

Services Diagnostic and Needs Assessment Study

FINAL REPORT

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ABSTRACT

Liberalisation of trade in services and associated domestic reforms is fundamental to the realisation of the ASEAN Economic Community (AEC). However, this requires real ('on the ground') liberalisation, not simply "on paper" liberalisation in the form of commitments under the ASEAN Framework Agreement on Services (AFAS), a sideshow in services liberalisation. The decision by leaders to form an AEC covering also the free flow of services has put the emphasis very much on ensuring each ASEAN Member State (AMS) removes restrictions affecting trade in services (including related foreign investment) and implement related reforms. However, the diagnostic analysis presented in this Services Diagnostic and Needs Assessment Study (SDNAS), including in the in-country reports, suggests this is not happening, or at least is going very slowly, especially when set against the adopted start date for the AEC of 2015. Hence, key and effective technical assistance and capacity building is needed to advance 'on the ground' liberalisation of services and related reforms.

The in-country fieldwork and other analysis undertaken in the SDNAS helped identify constraints and provided a list of potential technical assistance and capacity building projects to help address them, both from a primarily cross-cutting but also a sectoral perspective.

The SDNAS has also adopted an economic framework based on the fundamental benefits of unilateral liberalisation and a strategic structured approach, to identify key areas ('umbrellas') needing technical assistance and capacity building activities, such as strengthening the evidence base, promoting transparency, developing strategies and planning, and raising understanding and awareness. Key activity clusters were also identified within these three 'umbrellas', such as policy analysis, services policy visions, and organisations for dialogues, respectively.

Individual priority technical assistance and capacity building project proposals within these clusters were determined using a cost-benefit analytical approach.

The SNDAS importantly recommends the need to re-balance much of the technical assistance and capacity building activities away from being directed at servicing the AFAS trade negotiations and focusing on 'on-paper' liberalisation towards efforts to build transparency and fundamental support for services trade liberalisation and related reforms in AMS. This is what is required to achieve the necessary 'on-the-ground' changes to achieve the AEC. This is consistent with international experience that significant 'on-the-ground' services liberalisation and related reforms requires unilateral efforts, and that trade negotiations have generally failed to deliver such changes.

With this in mind, the SNDAS has developed and recommended a number of detailed proposed technical assistance and capacity building project templates.

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ABBREVIATIONS

| | |
|---------|--|
| AADCP | ASEAN Australian Development Cooperation Program |
| ADB | Asian Development Bank |
| AEC | ASEAN Economic Community |
| AFAS | ASEAN Framework Agreement on Services |
| AFTA | ASEAN Free Trade Agreement |
| AIPEG | Australia Indonesia Partnership for Economic Governance |
| AMS | ASEAN Member States |
| ANU | Australian National University |
| APEC | Asia-Pacific Economic Cooperation |
| ASEAN | Association of South East Asian Nations |
| ASEAN-6 | Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand |
| ASEC | ASEAN Secretariat |
| AusAID | Australian Agency for International Development |
| CB | Capacity Building |
| CCS | Coordinating Committee on Services |
| CGIAR | Consultative Group on International Agricultural Research |
| CLMV | Cambodia, Lao PDR, Myanmar and Vietnam |
| ESM | Emergency Safeguard Measures |
| EU | European Union |
| ERIA | Economic Research Institute for ASEAN and East Asia |
| FDI | Foreign Direct Investment |
| FTAs | Free Trade Agreements |
| GATS | General Agreement on Trade in Services |
| GDP | Gross Domestic Product |
| HDI | Human Development Index |
| ICT | Information and Communications Technology |
| IMF | International Monetary Fund |
| LDC | Less Developed Country |
| MFN | Most Favoured Nation |
| MRA | Mutual Recognition Agreement |
| OECD | Organisation for Economic Cooperation and Development |
| PC | Australian Productivity Commission |
| PPP | Purchasing Power Parity |
| PTAs | Preferential Trade Agreements |
| SDNAS | Services Diagnostic and Needs Assessment Study |
| SME | Small and Medium-sized Enterprise |
| TA | Technical Assistance |
| TOR | Terms of Reference |
| US | United States of America |
| WTO | World Trade Organisation |

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Executive Summary

Liberalisation in services is fundamental to the realisation of the AEC, which is planned to be achieved by 2015. ASEAN leaders have taken this firm decision, and services liberalisation and related domestic reforms are to be implemented by then. Hence, the real challenge to achieving the AEC is not one of negotiating trade commitments ‘on-paper’ under AFAS, even though this continues with the 8th package under way, but rather ensuring that all AMS engage in real or ‘on-the-ground’ liberalisation to remove barriers to services trade in time for the AEC to be in place from 2015. Seen in this correct context, future AFAS trade negotiations are really about the extent to which AMS agree to bind their actual measures in the form of ASEAN commitments, in particular the extent to which they are prepared to remove ‘binding overhang’ from commitments. Thus, such ‘on-paper’ commitments and associated trade negotiations are really a sideshow to achieving the AEC and services trade liberalisation, one that often unfortunately captures most attention.

Liberalisation of services trade will require promoting much greater awareness among stakeholders, including officials and especially the private sector, of its significant wider economic gains to all individual AMS and ASEAN as a whole. Key to these gains will be the adoption of an appropriate regulatory environment, strong institutions, supportive infrastructure, and enhanced policy coordination and coherence, especially in the less developed AMS. Substantial key and effective capacity building throughout AMS across a broad and diverse range of relevant areas is needed to achieve the goal. To be successful, any needs assessment of capacity constraints must be approached broadly to include building a domestic consensus among stakeholders in favour of liberalisation that recognises the overriding national interest. This includes helping to coalesce interests in favour of trade and investment openness, such as exporters of goods and services, which both depend on accessing efficient service inputs for international competitiveness. Building a domestic consensus on trade-related reforms is always difficult, and is always likely to be incomplete and include trade-offs, since there will be losers as well as winners from such liberalisation. Hence, achieving any such consensus among stakeholders may also include, for example some form of compensation or structural adjustment assistance for losers that will still see a net benefit economy-wide. Unless there are losers, implicitly there would be no or minimal economic gains as it would imply that the current protected situation is economically efficient; most unlikely if protection is significant. Building a coalescence of interests will become increasingly critical in moving forward to meet AEC goals as more difficult areas of liberalisation and associated reforms are inevitably encountered.

The need to coalesce the interests in each AMS in favour of trade-related reforms applies even though their senior politicians and AEC officials are said to recognise the benefits of liberalisation, for two reasons. First, while this high level commitment may exist, it does not seem from the field work to be gaining traction among key decision makers in capitals (i.e. outside the AEC negotiations). Second, resistance to liberalisation when the overall economic benefits are clear is itself symptomatic that governments are putting the loser’s interests from such reforms ahead of those of the winners, and hence the overall economy generally. This is often based on the mistaken belief that such losses can be avoided by somehow ‘dressing up’ or messaging the reforms while still achieving the benefits. However, slowing down the reforms to minimise the losses also delays realization of the national economic benefits, which as already indicated, will be minimal if there are insignificant losers.

Seen against this background, the key objectives of the SDNAS as set out in the consultants’ proposal and the Inception Report are to:

- (i) identify and examine capacity obstacles or bottlenecks to promoting a detailed awareness of the economic benefits of services (and investment) liberalisation among stakeholders in all AMS, including to greater integration, and the roll these can play in promoting the region's economic performance;
- (ii) detail for each country their associated capacity building needs; and
- (iii) develop how these can most effectively be met and delivered.

The SDNAS has comprehensively assessed services constraints and determined the technical assistance and capacity building needs required to liberalise trade in services across individual AMS and ASEAN regionally. This was undertaken systematically, drawing on comprehensive in-country consultants studies based on extensive fieldwork interviews for each AMS, covering selected sectors and key stakeholders, and coordinated by the lead consultants using a structured interview questionnaire and standard framework. The studies identified significant cross-cutting or economy-wide issues (apply across all sectors), confirming international experience that these were overwhelmingly the main obstacles to services liberalisation. The SDNAS has also examined several selected sectors (logistics, healthcare, tourism, telecoms, and professional) to ascertain the importance of sectoral issues and/or the feasibility and desirability of delivering technical assistance and capacity building sectorally. The country reports found that cross-cutting issues were best tackled using non-sectoral technical assistance and capacity building, although the SDNAS has recommended some assistance projects at the sectoral level, which tend to be an integrated collection of a number of key cross-cutting (or totally sector-wide) issues.

Key cross-cutting issues included an appropriate regulatory environment, strong institutions, enhanced policy coordination and coherence, greater transparency and awareness by stakeholders of significant wider gains from services liberalisation. A key aspect of services liberalisation is that the constraints tend to be embedded in complex 'behind-the-border' regulation meeting a mix of legitimate and protection goals that can only be sensibly reformed as part of domestic micro-economic reform, including trade liberalisation. International evidence has clearly demonstrated that services trade liberalisation requires unilateral domestic reforms, and cannot be eliminated by negotiating trade agreements.

The issues/constraints to varying degrees have much in common across all AMS. CLMV members are starting from a lower base reflecting their stage of economic development and a lack of relevant previous technical assistance and capacity building, despite much activity by agencies such as ADB, APEC (excluding CLM countries which are non-members) and ERIA in the general services area. The technical assistance and capacity building activities proposed in the SNDAS have been designed with this in mind.

An important recommendation of the SNDAS is the need to re-balance much of the technical assistance and capacity building activities away from being directed at servicing the AFAS trade negotiations and focusing on 'on-paper' liberalisation, towards efforts to build transparency and fundamental support for services trade liberalisation and related reforms in AMS so as to achieve the necessary 'on-the-ground' changes to achieve the AEC.

The SDNAS proposes an integrated work plan of programs and projects consisting of chains of activities and specific methods of delivery to address those priority service liberalisation needs selected using a strategically structured approach and an analytic framework for prioritisation that takes into account those projects already undertaken. The strategic schema used in arriving at the recommended technical assistance and capacity building projects is made up of three key 'umbrellas' identified in terms of maximising economic welfare (namely, Raising awareness;

Developing strategies and planning: and Strengthening the evidence base), as were groups of projects within comprehensive and diversified clusters of activities (e.g. Policy analysis; Role of services; and Organisations for dialogue) under these key ‘umbrellas’. Some programs that may have fitted into this schema, such as negotiated liberalisation, were not implicitly included as much capacity building has already been undertaken on related activities and projects, though correctly structured capacity building should benefit all approaches to liberalisation. The analytic framework was then used to select priority activities under all of the umbrellas and to assess suggested priority projects within these activities (both using the analytic framework rules) to arrive at a representative and diversified sample of priority projects that also took into account the linkages between these projects in favouring projects that were necessary before others could be undertaken (e.g. statistical information and regulatory stock takes) and to obtain full value from projects once they were undertaken (e.g. raising awareness).

An overall plan of the work is suggested, including detailed project templates with program work plans that are integrated into the overall management plan covering the key ‘umbrellas’ and activity clusters, required resources, technical assistance and capacity building delivery modes and so on, to implement the SDNAS. Types of capacity building delivery modes that are included in these project templates include research/policy reports, seminars/workshops, training courses, training of trainers, development of resource centres/knowledge platforms, study tours and dialogue/dissemination mechanisms.

Chapter I: Introduction

The SDNAS for the ASEAN region was commissioned by AADCP II. The SDNAS's Inception Report was presented to AADCP and the ASEC in Jakarta in October 2010. The Terms of Reference specified, inter alia, the following key tasks and activities (Appendix 1):

- 'An overview of the current state of ASEAN services trade liberalisation: scope/depth, legal frameworks, institutional relationships etc.;
- Identification of ongoing projects, technical assistance and other efforts on capacity building efforts in services in ASEAN Member State (AMS);
- An analytical framework that facilitates a 'three-dimensional' approach to assessing the current state of trade in services i.e. across countries, key sectors and cross-cutting issues and the identification of key problems and opportunities;
- The verification of target sectors to be selected for the study. The Design Exercise recommended eight sectors. However, this choice will need to be expanded upon and verified or, if necessary, changed;
- The further identification of key cross-cutting issues. Again, the Design Exercise resulted in a number of recommendations. These will need to be further assessed and prioritised and, if necessary, issues deleted or added so that a workable number of issues are addressed during the study;
- An approach to fieldwork that balances the need to apply the analytical framework developed earlier in all AMS (and produce workplans for all AMS and sectoral bodies) with the understanding that situations vary considerably across the AMS with respect to levels of development, the importance of the key sectors and the extent to which the cross-cutting issues influence the situations in each AMS; and
- An approach to categorising elements of the capacity building work/action plans according to key dimensions such as regulatory reform, strengthening of institutional relationships and individual capacity building and to prioritising and sequencing these.'

The SDNAS was prepared assisted by a network of in-country consultants contracted to do field work in each AMS. Each country expert was required to interview stakeholders using a structured questionnaire, and submit a country report examining services in their AMS and recommending the key cross-cutting and sectoral obstacles to services liberalisation and related reforms to address through technical assistance and capacity building. In-country reports were prepared by the experts in their own capacity, and the views expressed do not necessarily reflect those of respective AMS governments or of the lead/collaborative consultants. Two regional workshops were held, one in December 2010 in Hanoi and the other in Bangkok in May 2011. These workshops gathered the lead consultants, including the Hanoi-based collaborator, in-country experts, invited regional consultants, representatives from the ASEC and AADCP, and from the CCS in a private capacity. Malcolm Bosworth presented some preliminary issues and findings to the CCS meeting in Bandung in May 2011.

The SDNAS comprehensively assesses and determines the technical assistance and capacity building needs required to liberalise trade in services across individual AMS and the ASEAN regional. This is done from a systemic, institutional and sectoral perspective, highlighting in particular cross-cutting (total service sector-wide) as the most important constraints. The SDNAS provides an integrated work plan for identifying, assessing and developing recommended technical assistance and capacity building activities and associated methods of delivery to address needs according to identified 'binding constraints' to services (and associated investment) liberalisation.

The SDNAS is structured as follows. Chapter II provides background on ASEAN services, both in terms of a socio-economic political and individual AMS perspective. Chapter III provides an overview of constraints to liberalisation of services and capacity building to address these in ASEAN. The fieldwork findings are presented in Chapter IV, including identified constraints, key issues and capacity building needs plus some case studies. Chapter V discusses key cross-cutting and sectoral issues as well as the special requirements of the CLMV AMS. The economic framework for liberalisation of services and its implications are set out in Chapter VI. This is drawn on in Chapter VII to strategically identify activity clusters from a vision of ASEAN services and capacity building needs. Chapter VIII presents a cost-benefit approach for prioritising identified capacity building needs. The proposed projects are detailed in Chapter IX. Chapter X concludes the Report. A number of appendices cover the Terms of Reference (TOR), survey questionnaire, report structures, country report summaries, workshop details and the list of interview respondents.

