel-Related Services
- Recreational, Cultural and Sporting Services
 - Entertainment services
 - News agency services
 - Libraries, archives, museums and other cultural services
 - Sporting and other recreational services
- Transport Services
 - Maritime Transport Services
 - Inland Water Transport Services
 - Air Transport Services
 - Space Transport
 - Rail Transport Services
 - Road Transport Services
 - Pipeline Transport
 - Services Auxiliary to All Modes of Transport
- Other Services not Included Elsewhere

Detail listing of services sectors and sub-sectors contained in WTO Secretariat's Services Sectoral Classification List can be downloaded from: www.wto.org/english/tratop_e/serv_e/mtn_gns_w_120_e.doc.

Detail structure and explanatory notes for each of the provisional CPC codes can be found at: <http://unstats.un.org/unsd/cr/registry/regcst.asp?CI=9&Lg=1>.

¹⁹ This list is contained in the WTO document coded MTN GNS/W/120, dated 10 July 1991.

²⁰ CPC is a complete product classification covering goods and services published by the United Nations, and was intended to serve as an international standard for assembling and tabulating all kinds of data requiring product detail including industrial production, national accounts, service industries, domestic and foreign commodity trade, international trade in services, balance of payments, consumption and price statistics. Other basic aims were to provide a framework for international comparison and promote harmonisation of various types of statistics dealing with goods and services.

²¹ Statistical Papers Series M No. 77. Provisional Central Product Classification, Department of International Economic and Social Affairs, Statistical Office of the United Nations, New York 1991.

APPENDIX 4: GLOSSARY

AEC	ASEAN Economic Community	CPC	Central Product Classification
AEM	ASEAN Economic Ministers Meeting	FTA	Free Trade Area
AFAS	ASEAN Framework Agreement on Services	GATS	General Agreement to Trade in Services
AFMM	ASEAN Finance Ministers Meeting	GATT	General Agreement on Tariffs and Trade
AFTA	ASEAN Free Trade Area	GDP	Gross Domestic Product
AIA	ASEAN Investment Area	HLTF	High Level Task Force on ASEAN Economic Integration
ASEAN	Association of Southeast Asian Nations	HPA	Ha Noi Plan of Action
ATM	ASEAN Transport Ministers	MFN	Most Favoured Nation
ATWG	Air Transport Working Group	MRA	Mutual Recognition Arrangement
CCI	Coordinating Committee on Investment	SEOM	(ASEAN) Senior Economic Officials Meeting
CCS	Coordinating Committee on Services	VAP	Vientiane Action Programme
CEP	Comprehensive Economic Partnership	WC-FSL/AFAS	Working Committee on ASEAN Financial Services Liberalisation under AFAS
		WTO	World Trade Organisation



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