Chapter II: Services in ASEAN Economies

This Chapter examines the services profile of each AMS to help place the SDNAS into proper context. As widely acknowledged, services are a vital component of all economies, including of each AMS. As economies develop so usually does the GDP share of services increase. This pattern is broadly reflected in the ASEAN region, with Singapore the most developed ASEAN economy, having by far the largest services GDP share (Table 2.4). More importantly, as for all economies (developed and developing), ensuring that each AMS has efficiently and competitively supplied services is essential for economic growth and development. Services are important not only in their own right, but also as vital inputs to the production of goods and services (e.g. telecommunications in respect of professional and many other services). Thus, services have very substantial flow on effects to the economy's efficiency. Empirical evidence increasingly shows that services trade and associated foreign investment liberalisation, along with related de-regulatory, and where appropriate, regulatory practices, are essential to improving an economy's productivity and competitiveness. Put another way, inefficient services in each AMS are a large drag on their economies that must be tackled individually to promote growth. As such, trade and related reforms to services must become an essential ingredient of each ASEAN economy's micro-economic reform agenda, and something worth doing in their own economic interests.

Services trade liberalisation and associated reforms are also instrumental in successfully achieving the formation of the AEC by 2015. Without this, the AEC's success will be severely limited, and it is mainly against this backdrop that the SDNAS has been undertaken. However, as this Study emphasises, successful capacity building and technical assistance would meet both objectives, namely meeting the AEC goals in a manner that also satisfies the overall economic imperative for each AMS to reform services. Such reforms would be required with or without an AEC (or AFAS). However, given that ASEAN is committed to the AEC, it is important that it be used to positively reform services provision in each AMS. In this respect, it is important that such technical assistance and capacity building build on the economic virtues of unilateral reforms (which by definition would be on an MFN basis as unilateralism implies non-discrimination among trading partners) over regionalism to the extent possible.

1. The Socio-Economic-Political Setting

The overarching issue in setting and meeting the AEC blueprint targets on services liberalisation has been the wide diversity of AMS. ASEAN has a total population of 590 million unevenly spread over 4.4 million km² (Table 2.1). The AMS differ widely not only in history and culture, but geographically, demographically, politically, socially, and of course economically, in terms of developmental status, economic institutions, structures and systems. ASEAN has two high income economies (Singapore and Brunei), five middle income economies (Malaysia, Indonesia, Thailand, Philippines and Vietnam), and three low income economies (Myanmar, Lao PDR and Cambodia).

This diversity has immense implications for achieving the AEC and for trade and investment liberalisation and undertaking related regulatory reforms. Thus, it is also likely to have implications for the type and delivery of capacity building and technical assistance needed to advance services liberalisation across ASEAN members. For example, geography and size can have a major bearing on the challenges faced in liberalising certain services e.g. implementing a public transportation system or reforming network services, such as telecommunications. Also, it may be easier to manage reforms in smaller (e.g. Singapore) than larger countries.

Table 2.1: Overview of ASEAN Members

| Country | Land area (%) ^a | Population (%) ^a | Density ^b | Income classification |
|-------------|----------------------------|-----------------------------|----------------------|---|
| Singapore | 0.02 | 0.84 | 6518 | High income/ non-OECD |
| Brunei | 0.13 | 0.07 | 69 | High income/ non-OECD |
| Malaysia | 7.45 | 4.79 | 82 | Upper middle income |
| Thailand | 11.57 | 11.32 | 128 | Lower middle income |
| Indonesia | 41.94 | 39.16 | 119 | Lower middle income |
| Philippines | 6.76 | 15.61 | 296 | Lower middle income |
| Vietnam | 7.46 | 14.56 | 259 | Lower middle income |
| Lao PDR | 5.34 | 1.04 | 24 | Low income |
| Cambodia | 4.08 | 2.53 | 80 | Low income |
| Myanmar | 15.25 | 10.08 | 87 | Low income |
| CLMV | 32.14 | 28.20 | 116 | ASEAN categorised poor economies ^c |
| ASEAN | 100 | 100 | 129 | n/a |

a. Percentage of each AMS of ASEAN total.

b. Persons per km².

c. Vietnam is classified by the World Bank as a lower middle income economy.

Source: ASEAN Community in Figures, 2010; ASEAN–Korea Centre.

Several of the ten AMS have very high poverty rates (those earning less than \$2 daily), ranging from almost half of the population in Philippines to nearly three quarters in Lao PDR (Table 2.2). Except for Singapore and Brunei, AMS rank poorly on the UN’s Human Development Index (HDI). Compounding matters are concerns regarding high income inequality evident in some more mature AMS (measured by the Gini Index), although from a poverty alleviation perspective these inequalities are often over-stated given that poverty is best measured in absolute terms. Such developmental difficulties can unfortunately create obstacles, and develop reluctance among politicians and authorities, to engage in economic reforms, including services trade and investment liberalisation. However, quite ironically, it is even more imperative that such economies undergo reforms to improve productivity by ensuring that their scarce and limited resources are allocated most efficiently. In other words, successful liberalisation in AMS, as for any economy, depends fundamentally on breaking down resistance to services reforms.

Sound governance, vital to economic development, can influence how successful efforts are to open an economy to services trade and investment, and to implement other essential reforms. It covers a country’s system of government, as well as institutions and fundamental legal, corporate, business systems that set and enforce ‘the rules of the game’. The country studies discussed later identified many such issues, including lack of transparency, bureaucratic inefficiency, poor institutional arrangements, and corruption as key constraints to achieving the AEC and associated services liberalisation. Governance standards differ widely among AMS but most rank lowly on international measures e.g. World Bank indicators (Table 2.3). Higher income and more open economies generally have better governance. For example, Regulatory Quality and Government Effectiveness are higher in the more open AMS (e.g. Singapore) than in other the less open AMS. Although the direction of causality has not yet been convincingly established, it is generally accepted that better governance, like trade liberalisation, generates greater economic performance.

Services are a significant component of all ASEAN economies (Table 2.4 and Figure 2.1). Singapore leads with 74% of GDP from services. Brunei, the other high income economy, has the smallest services sector at 25.3% of GDP, its economy being dominated by energy resources. For all other ASEAN economies, including the poorest, the share of the services sector varies from 37 to 55% of GDP. In Myanmar, the GDP share of services has stagnated, although the sector’s size has expanded in absolute terms.

Table 2.2: Selected Economic and Social Indicators of ASEAN Members

| Country | GDP per capita ^a | GDP (%) ^b | Poverty levels (%) ^c | HDI ranking ^d | Gini Index |
|-------------|-----------------------------|----------------------|---------------------------------|--------------------------|--------------|
| Singapore | 49,766 | 8.68 | .. | 27 | n/a |
| Brunei | 49,411 | 0.70 | .. | 37 | n/a |
| Malaysia | 13,594 | 13.46 | 7.8 | 57 | 46.21 (2009) |
| Thailand | 8,072 | 18.89 | 11.5 | 92 | 53.57 (2009) |
| Indonesia | 4,180 | 33.82 | 54.6 | 108 | 36.76 (2007) |
| Philippines | 3,525 | 11.37 | 45.0 | 97 | 44.04 (2006) |
| Vietnam | 3,111 | 9.36 | 48.4 | 113 | 37.57 (2008) |
| Lao PDR | 2,350 | 0.50 | 76.9 | 122 | 36.74 (2008) |
| Cambodia | 1,801 | 0.94 | 57.8 | 124 | 44.37 (2007) |
| Myanmar | 1,093 | 2.28 | 26.0 | 132 | n/a |
| CLMV | 2,245 | 13.08 | n/a | n/a | n/a |
| ASEAN | 4,840 | 100 | n/a | n/a | n/a |

Note: Figures are for most recent year; Myanmar poverty levels are for 2011.

a. GDP per capita at current prices in \$US, measured in PPP.

b. Share of each AMS's GDP of ASEAN total.

c. Share of population living under \$US2 per day (PPP).

d. Human Development Index global rankings (out of 169 countries).

Source: World Development Indicators 2010: ASEAN Community in Figures, 2010; Human Development Report.

Table 2.3: ASEAN Governance Indicators, 2009

| Country | Voice and accountability | Political stability/absence of political violence | Government effectiveness | Regulatory quality | Rule of law | Control of corruption |
|----------------------|--------------------------|---|--------------------------|--------------------|-------------|-----------------------|
| Singapore | 35 | 90 | 100 | 100 | 92 | 99 |
| Brunei | 27 | 95 | 75 | 83 | 72 | 79 |
| Malaysia | 31 | 47 | 80 | 60 | 65 | 58 |
| Thailand | 34 | 15 | 60 | 62 | 51 | 51 |
| Indonesia | 48 | 24 | 26 | 39 | 16 | 9 |
| Philippines | 45 | 11 | 50 | 52 | 35 | 27 |
| Vietnam | 8 | 51 | 46 | 31 | 42 | 37 |
| Lao PDR | 4 | 44 | 15 | 14 | 18 | 10 |
| Cambodia | 24 | 25 | 26 | 39 | 16 | 9 |
| Myanmar ^a | 0 | 7 | 1 | 1 | 4 | 0 |

Note: A higher score (maximum of 100) indicates better governance outcomes.

a. The Government acknowledged the bad scores but claimed the figures were outdated and reforms were underway.

Source: World Bank, Worldwide Governance Indicator Project [available at:

<http://info.worldbank.org/governance/wgi/index.asp>]

Table 2.4: Economic Structure of ASEAN Members (% of GDP at current prices), 2008

| Country | Agriculture | Industry ^a | Services ^b | Trade (%) ^c |
|-------------|-------------|-----------------------|-----------------------|------------------------|
| Singapore | .. | 26.3 | 73.7 | 282.2 |
| Brunei | 0.6 | 74.1 | 25.3 | 88.9 |
| Malaysia | 9.3 | 43.4 | 47.3 | 145.1 |
| Thailand | 11.6 | 43.3 | 45.1 | 108.3 |
| Indonesia | 15.3 | 47.6 | 37.1 | 39.0 |
| Philippines | 14.8 | 30.2 | 55.0 | 52.0 |
| Vietnam | 20.9 | 40.2 | 38.8 | 130.7 |
| Lao PDR | 32.8 | 25.2 | 42.0 | 53.1 |
| Cambodia | 32.5 | 22.4 | 45.1 | 85.8 |
| Myanmar | 38.2 | 24.4 | 37.4 | 40.8 |

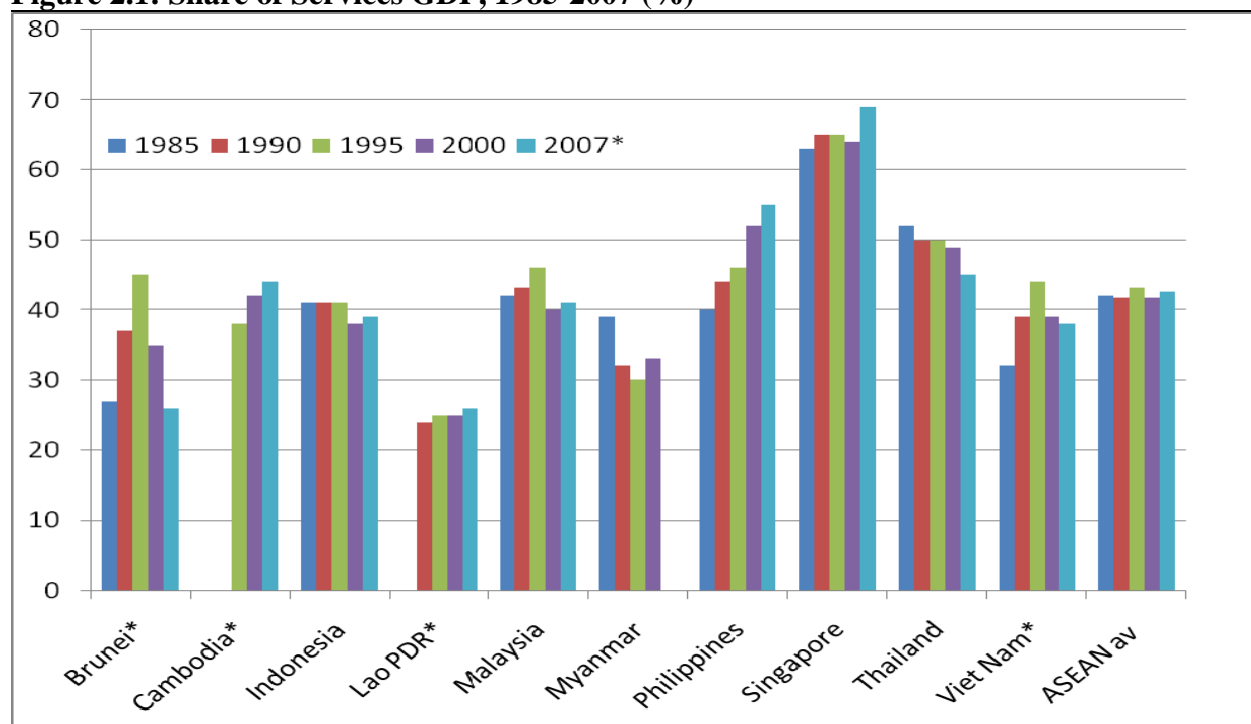
a. Divisions 2–5 (ISIC Revision 2) or tabulation categories C and F (ISIC Revision 3), and includes mining and quarrying (including oil), manufacturing, construction, and public utilities (electricity, gas and water).

b. Divisions 6–9 (ISIC Revision 2) or tabulation categories G–P (ISIC Revision 3), and includes wholesale and retail trade, hotels and restaurants, transport, storage and communications, financing, insurance, real estate, business services, and community, social and personal services.

c. Share of total trade to GDP.

Source: ADB, Key Indicators for Asia and the Pacific, 2010; ASEAN Community in Figures, 2010.

Figure 2.1: Share of Services GDP, 1985-2007 (%)



A substantial share of the labour force is employed in services, ranging from 77% in Singapore to under 10% in Lao PDR (Table 2.5). Services also absorb a large share of labour in other AMS, especially Brunei, Malaysia, and the Philippines (a major services exporter via Mode 4). Except for the CLMV economies, services (broadly defined) employ nearly half of the labour force in all AMS. Within the services sector, distribution and the public sector are the largest employers.

Table 2.5: Employment by Sector, 2009 (%)

| Sector/activity | Singapore ** | Brunei (1995) | Malaysia | Thailand | Indonesia | Philippines | Vietnam | Lao PDR (2003)* | Cambodia (2004) | Myanmar (1996) |
|-----------------------------|--------------|---------------|--------------|--------------|--------------|-------------|--------------|-------------------------|-----------------|----------------|
| Agriculture ^a | .. | 2.04 | 13.90 | 40.39 | 41.18 | 34.00 | 51.92 | 94.91 | 60.30 | 66.58 |
| Manufacturing | 15.70 | 5.78 | 16.10 | 13.65 | 12.07 | 8.30 | 14.35 | 9.26* | 9.50 | 8.76 |
| Construction | 6.90 | 50.42 | 8.90 | 5.50 | 4.41 | 5.30 | 5.64 | .. | 2.60 | 2.10 |
| Distribution ^b | 21.25 | 15.63 | 24.10 | 22.84 | 20.90 | 22.30 | 12.77 | .. | 14.50 | 9.72 |
| Transportation ^c | 14.67 | 5.71 | 5.40 | 2.96 | 5.69 | 7.70 | 2.53 | .. | 2.60 | 2.62 |
| Finance ^d | 19.54 | 6.80 | 8.10 | 3.07 | 1.42 | 4.20 | 1.08 | .. | 0.40 | 7.86 |
| Public services | 21.63 | 5.65 | 22.40 | 11.12 | 13.03 | 17.20 | 10.16 | .. | 9.70 | 1.51 |
| Other ^e | 1.12 | 7.95 | 1.10 | 0.47 | 1.29 | 1.00 | 1.55 | .. | 0.40 | 0.85 |
| Services^f | 77.09 | 33.79 | 60.00 | 39.99 | 41.04 | 51.4 | 26.54 | 8.55^g | 27.2 | 21.71 |

.. Not available.

a. Agriculture, forestry and fishery.

b. Wholesale and retail trade, restaurants and hotels.

c. Transportation, storage & communication.

d. Finance, insurance, real estate and business services.

e. Mining, quarrying, electricity, gas and water, and services not elsewhere specified.

f. Distribution, transportation, finance and public service.

g. Categorized as agriculture, industry and services.

* Lao PDR figures from ADB; ** Singapore residents only.

Source: ASEAN Community in Figures, 2010; ADB Key Indicators for Asia and the Pacific, 2010.

Inward foreign direct investment (FDI) is an important driver of ASEAN economic growth, and a key means by which services are imported. FDI inflows to AMS are mainly from outside the ASEAN region (Tables 2.6 and 2.7). Aggregate inward FDI to the ASEAN region have trended downwards, at least partly reflecting the global financial crisis and also diversion of FDI to China. It could also reflect domestic factors within AMS, such as barriers to services trade from FDI restrictions. Intra-ASEAN FDI as a share of total is thus trending upwards, and conversely FDI shares and absolute levels are both falling.

Table 2.6: Trends in Foreign Direct Investment, 2000 to 2009

| Category | 2000 | 2003 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------|----------|----------|----------|----------|----------|----------|
| Value (US\$ million) | | | | | | |
| Total | 25,541.3 | 24,234.7 | 56,354.9 | 74,395.3 | 49,468.8 | 39,387.3 |
| Intra - ASEAN | 761.9 | 2,702.0 | 7,755.6 | 9,682.0 | 9,568.3 | 5,172.2 |
| Rest of the world | 22,964.9 | 21,364.7 | 47,002.3 | 63,746.3 | 39,591.5 | 33,520.4 |
| Unspecified | -185.5 | 168.0 | 1,597.0 | 967.0 | 309.0 | 694.7 |
| Share (percent) | | | | | | |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |
| Intra - ASEAN | 3.2 | 11.1 | 13.8 | 13.0 | 19.3 | 13.1 |
| Rest of the world | 97.6 | 88.2 | 83.4 | 85.7 | 80.0 | 85.1 |
| Unspecified | -0.8 | 0.7 | 2.8 | 1.3 | 0.6 | 1.8 |

Source: ASEAN Statistics, 2010.

FDI inflows to the ASEAN region are concentrated in the traditional ASEAN 5 members, which accounted for almost 85% in 2009. Within these, Singapore received most of the FDI (46% of total ASEAN inflows). Conversely, the CLMV countries and Brunei accounted for a meagre 15% of total inward FDI to ASEAN in 2009. Nevertheless, Vietnam accounted for a significant share of 10% of total.

Table 2.7: ASEAN Inward Foreign Direct Investment, 2009

| Country | Share to total net inflow to ASEAN (%) ^a | | | Share of intra-ASEAN (%) ^a | | Total net inflow (US\$ million) | | |
|--------------------|---|--------------------------------|------------------|---------------------------------------|--------------------------------|---------------------------------|-------------------|------------------|
| | Intra - ASEAN | Rest of the World ^a | Total net inflow | Intra - ASEAN ^a | Rest of the World ^a | Intra - ASEAN | Rest of the World | Total net inflow |
| Singapore | 46.0 | 40.0 | 41.0 | 12.5 | 87.5 | 2,037.6 | 14,218.6 | 16,256.2 |
| Brunei | 0.0 | 0.5 | 0.4 | 0.1 | 99.9 | 0.1 | 176.7 | 176.8 |
| Malaysia | (6.1) | 4.7 | 3.5 | (19.5) | 119.5 | (269.7) | 1,650.7 | 1,381.0 |
| Thailand | 13.2 | 15.3 | 15.0 | 9.8 | 90.2 | 585.8 | 5,371.1 | 5,956.9 |
| Indonesia | 31.2 | 9.9 | 12.3 | 28.3 | 71.7 | 1,380.1 | 3,496.7 | 4,876.8 |
| Philippines | 0.4 | 5.5 | 4.9 | 1.0 | 99.0 | 18.7 | 1,929.3 | 1,948.0 |
| Vietnam | 9.7 | 20.4 | 19.2 | 5.6 | 94.4 | 428.7 | 7,171.3 | 7,600 |
| Lao PDR | 1.3 | 0.7 | 0.8 | 18.0 | 82.0 | 261.3 | 318.6 | 227.8 |
| Cambodia | 3.9 | 1.0 | 1.3 | 32.2 | 67.8 | 170.8 | 359.3 | 530.2 |
| Myanmar | 0.4 | 1.6 | 1.5 | 3.4 | 96.6 | 19.5 | 559.1 | 578.6 |
| Total FDI | 100 | 100 | 100 | 11.2 | 88.8 | 4,428.9 | 35,194.1 | 39,623.0 |
| ASEAN 5 | 84.7 | 85.9 | 83.7 | 12.3 | 87.7 | 3,752.4 | 26,666.5 | 30,418.9 |
| BCLMV ^d | 15.3 | 14.1 | 16.3 | 7.4 | 92.6 | 676.5 | 8,527.6 | 9,204.1 |

a. Share of inward FDI from either ASEAN or non-ASEAN of total received by ASEAN.

b. Brunei, Cambodia, Lao PDR, Myanmar and Vietnam.

Source: ASEAN Statistics, 2010 [available at: <http://www.asean.org/stat/Table25.pdf>].

Although inward FDI to ASEAN has trended downwards overall, the relative share accruing into services has risen substantially (Table 2.8).

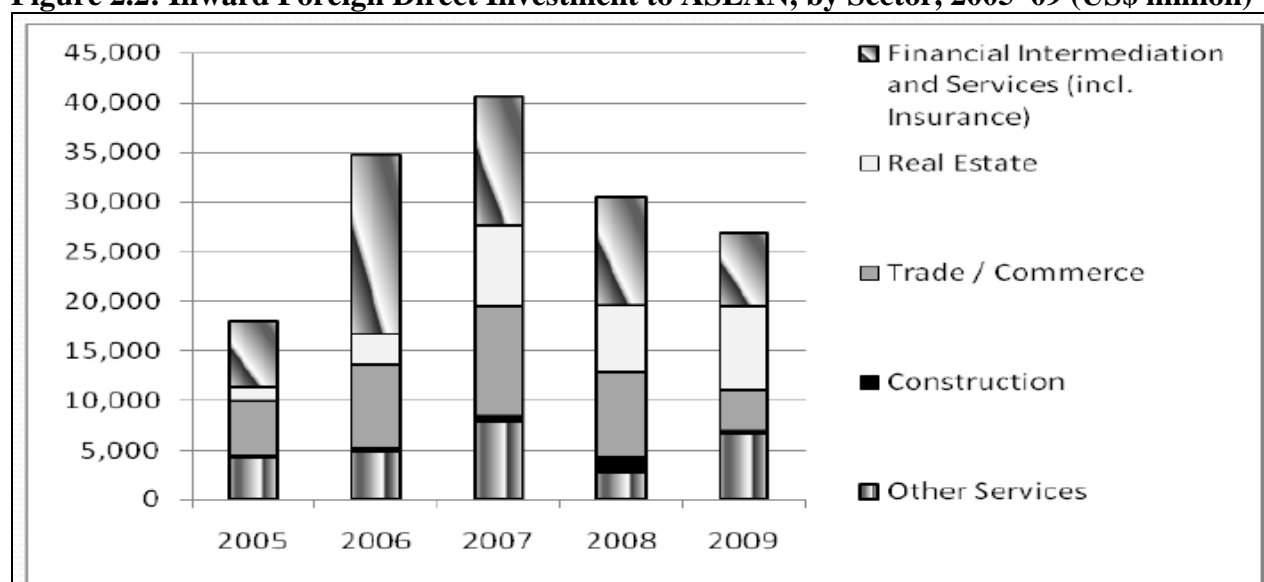
Table 2.8: Inward ASEAN Foreign Direct Investment, by Sector, 2009 (%)

| Year | Primary and other | Manufacturing | Services |
|------|-------------------|---------------|----------|
| 2000 | 24.2 | 39.9 | 35.8 |
| 2001 | 3.2 | 40.1 | 56.8 |
| 2002 | 14.7 | 46.6 | 38.7 |
| 2003 | 27.5 | 40.8 | 44.2 |
| 2004 | 10.0 | 40.8 | 49.2 |
| 2005 | 16.9 | 38.4 | 44.7 |
| 2006 | 12.2 | 24.4 | 63.4 |
| 2007 | 16.6 | 28.0 | 55.4 |
| 2008 | 11.5 | 26.4 | 62.1 |
| 2009 | 10.6 | 21.5 | 67.9 |

Source: ASEAN – OECD Investment policy conference, 19-19 Nov 2010.

Inward FDI into ASEAN primarily goes into financial intermediation and related services (including insurance), followed by real estate. Trade-related services and other services are also important components of total FDI.

Figure 2.2: Inward Foreign Direct Investment to ASEAN, by Sector, 2005–09 (US\$ million)



Source: ASEAN – OECD Investment policy conference, 19-19 Nov 2010.

2. Services by AMS

Despite concerted efforts to regionally liberalise services via AFAS, and as a prelude to the AEC, the GDP share of the services sector across all AMS has remained at just over 40% since 1985. Since having an increasing share of services is associated with economic growth, this indicates lost growth potential. Liberalisation of trade in services among ASEAN Members has lagged that of goods. This could suggest significant growth opportunities for each AMS from liberalising services trade.

AMS are WTO Members, except Lao PDR (in the process of acceding). All economies, except Cambodia, Lao PDR and Myanmar are in APEC.

(i) Brunei Darussalam

The economy remains dominated by the oil and gas industry, which still accounts for over 90% of exports and more than 50% of GDP (BEDB, 2010). The important services sector is still important. Government policy is to diversify the economy to reduce reliance on petroleum. From 2007-2009, the GDP share of services rose from 42.1% to 45.8%. The country's services trade, though relatively minor, is expanding. Imports far exceed exports, averaging from 2001-2008 US\$1.14 billion and US\$0.62 billion, respectively. The services trade deficit as a share of GDP fell from -10.2% to -3.7% over the same period (ADB, 2010).

Brunei has intensified participation in regional and bilateral trade agreements, especially in ASEAN, the East Asia Growth Area, and the Trans-Pacific Strategic Economic Partnership.

(ii) Cambodia

The economy re-structured significantly during the 1990s, and services overtook agriculture as the dominant GDP sector from 2000. This mainly reflected trade-related reforms. Trade has expanded rapidly, especially in services, which rose from 13.9% of total trade in 1992 to 20.9% in 2009. Services exports amounted to 26.8% of total exports in 2009 (15.8% in 1992).

Cambodia joined the WTO in 2004, and committed multilaterally to liberalise a large number of services. It has also committed to extending this openness to all AMS (Chea, Sarin and Sok, 2004). Since Cambodia does not distinguish between treatment of ASEAN and WTO Members on trade in services its trade liberalisation in services is fairly advanced compared to other AMS (at least 'on-paper'). Its only regional trade agreement is within ASEAN, but has been involved in a number of other bilateral free trade agreements.

(iii) Indonesia

The services sector has continuously outgrown agriculture and manufacturing since the 1997-98 Asian financial crisis, averaging about 40% of GDP during 2001-2010. Indonesia has traditionally been a net importer of services, incurring rising trade deficits from US\$10.4 billion in 2001 to US\$14.1 billion in 2009. These partly reflected weak export capacity, and rising domestic demand for services from increased economic activity.

Indonesia's services trade liberalisation has been generally associated with foreign investment reforms e.g. rationalising the negative investment list. It follows a so-called 'multi-track' approach to trade reform, incorporating multilateralism, regionalism, and bilateralism.

(iv) Lao PDR

The services sector, including tourism, has grown robustly in recent years. Lao PDR trades with over 50 countries, which is growing rapidly, mainly in non-services. Outside ASEAN, Lao PDR is a member of the Asia-Pacific Trade Agreement (formerly the Bangkok Agreement). It has also signed trade agreements outside of Asia.

(v) Malaysia

Services as a share of GDP have expanded from 49% in 2000 to 57%. Trade is almost double GDP (in 2009), with services trade accounting for about 20%. It has been in surplus from 2007.

In 2009, the surplus in services trade grew to RM3.8 billion, with exports of RM 98.9 billion and imports of RM 95.1 billion.

The Government has sought to unilaterally liberalise services to attract more foreign investment, professionals and technology, but with limited success. It has committed to regional liberalisation, including in ASEAN, APEC and the Trans-Pacific Partnership Agreement.

(vi) Myanmar

The services sector has actually declined as a share of GDP over the last thirty years (ADB 2010). However, most service sub-sectors (except for financial services due to obvious political and institutional reasons) are gradually growing. Indeed, the services sector has been increasing in terms of value added to GDP over the last decade or so, with the sector's contribution to real value added rising from 3% in 1999 to 16% in 2007. Following its 1988 'open door' policy, Myanmar's trade has become much more regionally focused, especially with China and Thailand. Trade in services peaked in the late 1990s, declining steeply since then due to economic sanctions.

Myanmar has 11 bilateral trade agreements with various AMS and other Asian countries, most of which are very dated. Regionally, it also belongs to BIMSTEC, but ASEAN is its main trade agreement. Its ASEAN focus on services has been on limited liberalisation commitments, in line with the expected aims of the Five Year Plan (2006-2011), which ambitiously targets annual 12% growth. Myanmar has less liberal commitments than other AMS, both in AFAS and GATS.

(vii) The Philippines

The economy has a relatively large and growing services sector, averaging some 48% of GDP since 2000. It is the largest provider of employment. The services trade balance has shifted from continuous deficits during 2000 to 2005 to surplus, mainly reflecting substantial growth in exports of 25% during 2006-2010.

The country's first wave of unilateral reforms in services began in 1987 with de-regulation of power generation and liberalisation of telecommunications, shipping and air transport, followed by finance and water. However, lack of clear rules and an appropriate regulatory framework have limited their impact on competition, especially in telecommunications, power, ports and shipping, where legal barriers to local entry and investment also exist. Regulatory capture by incumbents and political interference reportedly constrain competition. Constitutional limits on the amount of foreign equity also hamper liberalisation of some services (e.g. public utilities).

The Philippines has committed to liberalising services through AFAS and signed seven Mutual Recognition Agreements. However, many sub-sectors listed in the 7th AFAS package remain unbound in Modes 3 and 4, and also contain market access and national treatment limitations. Despite liberalisation efforts, the Philippines has not seemingly made substantive commitments in services, either regionally or multilaterally.

(viii) Singapore

In 2010, services accounted for 67.6% of GDP, and employed 67.3% of the labour force in 2008. The value-added of Singapore's services sector, at 69.1% of GDP, in 2008 was the third highest among APEC countries (after Hong Kong and the United States).

Singapore's services trade in 2008 was US\$264.1 billion (22.1% of total trade); exports were US\$140.4 billion and imports US\$123.7 billion. Over 89% of its services trade is outside ASEAN.

Its trade strategy has been to smooth economic volatility by seeking to diversify trading partners and promoting growth clusters aimed at minimising concentration in any single market or industry. This is executed through a three-prong trade approach embracing unilateralism, multilateralism and bilateralism/regionalism.

(ix) Thailand

Services, the most significant sector, accounted for 45.1% of value added in 2009. Thailand has actively promoted service exports, which rose from 7.0% of GDP in 1977 to 29.2% in 2008.

The Government recognises services are important to the country's economic development. It has various trade agreements within and outside the ASEAN region, and has committed to liberalise services multilaterally. Thailand has also unilaterally liberalised by adopting various investment laws and regulations to facilitate foreign investors.

(x) Vietnam

Services constitute 39% of GDP, and although growing remains low relative to most AMS. They also account for about one third of employment.

Vietnam's international trade has grown dramatically, coinciding with its overall economic liberalisation and development. Most services trade (imports and exports) is in Information and Communications Technology (ICT) and business services, mainly with the US and EU.

Vietnam is investigating the possibility of negotiating its first bilateral trade agreement. It has several agreements through ASEAN. Vietnam also remains committed to regional services liberalisation, via AFAS, and joined the WTO in 2007.

Chapter III: Overview of Services Trade Liberalisation and Capacity Building in ASEAN

This Chapter briefly reports liberalisation progress in trade in services, first under AFAS and associated commitments, and second actually within each AMS. While significant progress, it has been slow (and may have slowed), and will have to accelerate if the AEC is to be achieved on schedule. Significantly, in many cases it seems that actual services liberalisation ‘on-the-ground’ has exceeded ‘on-paper’ liberalisation in AFAS. The Chapter also sketches the major trade-related technical assistance and capacity building activities provided to AMS, both individually and as a group. While substantial, few activities have focused on trade-related services reforms.

1. ‘On-Paper’ Liberalisation Under AFAS

AMS have negotiated seven packages of commitments under AFAS, as a precursor to establishing the AEC by 2015 and transforming the region into the free movement of goods, services, investment, skilled labour, and freer flow of capital (AEC Blueprint 2008).¹ AFAS was signed in December 1995 aimed at preferentially liberalising trade in services among AMS beyond their MFN multilateral GATS commitments. It was seen as a good initiative for eliminating trade restrictions in services and for enhancing ASEAN cooperation, to improve efficiency and competitiveness, and to diversify economic activity. AFAS’s ultimate goal, namely to realise a free trade area in services, is now reflected in the AEC. In this context, with this decided, ‘on-paper’ trade negotiations under AFAS are essentially redundant to achieving the AEC. It now requires actual ‘on-the-ground’ liberalisation to ensure that the AEC 2015 targets of free trade in services within the region are met.²

The AEC intends to remove all regional services restrictions on ASEAN suppliers, including to establishing firms across AMS (subject to domestic regulations). The AEC Blueprint targeted this to be achieved by 2010 for four priority sectors (air transport, healthcare, e-ASEAN and tourism). Considerable slippage has occurred, however. For logistic services, the target date is 2013.

AFAS’s achievements at least until 2005, ten years after implementation, were not ‘impressive’, despite some wider bound liberalisation than in the GATS and removing some restrictions to services trade among AMS (Thanh and Bartlett 2006). They evaluated AFAS based on four key questions that sought to examine the extent of (a) bound liberalisation commitments compared to the GATS (b) services restrictions removed among AMS (c) regulatory convergence, harmonisation and mutual recognition (d) transparency and predictability (Table 3.1).

Margins of preference were found to vary substantially across AMS, lowest in the two largest providers of intra-ASEAN services (Singapore and Malaysia), and the depth of liberalisation, reflected by the extent to which commitments were bound, was also poor (Thanh and Bartlett 2006). They suggested that while AFAS had ‘made tentative progress with policed decentralisation, especially with respect to modes 1 and 2’, hardly any headway was made with MRAs and regulatory harmonisation. Furthermore, AFAS transparency and predictability were

¹ Eight AMS have completed the 7th package, and the 8th package is being negotiated. Some uncertainty surrounds whether the AEC is to commence at the start or end of 2015. This is being discussed by AMS. It should be resolved quickly to provide greater predictability and clarity to business and other stakeholders.

² Since achieving the AEC requires actual elimination of trade-related restrictions this still holds even if the AEC targets of 2015 are not met - trade negotiations in services are essentially concerned with ‘on-paper’ commitments mainly in the form of bindings rather than eliminating actual measures.

found to be ‘severely hindered by the low level of governance in the region’, along with AFAS not having ‘best practice architecture’ and ‘significant unbound barriers to services trade in modes 3 and 4’. In only one criterion was AFAS’s performance rated above adequate.

Table 3.1: Assessment of AFAS Achievements

| Key Question | Components | Assessment |
|--|--|---------------|
| Extent of bound liberalisation commitments compared to GATS | Width (coverage) | Adequate |
| | Depth (extent to which AFAS is binding) | Poor |
| Extent services restrictions to AMS removed | Level of restrictiveness | Adequate/good |
| Extent of regulatory convergence, harmonisation and mutual recognition | Scope of 'policed decentralisation' | Adequate |
| | Scope of MRAs | Poor |
| | Extent of harmonisation | Poor |
| Degree of transparency and predictability | Quality of regulations and governance | Poor |
| | AFAS-wide transparency and predictability | Poor |
| | Sectoral/modal transparency and predictability | Adequate |
| | | |

Source: Thanh and Bartlett 2006.

AMS commitments in both AFAS and GATS have continued to disappoint (Mikic 2009). For most their coverage of AFAS commitments only very slightly improve multilateral commitments. This is evident from Sectoral Coverage Ratios derived from the 7th AFAS package (Table 3.2). Countries with more conservative multilateral commitments (e.g. Brunei Darussalam) have ratios above 3, while traditionally open countries (e.g. Singapore, and Vietnam, which recently acceded to WTO) have ratios closer to 1. The results especially disappoint given that AMS generally have poor GATS commitments.

Table 3.2: Sectoral Coverage Ratios for AMS

| Country | Sectoral Coverage Ratio ^a |
|-------------------|--------------------------------------|
| Brunei Darussalam | 3.38 |
| Cambodia | 1.21 |
| Indonesia | 1.56 |
| Malaysia | 1.26 |
| Myanmar | 3.00 |
| Philippines | 3.03 |
| Singapore | 1.09 |
| Thailand | 1.35 |
| Vietnam | 1.09 |

a. The Sectoral Coverage Ratio is an AMS’ GATS and AFAS total sectoral coverage of commitments relative to its GATS’ sectoral coverage of commitments. A ratio above unity indicates that the country’s AFAS commitments exceed its GATS commitments.

Source: Mikic 2009.

(i) Sector

By sector, the extent of ‘on-paper’ liberalisation varies substantially, including across AMS (Mikic 2009)(Table 3.3).³ Although this analysis was based on WTO commitments, this also gives a good indication of the pattern of AFAS commitments, given their close resemblance.

³Mikic calculates a measure of liberalisation for each sub-sector, and uses these to generate aggregate sectoral scores and simple averages, which provide the overall GATS commitment index.

Table 3.3: GATS Commitments Index (2006-2007)

| | Market Access | National Treatment | Business Services | Communication Services | Construction/Engineering Services | Distribution Services | Education Services | Environmental Services | Financial Services | Health/Social Services | Tourism/Travel Services | Recreational/Cultural Services | Transportation Services | Other Services | All Service Sectors |
|-------------------|---------------|--------------------|-------------------|------------------------|-----------------------------------|-----------------------|--------------------|------------------------|--------------------|------------------------|-------------------------|--------------------------------|-------------------------|----------------|---------------------|
| Brunei Darussalam | 3.6 | 5.1 | 7.5 | 13.8 | 0 | 0 | 0 | 0 | 15.8 | 0 | 0 | 0 | 2.1 | 0 | 4.4 |
| Cambodia | 43.7 | 54.5 | 31.6 | 47.4 | 50.0 | 66.1 | 32.6 | 75.0 | 64.3 | 23.4 | 69.1 | 0 | 26.0 | 0 | 49.1 |
| Indonesia | 11.1 | 7.9 | 6.5 | 13.8 | 21.4 | 0 | 0 | 0 | 29.8 | 0.0 | 66.7 | 0 | 3.4 | 0 | 9.5 |
| Malaysia | 20.5 | 30.3 | 34.6 | 40.0 | 50.0 | 0 | 0 | 0 | 44.6 | 23.4 | 54.6 | 46.9 | 7.6 | 75.0 | 25.4 |
| Myanmar | 6.0 | 3.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 93.8 | 0 | 18.8 | 0 | 4.9 |
| Philippines | 12.2 | 15.4 | 1.2 | 15.2 | 0 | 0 | 0 | 0 | 61.5 | 0 | 62.3 | 0 | 55.1 | 0 | 14.1 |
| Singapore | 21.0 | 24.3 | 27.3 | 20.4 | 75.0 | 0 | 0 | 0 | 52.4 | 0 | 59.0 | 6.3 | 9.0 | 0 | 22.7 |
| Thailand | 16.9 | 22.6 | 18.3 | 21.3 | 48.2 | 1.1 | 24.4 | 53.6 | 49.1 | 0 | 48.5 | 20.8 | 25.9 | 0 | 19.7 |
| Vietnam | 26.1 | 34.2 | 31.3 | 49.1 | 37.5 | 14.6 | 24.7 | 52.7 | 52.3 | 57.1 | 66.2 | 18.2 | 25.0 | 0 | 30.2 |

Source: Mikic 2009.

Table 3.3 also demonstrates the low level of ‘on-paper’ liberalisation across the ASEAN region. Most importantly, however, is to distinguish between ‘on-paper’ liberalisation, whereby such commitments are seen to be liberalising, and genuine or real ‘on-the-ground’ liberalisation. More ‘on-paper’ commitments do not necessarily mean more liberal measures ‘on-the-ground’. Indeed, more liberal ‘on-paper’ commitments by AMS either within AFAS or the GATS have usually meant no actual liberalisation, since the sectors covered by commitments are already open and/or cover a mode of supply where trade is non-feasible. Thus, as noted by Mikic, indicators from analysing ‘on-paper’ commitments are not necessarily measures of actual level of liberalisation. Countries like Singapore that have significantly reformed services unilaterally have nevertheless made weak GATS (and AFAS) commitments, thus retaining substantial ‘binding overhang’.

Nevertheless, the ASEAN scorecard does reveal some positive outcomes (at least on paper). Good progress has occurred in making ‘liberalising’ commitments on modes 1 and 2, and AFAS has some 50% more sub-sector coverage than GATS. However, the extent to which these have liberalised ‘on-the-ground’ is unclear; in most cases such commitments have not seemingly changed measures in reality. AFAS may have helped AMS officials gain experience in and understanding of complex negotiations. However, given the poor Doha offers there is little evidence of these synergies. AFAS may also generate more general non-economic benefits, such as increased ASEAN political interaction and cooperation.

2. ‘On-the-Ground’ Liberalisation

Much scope remains to further liberalise services trade in AMS. However, how much and in which areas will depend not on AFAS (or GATS) ‘on-paper’ commitments, but on the extent to which they have genuinely liberalised ‘on-the-ground’. While some real liberalisation has occurred it has been intermittent and non-comprehensive. This must be accelerated if the AEC is to be met on schedule. Negotiating more ‘on-paper’ commitments will achieve very little towards the AEC unless underpinned by real ‘on-the-ground’ liberalisation. Experience in

ASEAN and elsewhere overwhelmingly shows that services liberalisation must be tackled unilaterally to be successful, and that trade agreements, whether regional or multilateral, are generally ineffective.

Actual liberalisation of trade in services has varied across the ASEAN region, which has relative open areas. For instance, health and medical services seem open in some AMS, due to a combination of (a) many centres of excellence in medical and healthcare (b) recent WTO accession of Vietnam, Cambodia and the on-going accession of Lao PDR and (c) as most AMS cannot afford expensive universal healthcare subsidies have not had to restrict access to them that can also restrain trade (Dee 2010).

Substantially liberalization in finance and telecommunications also slowed or even regressed in the former sector after the 1990s Asian financial crisis (Dee 2010). Moreover, only one AMS has met the AEC Blueprint target to allow at least 70% foreign ownership of domestic air services carriers by 2010; only two AMS met the foreign equity targets in telecommunication services; and no AMS has met the target of allowing at least 51% foreign ownership in all maritime services by 2010 (Dee 2010). Also, while most AMS are relatively liberal in many aspects of maritime services, few grant exemptions from cabotage restrictions (Dee 2010).⁴

3. Existing Technical Assistance and Capacity Building Initiatives

Despite positive bouts and pockets of liberalisation of trade in services across AMS, it is clearly incomplete. Unless ‘on-the-ground’ liberalisation is comprehensively accelerated implementing the AEC will struggle.

Some technical assistance and capacity building initiatives have occurred within AMS aimed at specifically promoting services trade liberalisation. They have varied in terms of scale and scope across ASEAN, with varying success and benefits. Moving forward, a more cohesive strategy is required in providing technical assistance and capacity building to achieve further tangible services trade liberalisation.

While comprehensively reviewing all technical assistance and capacity building provided to AMS multilaterally, regionally or bilaterally would be a large task clearly beyond the scope of this Study, an attempt has been made to briefly identify the main such programs helping to strengthen trade in services. These include country-specific projects and ASEAN-wide initiatives. While not intended to cover the literally hundreds of such relevant projects and workshops, the most important are hopefully covered to enable a reasonably accurate overview of their focus.

(i) ASEAN-wide

Support for ASEAN capacity building projects are currently provided through the following facilities: (a) ASEAN-Australia Development Cooperation Programme II (AADCP II); (b) the ASEAN-EU Programme for Regional Integration Support Phase II (APRIS II); (c) the ASEAN-US Technical Assistance and Training Facility (AU-TATF) and (d) the ADB Regional Technical Assistance (RETA) Phase 2. These technical assistance facilities support ASEAN’s community-building efforts and institutional strengthening, particularly of the ASEC (AEM Aug 2010).

⁴ Most AMS are also yet to reach the AEC Blueprint targets on foreign equity limits in banking (Dee 2010).

EU–ASEAN Statistics Capacity Building: includes to (a) strengthening ASEC’s capacity for improving comparability of official statistics among AMS and between ASEAN and the EU; (b) improving production, compilation, dissemination and use of higher quality statistics, including on international services trade; (c) enhancing statistical and analytical capacities of AMS needing most support, especially the CLMV economies.

Asia-Pacific Research and Training Network on Trade (UNESCAP): seeks to increase quality and relevant trade research in the region by harnessing and developing capacity through regional team research projects, enhanced research dissemination mechanisms, increased interaction between policymakers and researchers, and implementing specific capacity building activities for researchers and research institutions from Less Developed Countries (LDCs).

Other more general programmes:

- *Global Campus 21* funded by the German Federal Foreign Office to build ASEC’s capacity in administration and management, economic cooperation and integration, and media and communication;
- *The ASEAN – US Technical Assistance and Training Facility* aimed at preparing a comprehensive trade facilitation framework to assess and improve such reform in each AMS by providing a step-by-step approach to implementation;
- *The Technical Assistance Management Facility (TAMF)* to build Indonesian capacity for general trade negotiations and to detail regulations (which being unpublished significantly undermines its transparency and liberalisation value), and will in future expand into institution building;
- *USAID* funding of a related project in Indonesia and also of the *Support for Trade Acceleration (STAR) Project* in Vietnam to support trade adjustment and reform;
- *World Bank study* building capacity in services trade (e.g. dialogue on the benefits of liberalisation) and work of the Japanese External Trade Organisation (JETRO) involving the Indonesian Chamber of Commerce and Industry (KADIN), examples of where the private sector is directly involved in capacity building; and
- *The German Technical Cooperation agency (GTZ)* successful institutionalisation of regulatory impact assessments by the Department of Justice in Vietnam, but much further capacity building in this process and analysis is required to ensure effectiveness.

As part of SDNAS, the ASEC submitted a list of past technical assistance and capacity building activities related to services (Table 3.4). While it shows significant diversity, there is inadequate focus of those forms of technical assistance and capacity building emerging from the SDNAS as needed to tackle the bottlenecks identified in cross-cutting or economy-wide obstacles holding back services trade liberalisation and related reforms. For example, much has been devoted to assisting the AFAS trade negotiations, which while useful, is as the SDNAS strongly argues largely redundant in achieving the AEC. It requires actual ‘on-the-ground’ liberalisation and not simply more negotiated ‘on-paper’ commitments.

Table 3.4: List of Past Services-Related ASEAN Technical Assistance Activities

| Title of Project | Date & Venue | Sponsor/ Scheme | Status / Note | Reference |
|--|------------------------|-----------------|---------------|-----------|
| Regional Workshop on Services for CLMV | 27–29 May 1998, Yangon | N/A | Done | CCS 15 |
| GATS Seminar on Negotiations | 3 June 1999, Brunei | Brunei | Done | CCS 19 |

| Title of Project | Date & Venue | Sponsor/ Scheme | Status / Note | Reference |
|--|----------------------------------|------------------------|--|-------------------------------|
| Association for Overseas Technical Scholarship (AOTS) & JODC Expert Services Abroad (JESA) Scheme | 1999 – 2000 | AMEICC | No records found of follow-up activities | CCS 22/24 |
| UNCTAD Support to ASEAN Regional Integration & the Multilateral Trading System | 2002 | UNCTAD | Endorsed, but no follow-up recorded | CCS 29 |
| Study on ‘Reforming Trade in Services Negotiations under AFAS’ | Jul 2002–Jun 2003, May 2003 | REPSF-AADCP | Presented at Special CCS in May 2003 | CCS 30, 32 Spc CCS 2003 |
| Workshop on Developing MRA in Professional Services | 1 July 2003, Kuala Lumpur | PSDC Malaysia | During CCS 32 | CCS 32 |
| Study on ‘Liberalising & facilitating the movement of natural persons under AFAS: implications & labour and immigration policies & procedure in ASEAN’ | Jul 200 –Mar 2004 | REPSF-AADCP | Done | CCS 30 |
| Seminar of FDI in Services & Competitiveness in Asia | 2-4 March 2004, Kyoto | Japan | Done | CCS 35 |
| Workshop on ASEAN Energy Services | 13-14 Dec 2004, Bkok | Indonesia | During CCS 39 | CCS 39 |
| ASEAN-US Seminar on Trade in Services | 1 April 2005, Kuala Lumpur | AUTATF | Done | CCS 41 |
| ASEAN Services Forum | 5-6 July 2005, Hanoi | JAGEF | Done | CCS34-42 |
| Seminars on Scheduling of Commitments | 28 April 2006, Bangkok | AUTATF | During CCS 46 | CCS 46 |
| Study on ‘Ten Years of ASEAN Framework Agreement on Services (AFAS): An Assessment’ | Nov 2005– July 2006 | REPSF-AADCP | Done | CCS 44,48 |
| Workshop on Mutual Recognition Arrangement | 14-15 Sept 2006, Bali | AUTATF | During CCS 48 | CCS 48 |
| Study & Workshop on ‘Desirability, Feasibility & Options for Establishing Emergency Safeguard Mechanism (ESM) within the AFAS’ | Jun 2005 – Dec 2006, 19 Oct 2006 | AADCP-REPSF | Workshop held 19 Oct 2006 at ASEC | CCS 42-43 Special CCS 2006 |
| Workshop on Scheduling Commitments in Telecommunications Services | 5 Feb 2007, Kuala Lumpur | AUTATF | During CCS 49 | CCS 49 |
| The Second ASEAN Services Forum | 9–10 May 2007, Sapore | JAIF | Done | CCS 48,49 |
| Study on ‘Expanding the Trade for Business Services in ASEAN’ | Jun 2005 – Jun 2007 | AADCP-REPSF | Report given at CCS 50 | CCS 42,50 |
| Video Conference Seminar on Lessons from Recent Research (a) East Asian FTAs in Services (b) Rules of Origin in Services | 22 June 2007, Bali | World Bank | During CCS 51 | CCS 51 |
| Workshop on ‘Inventory of Legal and Regulatory Measures Affecting Services’ | 18 Feb 2008, Siem Reap | AUTATF | During CCS 53 | CCS 52, 53 |
| Advanced Scheduling of Services Commitments Workshop | 28-29 May 2008, Bngkok | AUTATF | During CCS 54 with WTO | CCS 53, 54 |
| Study on ‘East Asian FTAs in Services: Facilitating Free Flow of Services in ASEAN?’ | May 2008 | AADCP REPSF II | Done | CCS 54 |
| Telecommunication Sectoral Working Group Session with WTO Expert | 9 Feb 2009, Kuala Lumpur | Malaysia | During CCS 57 | CCS 57 |
| Study on Economic Needs Test (ENT) | 11 February 2009 | AUTATF | During at CCS 57 | CCS 52, 57 |
| Capacity Building Program for Services Regulators in Lao PDR | 6-8 Oct 2009, Vientiane | AUTATF | Done | CCS 57, 59 |

| Title of Project | Date & Venue | Sponsor/ Scheme | Status / Note | Reference |
|---|----------------------------------|------------------------|---|----------------------------|
| Design Exercise for Needs Assessment Studies on Capacity Building in Trade in Services for ASEAN Member States | 2010 | AADCP II | Done | CCS 59, 60 |
| Impact of Services Integration: 15 Years of AFAS | Pending | ADB | Discussing with potential donor | CCS 59 - 65 |
| Free Flow of Skilled Labour | 11–12 October 2010, Kuala Lumpur | AADCP II | Done | CCS 63 |
| Services Diagnostic and Needs Assessment Study | 2010–2011 | AADCP II | On-going | CCS 64, 65 |
| Study on Enhancing Implementation of ASEAN Agreements | 12-13 Nov 2011, Manila | AADCP II | Done (covered also goods, investment) | CCS 64, 65 |
| Capacity Building Program for Services Regulators in Lao PDR | 8-10 Dec 2010, Hanoi | AUTATF | Done | CCS 64 |
| Workshop on Scheduling of Services Commitments | 25 May 2011 Bandung | Indonesia | During CCS 65 WTO | CCS 65 |
| Supporting the Implementation of the Roadmap for the Integration of Logistics Services: Priorities and Action Plans | 2011 | AADCP II | Proposals being developed | CCS 64, 65 |
| Improving Scheduling Commitments of the AFAS | 2011 | AADCP II | Upcoming | CCS 64, 65 |
| Capacity Building in the Trade in Goods & Services for CLMV countries | 2002 | IAI | US\$3.5 million | AEM 34 |
| Study on 'Liberalisation of Financial Services in the ASEAN Region' | May 2003 | REPSF-AADCP | Done | AADCP |
| Study on 'Liberalisation and Harmonisation of ASEAN Telecommunications' | July 2004 | REPSF-AADCP | Done | AADCP |
| ASEAN Plus 3 Supply Chain Project | 2004 | METI for AEM+3 | Study/ training program | AEM + 3 database |
| ASEAN Common Competency Standards for Tourism Professionals (ACCSTP) Project | 2004-2005 | AADCP-RPS | Done (precursor to MRA for tourism professionals) | AADCP, AEM 37 |
| ASEAN Trade Negotiations Course | 26 Feb 2005, Jakarta | AUTATF | Done | 5 th SEOM-AUSTR |
| Study on 'Promoting Efficient and Competitive Intra-ASEAN Shipping Services' | March 2005 | REPSF-AADCP | Done | AADCP |
| Study on 'Movement of Workers in ASEAN: Healthcare and IT Sectors' | Jan – June 2005 | REPSF-AADCP | Done (endorsed under SLOM) | CCS 40 |
| ASEAN Statistical Capacity Building Programme | 2005 ~ Present | EC | On-going | CCS 41, EC |
| Statistical Capacity Building for Harmonisation of ASEAN International Trade in Goods and Services | Jul 2005 - Dec 2006 | AADCP RPS | Completed | AEM 40 |
| Developing Common ASEAN Tourism Curriculum | Apr 2006 ~ Apr 2008 | AADCP RPS | Completed | AEM 40 |
| Training & Regional Workshop to Establish Regional Work Plan for Development of Harmonised Statistics on International Trade in Services (SITS) | 4-8 Sept 2006 | AUTATF | Done (under AHSOM) | CCS 49 |
| ASEAN Tourism Investment Study | September 2006 | AADCP-REPSF | Done | AADCP |

| Title of Project | Date & Venue | Sponsor/ Scheme | Status / Note | Reference |
|--|-----------------------------|---------------------|---|-----------------------------|
| Training on Logistics | 2007 (5 AMS) | AMEICC HRD-WG | Centre of Excellence Progressive Develop. Program (COE-PDP) | SEOM-METI 1/14 |
| An investigation into the Measures Affecting the Integration of ASEAN's Priority Sectors (Phase 2) | April 2007 | AADCP-REPSF | Covered several areas e.g. services & logistics | REPSF |
| Developing ASEAN's Single Aviation Market & Regional Air Services Arrangements with Dialogue Partners | 28 June 2008, Cebu | AADCP-REPSF | Done | STOM & REPSF |
| READI Workshop on Economic Regulations for Telecommunications: 'Ensuring Competition for the Benefits of Citizens' | 16-17 June 2008, Singapore | APRIS 2 | Done | APRIS |
| Study on 'Deepening East Asian Economic Integration' | 2008 | ERIA | Done | CCS 58 |
| READI Workshop on Telecommunications Regulation: 'Spectrum Management for Electronic Communications' | 30-31 July 2009, Chiang Rai | APRIS 2 | Done | APRIS |
| Training Program on Distribution Logistics: Indonesia (Matsushita Gobel Institute) & Cambodia (National Institute of Business) | 1999 | AMEICC HRD-WG | Done | SEOM-METI 2/15 |
| First Workshop & Meeting of Task Force on Statistics on International Trade in Services (TFSITS) | December 2009 | EASCAB | Done | CCS 65 |
| Second Workshop & Meeting of the TFSITS | April 2010 | EASCAB | Done | CCS 65 |
| Capacity Building Workshop for ASEAN Officials on Approaches to Negotiating Trade in Services in FTAs | 2-3 May 2005, Bangkok | Australia, AANZTN C | Done | CCS 41 |
| TREATI High-Level Policy Dialogue on EU Economic Integration | 15 June 2005, Brunei | EU | During SEOM 3/36 | SEOM 3/36 |
| Workshop on Telecommunications Services | 3 March 2008, ASEC | AANZTN C | During 13 th AANZTNC | 13 th AANZTN C |
| TREATI High-Level Policy Dialogue on EU Economic Integration (Services/Investment) | 15 April 2008 Bangkok | ASEAN-EU | During 4 th AEUJC | 4 th AEUJC |
| East Asian FTAs in Services: Facilitating Free Flow of Services in ASEAN? | 29 April 2008 | AADCP-REPSF | Done | CCS 54 REPSF |
| Capacity Building Workshop on International Trade in Services Statistics Collection & Management | 28-30 March 2011, Bangkok | AANZFT A JC | Done | 3 rd AANZFT A JC |
| AANZFTA Forum on ASEAN Regional Qualifications Framework | 29-30 April 2011, Bangkok | AANZFT A JC | Done | 3 rd AANZFT A JC |
| Enhancing Domestic Regulations | 2011 | AANZFT A JC | New proposal to be developed | 3 rd AANZFT A JC |
| Technical Assistance for the Logistics Sector | 2011 | AANZFT A JC | New proposal to be developed | 3 rd AANZFT A JC |

Source: ASEC.

(ii) Brunei Darussalam

While it receives some technical assistance for capacity building, these are very specific and limited due to its development status. One example is the ASEAN to ASEAN Programme. Although details were not readily available, this is understood to involve more developed/advanced AMS (e.g. Singapore) providing very specific technical assistance to other AMS. Japan and Korea have also provided technical assistance and capacity building to Brunei.

(iii) Cambodia

Most capacity building projects have been broad, and focused on both trade in goods and services. Examples include IMF Customs Legislation (2001); *UNIDO's Strengthening of Capacities Related to Metrology, Testing and Conformity* (2002-2005); *World Bank's Integrated Framework Diagnostic Trade Integration Study* (2001-2002); and *CIDA's Cambodia Legislative Drafting for Economic Integration* (2002-2005).

Services-specific technical assistance and capacity building include:

Cambodia public-private sector dialogue on WTO and trade in services – implemented by IDEAS Centre in 2004 and 2005 to assist the private sector interface effectively with government in ensuring WTO obligations are implemented and developing Doha negotiating positions.

(iv) Indonesia

AusAID-funded *Australia Indonesia Partnership for Economic Governance (AIPEG)* facility to assist policy coordination by the Ministry of Trade.

The *Technical Assistance Management Facility (TAMF)* focused on capacity building for negotiations (AFAS non-specific).

Regulatory Impact Assessments (RIA) conducted in 25 local districts for the Ministries of Trade and Finance, funded by the Asia Foundation with support from USAID and CIDA.

The *World Bank's Indonesian Logistics Study* with ASEAN-wide relevance.

Services trade dialogues held by the World Bank and the Japanese External Trade Organisation (JETRO) involving the Ministry of Trade, the Indonesian Investment Coordination Board (BKPM), and the Indonesian Chamber of Commerce and Industry (KADIN) to discuss the benefits of trade liberalisation.

(v) Lao PDR

ASEAN-Australian Development Cooperation Program (AADCP) from 2002-08 aimed at promoting sustainable development and economic integration by strengthening ASEC's institutional capacity and ability to meet its broad mandate, and by providing high quality economic research, policy advice and implementation support, especially covering services.

AusAID's Economic Cooperation Support Program to support ASEC to implement AANZFTA.

CIDA's APEC Economic Integration Program to build trade policy capacity in six ASEAN countries, but more specifically in Lao PDR to assist in WTO accession. Delivery included short-term training, targeted technical assistance which in Lao PDR focused on interdepartmental coordination, trade in services accession requirements, and networking activities.

SECO's WTO Accession Support for Lao PDR to facilitate and accelerate its WTO accession by providing international level policy advice and negotiating strategies.

(vi) Malaysia

The Professional Services Development Corporation (PSDC) established in 2002 by the Government to help build capacity of Malaysian Professional Service Providers (PSP).

Services Sector Capacity Development Fund (SSCDF) established in 2009 by the Government to build capacity and competitiveness of local companies facing intense competition from trade openness, especially in sectors prioritised for liberalisation, to encourage firms to compete globally through mergers and acquisitions, as well as to participate in overseas projects and to improve productivity.

Institute of Engineers in Malaysia, an NGO demonstrating successful practises via the Malaysian accreditation system.

(vii) Myanmar

EU-ASEAN statistics project, commencing April 2011.

UNSD capacity building project on measuring trade in services.

ERIA technical assistance project on national statistics.

UMFCCI training courses to prepare the private sector for the ASEAN 2015 targets, including on intellectual property rights in collaboration with WIPO.

(viii) The Philippines

EU Trade Related Technical Assistance to agencies like the Department of Trade and Industry (DTI) and the Department of Labor and Employment (DOLE).

USAID and ITC grants to fund capacity building, workshops and training programs.

U-ACT workshops and e-learning activities to discuss services liberalisation.

GTZ publication in 2006 of a series of studies on Education, Health Services, Audiovisual Services, Information and Communication Technology, Business Process Outsourcing, through the Philippines Institute for Development Studies.

(ix) Singapore

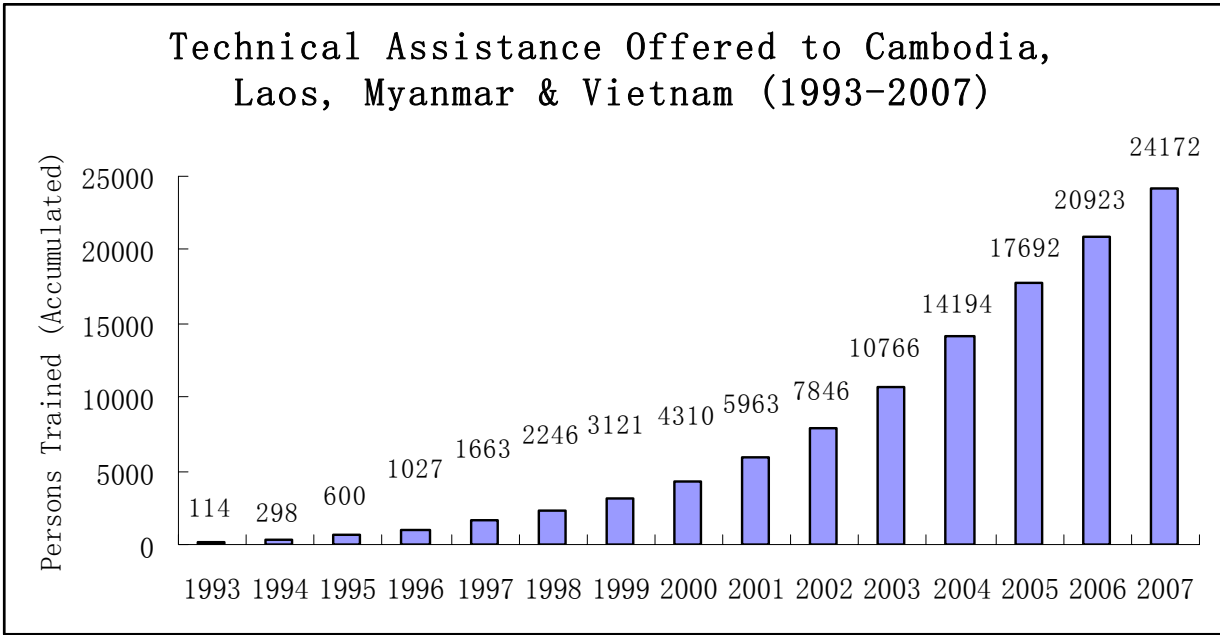
Singapore has shared its developmental experiences with ASEAN neighbours informally. In 1992, the Singapore Technical Cooperation Programme (SCP) was established under the Ministry of Foreign Affairs to provide more structured technical learning to developing countries; S\$400 million has so far been committed. Lao PDR, Cambodia, Myanmar and Vietnam have been identified as high priority countries under the Initiative for ASEAN Integration (IAI) to narrow the development gap in ASEAN (Figure 3.1). Other AMS are also eligible for assistance.

(x) Thailand

The *Government* has been conducting a series of studies in order to amend laws and regulations hindering liberalisation.

Thai International Freight Forwarders Association (TIFFA) has established an International Transport Business School (ITBS) to help prepare for the AEC.

Figure 3.1: Technical Assistance Offered to Cambodia, Laos, Myanmar and Vietnam, 1993-2007



Source: Towards An Integrated ASEAN Community: A Singapore Perspective, Singapore Technical Cooperation Programme (2011).

(xi) Vietnam

MUTRAP III (EU): assisting Vietnam implement the SEDP and the Post-WTO Action Plan for sustained pro-poor economic growth through stronger integration into the global trading system.

STAR Plus (USAID): supporting the Government’s efforts to implement trade and investment reforms, including in economic governance and macroeconomic areas, to ensure an attractive environment for investment, trade and private sector growth.

Beyond WTO (AUSAID/DFID): supporting Government through flexible funding to implement reforms dealing with hunger, poverty and institutional issues arising from WTO accession.

Legal Aspect of International Financial Institution (IMF): building human capacity of senior lawyers responsible for aspects of IFI and WTO membership.

Financial Sector Modernisation and Information Management System (World Bank): assisting the State Bank of Vietnam, the Credit Information Centre, and the Deposit Insurance of Vietnam to improve their delivery of main functions according to relevant international banking standards.

Innovation Partnership Programme (Finland): supporting Government to draft and implement its Science and Technology Strategy 2011-2020, strengthening innovation management capacity, and linking universities, government and the private sector to innovate jointly.

JICA's project for Capacity Building for Enforcement of Competition Law and Implementation of Competition Policy.

SECO's project to Strengthen Vietnamese Competition Authorities.

UNDP's project on Capacity Development for Economic Diplomacy and Business-Government Policy Dialogue.

4. Summing Up

Numerous projects have provided technical assistance and capacity building across ASEAN aimed at strengthening trade, but less specifically in services. They have varied widely across AMS in terms of scope, focus and success. Singapore, unlike other AMS, generally provides rather than receives technical assistance and capacity building. While there are fewer projects specifically targeting trade in services, countries such as Cambodia, Lao PDR, Myanmar, Vietnam and to a lesser extent Indonesia receive a large volume of trade-related assistance.

Although a few general themes can be identified across the ASEAN region (e.g. assisting governments in implementing legislation, conducting policy research), there seems to be no obvious trade-related technical assistance and capacity building over or under-represented across ASEAN. Indeed, a case may be made that technical assistance and capacity building should be provided more consistently across the region (e.g. every country should strive to have a statistics-focused technical assistance initiative), but that is beyond the scope of the SDNAS.

Since little technical assistance and capacity building has focussed specifically on liberalising trade in services, there would seem to be plenty of scope to fund such, aimed at facilitating the AEC but also liberalisation of services trade as a means to promote economic efficiency and growth in AMS. This must extend well beyond servicing AFAS trade negotiations, a focus of past technical assistance and capacity building, which are largely redundant in achieving the actual 'on-the-ground' liberalisation necessary in each AMS to achieve the AEC.

Chapter IV: Field Work Findings

This chapter compiles the key issues highlighted in the country reports prepared by the in-country consultants based on their fieldwork, as well as the main recommendations suggested to address them through technical assistance and capacity building. In doing so, it emphasises the similar and different challenges facing each AMS at either the national (economy-wide) or sectoral level in advancing the AEC targets and more generally services trade liberalisation and related reforms. The Chapter also lists possible technical assistance and capacity building projects suggested in the country reports, which are prioritised later in the SDNAS.

1. Field Work Details

Fieldwork involving face-to-face interviews was undertaken in all 10 AMS between January and April 2011 by the network of contracted in-country experts, assisted by the lead and collaborative consultants, as outlined in the Inception Report. The in-country experts prepared country reports based on interview surveys and literature reviews (Appendix 4). Two regional workshops were held. The first in Hanoi in December 2010, prior to conducting the fieldwork, to clarify the Study's objectives, procedures and to design survey methods, including preparation of a structured interview questionnaire. The second was held in Bangkok in May 2011 to discuss results and recommendations.

Selected stakeholders and representative bodies were interviewed using the structured questionnaire on a range of AEC and service issues, especially on cross-cutting issues and sectoral issues pertaining to the five selected sectors that were hindering services trade liberalisation and related reforms.⁵ Respondents were also requested to follow up after the interviews with a written response. The interviews confirmed that services generally cover a package of sectors. For example, ICT is prevalent in logistics, tourism, health and professional services like accounting, auditing, architectural and legal services. Similarly, medicine and tourism have combined in 'medical tourism', which involves distributive services like retail and other services e.g. restaurants. Hence, the services sector involves multiple industries and stakeholders. Those interviewed came from various interest groups such as producers (e.g. Bar Councils and Associations of Accountants), users (e.g. consumer and manufacturer associations), the public sector (e.g. relevant ministries, departments and agencies) and other non-state players (e.g. academia and think tanks).

The fieldwork was designed to help gain a detailed understanding first hand from key stakeholders of the main obstacles and bottlenecks faced in liberalising services trade and implementing related reforms, including as a precursor to achieving the AEC, and what technical assistance and capacity building activities the AMS needed to address them. The structured interview surveys were designed to elicit responses around several key cross-cutting issues (i.e. competitiveness and productivity, institutional arrangements and regulation, human resource development, finance, supply side constraints, adjustment costs and private sector efficiency) that were considered to be impacting significantly on services liberalisation, including meeting the AEC 2015 targets.

While extremely useful, the survey generated some important technical inconsistencies, even among the same respondents, and had to be interpreted cautiously. Some country reports noted that several respondents' written and/or oral answers were inconsistent with the quantitative sections of the survey (Part B – where they were requested to rank the importance of issues).

⁵ Logistics, telecommunications/IT, healthcare, tourism, and accounting, auditing, architectural and legal services.

Thus, conclusions sometimes differed to the rankings, hence undermining the extent to which the recommendations could be supported quantitatively. In other cases, while the answers and the rankings were consistent, they reflected specific interests in an unrepresentative sample of those willing to respond. Hence, secondary data needed to be examined to determine the more significant constraints and then various frameworks and strategic approaches used to determine the more significant needs.⁶ Therefore, the SDNAS has developed a two-tier economic and quantitative framework to identify and prioritise important areas for technical assistance and capacity building activities, in conjunction with strategic approaches to identify the more significant constraints.

2. Key Constraints

The fieldwork confirmed international experience that significant sectoral and/or especially cross-cutting (or total sector-wide) issues were overwhelmingly the main obstacles to services liberalisation. Except for Singapore, the key constraints appear to be somewhat similar in all AMS. Singapore’s key constraint is the inability of other AMS to meet the agreed AFAS commitments, and by extension the AEC. Singapore stakeholders are also concerned with ASEC’s ability to implement and enforce the AFAS and the AEC should the AMS not meet their deadlines. The key issues identified in the structured interview questionnaire featured prominently in the survey responses and country reports, and were highlighted in all other AMS (Table 4.1). These were (a) human resources; (b) poor infrastructure; (c) poor institutional arrangements and regulatory framework; and (d) private sector inefficiency. Somewhat surprisingly, adjustment costs did not feature prominently apart from some ‘success’ case studies where their appropriate treatment was a key factor to success (see case studies later in this Chapter). The survey indicated that the key constraints to services liberalisation are complex ‘behind the border’ measures embedded in domestic regulation that try to meet various socio-economic and political objectives, and thus must be tackled by micro-economic reform, including trade liberalisation.

Some of the specific needs that surfaced overwhelmingly from the surveys across sectors and AMS were the need for (a) improved services sector statistics - definition, collection and analysis (b) studies on the costs and benefits of integration (c) better public awareness of the AEC (d) enhanced human resources and (e) developing private public sector dialogue mechanisms, and by extension strengthening cooperation among coalitions favouring liberalisation.

Table 4.1: Key Constraints of ASEAN Member States

| AMS | Key constraints | |
|--------|---|--|
| | Sectoral ^a | Horizontal ^b |
| Brunei | <i>Investment</i> - foreign equity participation - overarching sectoral issue; maximum 51%, limitations on type of ownership e.g. joint ventures, limited number of foreign personnel, residential requirements). <i>Tourism</i> – ban on alcohol consumption and haphazard zoning of smoking areas. <i>Telecoms</i> – regulator identifying ways to increase competition. <i>Transport</i> – under-developed public | <i>Human resources</i> – lacking and general reluctance or difficulty in employing foreigners, including in strategic sectors. ‘Brain drain’ and self-selection to public sector causing private sector skill shortages. Low public perception of services sector employment. <i>Technology</i> – inadequate skilled labour causing challenges in technology upgrading. <i>Competition</i> – feared in strategic sectors, lack of understanding of its important role. <i>Private sector</i> – limited government dialogue. |

⁶ The field work Survey was never intended to be a statistically robust exercise based on random selection processes and statistical techniques. Such a survey would have been impractical for the SDNAS. Nevertheless, every attempt was made to obtain as representative findings as possible given the many constraints faced by such an exercise.

| AMS | Key constraints | |
|-----------|---|--|
| | Sectoral ^a | Horizontal ^b |
| | transport system due to high private vehicle ownership, impacting on tourism. | <p><i>Statistics</i> – improved collection and presentation.</p> <p><i>Political economy constraints & institutional arrangements</i> – over-reliance on oil & gas stifles liberalisation in other sectors. Private sector complacent due to petroleum wealth.</p> <p><i>Technical assistance & capacity building activities</i> - lacking due to rich country status.</p> |
| Cambodia | <p><i>Overarching sectoral issues</i> – common issues affecting poor economies evident e.g. poor infrastructure. Significant liberalisation in most sectors (except Mode 4). Believe it has not helped locals as foreigners gain main business opportunities.</p> <p><i>Wholesale/retail trade</i> – de facto liberalised.</p> <p><i>Tourism</i> – key sector, broadly liberalised.</p> <p><i>Accounting & auditing services</i> – internationally inconsistent accounting and auditing standards.</p> <p><i>Architectural services</i> – broadly liberalised.</p> <p><i>Legal sector</i> – incomplete & unevenly enforced, corruption common.</p> <p><i>Telecoms</i> – lagging in IT, poor regulatory oversight & service quality.</p> <p><i>Healthcare</i> – liberalised but no universal accessibility, small private sector.</p> | <p><i>Human resources</i> – main constraint due to both devastating civil war and poverty.</p> <p><i>Technology</i> – very low access to technology.</p> <p><i>Competition</i> – ambitious policy but not implemented.</p> <p><i>Financing</i> – rebuilding financial infrastructure, need expertise to improve regulatory framework.</p> <p><i>Private sector–government dialogue</i> – success story that can be example to other AMS.</p> |
| Indonesia | <p><i>Domestic trade</i> – restricted foreign participation; foreigners (e.g. hypermarkets) perceived to reduce economic opportunities to locals e.g. bankruptcy of small retailers.</p> <p><i>Logistics</i> – unattainable economies of scale, infrastructure bottleneck, low human resource capacity in management; archipelago presents additional challenges.</p> <p><i>Tourism</i> – conflicting foreign equity regulations nationally and regionally, more bureaucratisation from decentralisation.</p> <p><i>Architecture services</i> – broadly liberalised, and despite MRA architects find recognition hard in foreign markets due mainly to inadequate education system; ‘brain drain’/lack of human resources.</p> <p><i>Accounting & auditing</i> – key differences in domestic and international standards; market domination by ‘Big 4’; restrictions on foreign capital & movement of people.</p> <p><i>Legal sector</i> – foreign participation restricted; strong resistance to liberalisation.</p> <p><i>Telecoms</i> – most liberalised sector; suffers from market saturation, weak infrastructure; legal uncertainty in foreign ownership & dispute settlement.</p> <p><i>Health</i> – shortage of skilled human resources; restricted foreign participation; power concentrated in professional associations; ineffective MRAs; fear</p> | <p><i>Statistics</i>– improve data quality.</p> <p><i>Institutional arrangements</i> – new Directorate handling services liberalisation lacks human capital; ad hoc ‘teams’ created to achieve certain policy goals; jurisdictional issues and inconsistent regulations.</p> <p><i>Human resources</i> – improve human capital in general, including of trade negotiators (e.g. English proficiency); ‘brain drain’ problems.</p> <p><i>Technology</i>– inadequate skilled labour limits technology utilisation and development.</p> <p><i>Competition</i> – most services closed to foreign competition; uncertainty regulatory framework (e.g. Temasek case); onerous MRA requirements.</p> <p><i>Private sector – Government dialogue</i> – minimal and low awareness of AEC.</p> |

| AMS | Key constraints | |
|---------------------------|---|---|
| | Sectoral ^a | Horizontal ^b |
| | unqualified doctors will flood market. | |
| Lao PDR | <p><i>Logistics</i> – poor infrastructure (transportation facilities e.g. roads, railroads, water/river, air), and trade facilitation (customs) to service trade.</p> <p><i>Healthcare</i> – poverty creates high infant mortality and low life expectancy; heavily reliant on foreign aid for health expenditure.</p> <p><i>Tourism</i> – most important sector; highly liberalised; key issue is service quality.</p> <p><i>Telecommunications</i> – no independent regulatory body or single internet gateway (unclear how this will be developed); allocation of frequency bands unclear.</p> <p><i>Accounting, auditing, architectural and legal services</i> – internationally inconsistent accounting standards; small/underdeveloped legal sector (100 registered lawyers).</p> | <p><i>Natural barrier</i> – geography limits global connectivity to achieve scale economies, poor infrastructure.</p> <p><i>Human resources</i> – main problem; over 75% employed in agriculture or as unskilled labour; officials lack capacity to handle trade negotiations.</p> <p><i>Challenging investment climate</i> – lengthy and burdensome bureaucratic processes; ranked 171 (out of 183) in the World Bank Ease of Doing Business 2011; lack of transparency and inconsistent application of regulation/policies; rampant corruption.</p> <p><i>Regulatory framework</i> – no civil code governing and harmonising business; laws promulgated by each competent ministry and often duplicate or in conflict.</p> <p><i>Infrastructure</i> – poor infrastructure (e.g. telecommunications, transportation, roads).</p> <p><i>Limited financing</i> – 25% of firms can access finance).</p> <p><i>Statistics</i> – need to improve statistical system.</p> |
| Malaysia (see Appendix 2) | <p><i>Distributive trade</i> – domestic firms unable to compete with foreign firms (small and poorly capitalised, poor technology or resources to compete on economies of scale).</p> <p><i>Tourism</i> – mostly small firms, lack of awareness.</p> <p><i>Accounting, auditing, architectural & legal services</i> – lack of understanding of cost and benefits of liberalisation; development of regulations among AMS.</p> <p><i>ICT/Telecoms</i> – inadequate infrastructure.</p> <p><i>Health services</i> – different standards, regulations and quality across AMS.</p> | <p><i>Political economy constraints</i> – domestic players fear business erosion from liberalisation via Modes 1, 3 and 4 and oppose it vehemently; related to weak firms; some government agencies object to liberalisation as diminishing or removing their powers; related challenge is that regulator is charged with both regulating and developing the sector; lack of transparency in discussing issues on services liberalisation; political opposition due to liberalisation seen to erode national sovereignty.</p> <p><i>Legal framework and institutional arrangements</i> – inconsistent laws/regulations; sectors under jurisdiction of several ministries/agencies.</p> <p><i>Awareness</i> – regulators face new issues e.g. competition (market access), concerned with developing rather than regulating the sector.</p> <p><i>Human resources</i> – build capacity of officials to understand liberalisation effects; and in firms.</p> <p><i>Competitiveness</i> – levelling playing field, making markets more transparent</p> <p><i>Regulatory issues</i> – regulatory reform main constraint to services liberalisation.</p> <p><i>Financing</i> – high costs to penetrating export markets and entry barrier for small firms.</p> |
| Myanmar | <p><i>Logistics</i> – poor standards and infrastructure.</p> <p><i>Healthcare</i> – inaccessible due to limited government funding & corruptible practices</p> <p><i>Tourism</i> – susceptible to political instability, poor infrastructure (e.g. hotels, transport).</p> <p><i>Telecoms</i> – government-controlled due to ‘sensitive’ nature.</p> | <p><i>Human resources</i> – unskilled labour; focused on goods relying on low unskilled wages; ‘brain drain’.</p> <p><i>Technology</i> – low levels; poor infrastructure.</p> <p><i>Competition</i> – limited, major services (e.g. telecommunications, post, air travel) supplied by state-owned entities.</p> <p><i>Financing</i> – insufficient private sector credit; poor service quality; restrictive and prohibitive regulations.</p> |

| AMS | Key constraints | |
|------------------------------|--|--|
| | Sectoral ^a | Horizontal ^b |
| | <i>Accounting, auditing, architectural & legal services</i> – very small sector. | <p><i>Private sector</i> – government dialogue – no formal consultations; lack of transparent policy planning; poor research capabilities of associations limiting quality and quantity of interaction.</p> <p><i>Statistics and data</i> – none before 2008; poor quality.</p> <p><i>Political economy constraints & institutional arrangements</i> – many diverse line ministries manage services with little coordination; poor transparency; corruption; government controls strategic sectors.</p> |
| Philippines (see Appendix 2) | <p><i>Distributive trade</i> – foreign ownership restricted to large enterprises.</p> <p><i>Legal services</i> – limited to residents with Philippine qualifications; challenges in addressing cross-border legal issues.</p> <p><i>Healthcare</i> – ‘brain drain’ overseas, and from public to private sector; need foreign workers in growing health tourism sector.</p> <p><i>Tourism</i> – weak infrastructure (e.g. airports, roads).</p> | <p><i>Legal and institutional framework</i> – such constraints to liberalising services e.g. prohibiting/restricting foreign equity, labour market test to hire foreigners.</p> <p><i>Competitiveness/productivity</i> – high cost of doing business; inadequate infrastructure; governance issues; poor quality bureaucracy.</p> <p><i>Institutional/regulatory</i> – poor coordination of services trade & institutional failures e.g. turf mentality of public agencies; little appreciation of & research capacity; unclear delineation of authority.</p> <p><i>Private sector</i> – government dialogue- lack of suitable consultative mechanisms for and feedback on trade negotiations and impacts with key stakeholders.</p> <p><i>Awareness</i> – lack of awareness/appreciation of benefits of services liberalisation by key stakeholders.</p> |
| Singapore | <p>Issues relate mainly to other AMS not meeting AFAS/AEC targets or unable to meet its regulatory standards.</p> <p><i>Air transport</i> – other AMS airports signing long term contracts (10–20 years) with their domestic ground-handling and baggage handling firms locks out other firms (domestic and foreign); Mode 4 (physical travel of persons) still restricted.</p> <p><i>Health sector</i> – only 9 universities in AMS meeting Singapore standards set in MRAs.</p> <p><i>Tourism</i> – little collective promotion on ASEAN as a tourist destination, especially with the ASEAN COCI not playing its role.</p> <p><i>Accounting</i>– accountants cannot practise in other AMS; only AMS to fully adopt International Financial Reporting Standards.</p> <p><i>Legal sector</i> – in other AMS protected, lower standards and limited English provision.</p> | <p><i>Sharing of experiences</i> - track record on human resources, technology, competition, finance, private & public sector efficiency possible AMS model.</p> <p><i>Political will</i> – stakeholders sceptical that AFAS (also ACIA or AIGA) and AEC can be achieved.</p> <p><i>ASEC’s enforcement ability</i> – business concerned with arrangements without dispute settlement mechanism; unclear how it can help resolve disputes.</p> <p><i>Transparency</i> – high and irregular transaction costs in other AMS affect services - often reflect uncertain policy measures, poor administration of rule of law and other ad hoc and irregular regulations.</p> <p><i>Corruption</i>– prevalent irregular transaction costs in many AMS due to low public wages enticing some officials to pursue unlawful or corrupt practices.</p> <p><i>ASEC (information)</i> - insufficient business knowledge to act on economic integration initiatives; issues pertain to access, understanding and socialisation.</p> <p><i>ASEC (implementation)</i> – linked to information challenges as businesses cannot decide without access to necessary and sufficient information.</p> <p><i>ASEC (competition)</i> – AMS compete for global market share, which has implications for how ASEAN sequences investment & trade liberalisation.</p> |
| Thailand | <i>Tourism</i> – civil/political unrest caused falling revenue. | <i>Political economy & stability</i> – close government/business links; instability. |

| AMS | Key constraints | |
|---------|--|---|
| | Sectoral ^a | Horizontal ^b |
| | <p><i>Telecoms</i> – oligopolistic market structure.</p> <p><i>Healthcare</i> – regulation & human resources.</p> <p><i>Logistics</i> – domestic firms cannot compete with nominee or foreign firms.</p> | <p><i>Backsliding</i> - in several areas.</p> <p><i>Nominee companies</i> – foreign firms registered as local businesses.</p> <p><i>Human resources</i> – inadequate English skills.</p> <p><i>Awareness</i> – 80% of Thais unclear on impact of services liberalisation.</p> <p><i>Competition</i>– reduced due to political economy issues, nominee companies.</p> <p><i>Statistics</i> – improve collection, timely dissemination.</p> |
| Vietnam | <p><i>Infrastructure</i> – poor infrastructure e.g. transport, logistics, finance, telecoms.</p> | <p><i>Human resources</i> – improve tertiary education & create vocational schools, 10% of workforce skilled.</p> <p><i>Policy support</i> – impact assessment/business studies on services trade & liberalisation to explain benefits; regulatory & economic impact assessment studies.</p> <p><i>Competitiveness</i> – widespread state-owned entities in services and non-competitiveness of key industries.</p> <p><i>Legal framework</i> - for services (e.g. regulatory, financing, investment) suffers weaknesses e.g. intricate legal system, cumbersome bureaucracy, incorrect implementation of international agreements due to mis-understanding and wide policy discretion within commitments (AFAS, GATS).</p> <p><i>Private sector–government dialogue</i> – no structured consultative mechanism; serious lack of transparency and private sector participation in policy formulation.</p> <p><i>Political economy constraints & institutional arrangements</i> - different line ministries, provincial people’s committees administer local services; bureaucratic processes.</p> |

Notes:

- a. ‘Sectoral’ issues uniquely impacts on a selected sector, namely logistics, telecoms/IT, healthcare, tourism, and accounting, auditing, architectural and legal services.
- b. ‘Horizontal’ issues has widespread affects across all sectors i.e. economy wide. They are: competitiveness & productivity; institutionalism and regulation; human resource development; finance; supply side constraints; adjustment costs; and state owned enterprise and private sector efficiency.

Source: SDNAS country reports.

3. Country Report Recommendations

The overwhelming conclusion of the in-country reports was that the main obstacles to advancing services liberalisation and associated reforms related to cross-cutting or economy-wide issues, and not sectoral issues (see Table 4.2 which lists the sectoral and horizontal needs of each AMS to address the constraints given in Table 4.1). Nevertheless, these horizontal issues have a direct bearing on sectoral challenges because they arise from issues addressed at the sectoral level. For example, poor regulatory frameworks resulted in standards well below international best practises in sectors such as professional services (accounting, architectural or legal services) in several AMS – especially the CLMV countries. This limited the sector’s expansion and professional mobility. Hence ensuring regulatory standards across AMS is critical in achieving the AEC. These effects can also be extended to other cross-cutting issues such as human resources, institutional arrangements and infrastructure. One potentially effective means to overcome complex institutional arrangements is to set up (as in Indonesia with Team Tariff) various national teams comprising relevant ministries and private sector experts to address a particular strategic national (and non-sectoral) objective.

The only significant difference was the Singapore recommendations which differed vastly from all other AMS. These focused more on strengthening ASEAN mechanisms to ensure the AEC targets were met through proper surveillance and enforcement.

Table 4.2: Recommended Needs From Country Reports, Cross-referenced to Proposed Project Templates

| AMS | Recommendations | |
|-----------|--|--|
| | Sectoral | Horizontal |
| Brunei | Not applicable | <p><i>Research and impact assessment</i> – impact assessment studies needed to show benefits of services liberalisation; conduct research, particularly impact assessments and practical case studies, on policy changes; key area is movement of foreign workers. <i>Project template numbers:</i> 3,4,7,9, 15</p> <p><i>Training</i> – allow participation in ASEAN technical assistance and capacity building programmes. <i>Project template numbers:</i> 2,3,7</p> <p><i>Raising awareness</i> - develop programmes to raise awareness of the importance of services liberalisation, especially given the depletion of natural resources. <i>Project template numbers:</i> 3,5,7,13,14,15</p> |
| Cambodia | Not applicable | <p><i>Training and education</i> – directed at SMEs, private sector on MRAs, public sector officials on liberalisation and how to manage it. <i>Project template numbers:</i> 3,4,7,9,13,14,15</p> <p><i>Economic impact studies</i>- quantifying costs and benefits of policy changes. <i>Project template numbers:</i> 2,5,6,7,11</p> <p><i>Statistics</i> – improve data collection, diagnosis and statistical system, human resources development. <i>Project template number:</i> 8</p> <p><i>Technical assistance and capacity building</i> – to assist private sector. <i>Project template number:</i> 13</p> |
| Indonesia | <p><i>Distributive trade</i> – Economic analysis of the impact of services liberalisation, including on creditors; include small traders in consultations. <i>Project template numbers:</i> 3,7</p> <p><i>Logistics</i> – short term scholarships to train professionals in logistics management; provide technical skills on key aspects of the logistics sector in relation to AFAS to targeted actors; research in logistics using a research consortium/network; designated academic programme in logistics. <i>Project template numbers:</i>3</p> <p><i>Tourism</i> – disseminate information on relevant tourism-related agreements. <i>Project template number:</i> 9</p> <p><i>Architectural services</i> – raise ASEC awareness; hold workshops on doing business in ASEAN; research on business potential. <i>Project template numbers:</i> 4,15</p> <p><i>Accounting and auditing</i> – raise AEC awareness; training for regulators.</p> | <p><i>Human resources</i> – increase capability of trade negotiators; support various regional services associations e.g. ASEAN Federation of Accountants. <i>Project template number:</i>4</p> <p><i>Technology</i> – ASEC to coordinate capacity building activities on technology adaptation and upgrading with relevant regional sectoral associations. <i>Project template number:</i> 2</p> <p><i>Competition</i> – technical assistance and capacity building in regulatory impact analysis to help assess if regulations are anti-competitive. <i>Project template number:</i> 1</p> <p><i>Financing</i> – poor coordination among ministries and turf wars lead to inefficient technical assistance and capacity building; focus on line ministries. <i>Project template numbers:</i> 3,14</p> <p><i>Raising awareness</i> – public outreach programmes on AEC focusing on opportunities & costs from</p> |

| AMS | Recommendations | |
|----------|--|---|
| | Sectoral | Horizontal |
| | <p><i>Project template numbers: 4,15</i></p> <p><i>Legal services</i> – disseminating information on benefits of liberalisation and managing resistance. <i>Project template numbers: 4,7</i></p> <p><i>Telecommunications</i> – raise AEC awareness (e.g. deadlines); increase capabilities of regulators and legislators; increase interaction between legislators, policymakers, private sector and consumers; research on related aspects i.e. technology upgrading, regulatory framework requirements. <i>Project template numbers: 3,13,14</i></p> <p><i>Health</i> – disseminate information on MRAs and their importance. <i>Project template numbers: 10,11</i></p> | <p>liberalisation and also targeting the private sector, line ministries, legislators, local governments; evidence-based research. <i>Project template numbers: 5,6,7,13,14,15</i></p> <p><i>Prioritising intervention</i> – focus on what is already in the pipeline and common nationally e.g. logistic sector; develop teams to address inter-ministerial coordination. <i>Project template numbers: 3,7</i></p> <p><i>Content</i> – technical assistance and capacity building should focus on practical issues and analytical policy tools services sector reforms and prioritising sectors. <i>Project template numbers: 6,7,13,14,15</i></p> <p><i>Statistics</i> – improve data collection, diagnosis, analysis and statistical system, human resources development. <i>Project template number: 8</i></p> <p><i>Stakeholders</i> – focus also technical assistance and capacity development at decentralised levels (local officials). <i>Project template number: 3</i></p> |
| Lao PDR | Not applicable | <p><i>Regulatory framework and institutional support</i> - policy (legal and economic) support to government to negotiate services in WTO/ASEAN, and post WTO-accession. <i>Project template numbers: 3,7,15</i></p> <p><i>Aid</i> – assist government access Aid-for-Trade packages in services. <i>Project template numbers: 5,15</i></p> <p><i>Regulatory framework</i> – modernise and harmonisation regulatory framework for selected services. <i>Project template numbers:10,11,13,14,15</i></p> <p><i>Integration</i> – strengthen integration of Lao in the Mekong Sub-region. <i>Project template numbers: 5,15</i></p> <p><i>Legal support</i> – to government to improve investment climate and regulations. <i>Project template number: 12</i></p> <p><i>Statistics</i> – support General Statistical Office in collecting data on services. <i>Project template number: 8</i></p> |
| Malaysia | Not applicable | <p><i>Regulatory reform</i> – technical assistance and capacity building to assist government in regulatory reforms associated with liberalisation. <i>Project template numbers: 1,2,3,4,5,7,14,15</i></p> <p><i>Competitiveness</i> – fund inter-ASEAN professional bodies to develop standards and standard-setting activities; programme support for innovation and R&D; SME development programme. <i>Project template number: 1</i></p> <p><i>Human resource</i> – build capacity of officials; strengthen agencies, ministries, departments in charge of services liberalisation. <i>Project template numbers: 3,14,15</i></p> |

| AMS | | Recommendations |
|-------------|---|---|
| | Sectoral | Horizontal |
| | | <p><i>Finance</i> – cross-country studies identifying hidden costs of doing business in AMS; support AMS firms in setting up joint-ventures; support economic impact research, policy and legal research; improve access to technology. <i>Project template numbers: 2,5,7,13,15</i></p> |
| Myanmar | <p><i>Tourism</i> – support Tourism Promotion Board. <i>Project template numbers: 9,12</i></p> | <p>Comprehensive mapping of all business-related associations. <i>Project template numbers: 7,13</i> ASEAN/WTO Commitment Awareness Programme. Impact assessment studies on services liberalisation; research measuring precise costs to business of inefficient services. <i>Project template numbers: 5,7,13,14,15</i> Build proper statistical systems for the services sector – Myanmar currently has very rudimentary systems for data collection and is much more backward than other AMS. <i>Project template number: 8</i> Develop concrete committees. <i>Project template numbers: 7,15</i> Standardise recognition of accreditation arrangements. <i>Project template numbers: 4,7</i></p> |
| Philippines | Not applicable | <p><i>Planning</i> - need for overall trade in services strategy as part of a more comprehensive trade strategy; develop roadmaps for various sectors and sub-sectors. <i>Project template number: 15</i> <i>Institutional framework</i> - enhance coordination mechanisms among government and private/civil society. <i>Project template numbers: 13,14,15</i> <i>Research</i> – studies on costs and benefits of liberalisation at sectoral and sub-sectoral levels. <i>Project template numbers: 2,4,9,11</i> <i>Awareness</i> – advocacy campaigns highlighting the benefits of liberalisation; information dissemination; education campaigns as awareness raising campaign among key stakeholders. <i>Project template numbers: 5,7,15</i> <i>Statistics</i> – more systematic data collection and management for services. <i>Project template number: 8</i> <i>Coalition</i> – building constituencies to promote liberalisation. <i>Project template numbers: 13,14,15</i> <i>Regulatory capacity</i> – strengthen and enlighten regulators. <i>Project template numbers: 3,7,14</i> <i>Adjustment costs</i> – assist firms and individuals affected by liberalisation. <i>Project template numbers: 4,5,7,11,13</i> <i>Human Resources</i> – capacity building and training of trade negotiators. <i>Project template numbers: 3,7,15</i> <i>Technology</i> – technology transfers and private sector market linkages. <i>Project template numbers: 7,13,15</i></p> |

| AMS | | Recommendations |
|-----------|-----------------|---|
| | Sectoral | Horizontal |
| Singapore | Not applicable | <p><i>Awareness</i> – targeting more marketing activities of ASEAN businesses to convince them of the benefits of the AEC, including businesses in Singapore; more road shows/programs to educate people and businesses to ‘Think-ASEAN’.</p> <p><i>Project template numbers: 5,7,13,15</i></p> <p><i>Inconsistency on regulatory issues and legal framework</i> - capacity building activities could target agencies dealing with the rule of law among other AMS.</p> <p><i>Project template numbers: 7,14,15</i></p> <p><i>Improving public sector performance</i> – AMS officials ought to be paid according to performance and subject to a fixed basic pay component + variable performance component + variable economic growth component to motivate for harder work and honestly. Request Singapore to provide specific technical guidance.</p> <p><i>Project template number: 7</i></p> <p><i>Financing</i> – strong government support for internationalisation of worthy domestic firms, including for SMEs; they should be assisted to expand overseas relatively early; three key strategies used in Singapore to promote investment, merchandise and services trade, namely making Singapore a regional business hub; re-positioning existing industry clusters and grow emerging ones; and pursuing productivity-led growth, could help growth opportunities in ASEAN; other AMS could be given specific capacity training on how to achieve these three strategies, with numerous regional business hubs set-up within ASEAN.</p> <p><i>Project template numbers: 7,13</i></p> <p><i>Trade approach</i> – Singapore has a three-pronged approach, multilateral, bilateral and unilateral; other AMS members could consider adopting a similar approach though unilateral liberalisation has been shown to deliver over two-thirds of the benefits from trade liberalisation; more capacity training in this area could help.</p> <p><i>Project template numbers: 3,7,14,15</i></p> <p>The ASEC requested to provide user-friendly, up-to-date and navigable website; business portal on the website, with languages and format useful for businesses. Studies undertaken by the ASEC on regional economic integration should provide on the website.</p> <p>Businesses also need to have stronger role in the process of monitoring these commitments, so as to prevent slippages in implementation; providing balance scorecards to businesses would help; an ASEAN Business Policy Implementation Centre (independent of governmental processes) should be established to assist businesses assess implementation issues.</p> <p><i>Project template numbers: 7,13</i></p> <p>ASEC to clarify how the 12 priority sectors are being integrated.</p> <p><i>Project template number: 5</i></p> |

| AMS | | Recommendations |
|----------|----------------|--|
| | Sectoral | Horizontal |
| | | An ASEC Investment/Commercial Court be formed; capacity building on implementing an intra-ASEAN dispute settlement mechanism. <i>Project template numbers:3,15</i> |
| Thailand | Not applicable | <i>Institutional framework</i> - enhance coordination mechanisms among government agencies and private/civil society sectors. <i>Project template numbers: 3,13,15</i> <i>Research</i> – studies on the costs and benefits of liberalisation at the sectoral and sub-sectoral levels. <i>Project template numbers: 2,4,9,11,14</i> <i>Awareness</i> – advocacy campaigns highlighting benefits of liberalisation; information dissemination; education campaigns to raise awareness among key stakeholders. <i>Project template numbers: 5,7,15</i> <i>Statistics</i> – more systematic data collection and management on services. <i>Project template number: 8</i> <i>Coalition</i> – build constituencies to promote liberalisation in various sectors. <i>Project template numbers: 7,13,15</i> <i>Regulatory capacity</i> – strengthen and enlighten regulators and regulatory agencies. <i>Project template numbers: 3,7,15</i> <i>Adjustment costs</i> – assist firms, individuals affected by liberalisation. <i>Project template numbers: 7.13</i> <i>Human Resources</i> – train and build capacity of trade negotiators. <i>Project template numbers: 3,5,7,14,15</i> <i>Technology</i> – technology transfers and private sector market linkages. <i>Project template numbers: 7,13,15</i> |
| Vietnam | Not applicable | <i>Legal framework</i> – legal support to improve investment climate and regulations. <i>Project template numbers: 7,15</i> <i>Research</i> – impact assessment studies on services liberalisation. <i>Project template numbers: 4,5,7,9,14,15</i> <i>Statistics</i> – support the General Statistical Office to collect services data. <i>Project template number: 8</i> <i>Private sector</i> – assist Vietnam Chamber of Commerce and private sector on import and export promotion, and regulation for services. <i>Project template numbers: 5,7,12,13,14,15</i> <i>Private sector–government dialogue</i> – assist Chamber of Commerce to form a Coalition of Services Industries, and establish a permanent mechanism of services dialogue within the Chamber and with government. <i>Project template numbers: 7,13,14,15</i> <i>Awareness</i> – raise awareness among private sector on the importance of services, and help it formulate proposals on services policy. <i>Project template numbers: 7,13,14,15</i> |

Note: Not applicable = no issues or recommendations noted.

Source: SDNAS country reports.

4. Recommended Technical Assistance and Capacity Building Programmes

The technical assistance and capacity building programmes recommended in country reports have been standardised and arranged by country (Table 4.3). This listing also allows for similar projects to be classified within AMS groups if that was desired e.g. CLMV (capacity building in relation to services statistics was raised in both Lao PDR and Vietnam) and non-CLMV, and by projects on specific sectors and issues across the ASEAN region. Groupings of specific AMS have been incorporated into some of the proposed projects set out in Chapter IX.

Table 4.3: Technical Assistance and/or Capacity Building Programmes by AMS

| AMS | List of technical assistance and/or capacity building |
|-----------|--|
| Brunei | <i>Horizontal</i> – impact assessments on policy changes (e.g. free movement of people). |
| Cambodia | <i>Horizontal</i> – seminars/workshops for public and private sectors on MRAs. <i>Horizontal</i> – study tours to AMS to exchange ideas on successful services liberalisation policies. <i>Horizontal</i> – training of trainers to develop skills of officials on services liberalisation. <i>Horizontal</i> – seminars, workshops, position papers on key services liberalisation issues. <i>Horizontal</i> – technical assistance to conduct economic impact studies. <i>Horizontal</i> – fund relevant officials to attend OECD seminars/workshops on trade statistics. |
| Indonesia | <i>Horizontal</i> – cost-benefit analysis of services liberalisation; regulatory impact assessments; studies on export competitiveness; identifying export and joint-venture service opportunities within ASEAN. <i>Horizontal</i> – training and workshops; continuous in-house training by experts working with staff on research projects, and training staff in data analyses and other analytical work. <i>Horizontal</i> – public outreach programmes on the benefits of services liberalisation. <i>Horizontal</i> – projects to establish trilateral dialogues among government (politicians, officials), private sector and consumers on bottlenecks to services liberalisation. |
| Lao PDR | <i>Horizontal</i> – assist officials in developing, analysing and/or interpreting policy and legal issues; experts placed within ministries/departments to provide on-the-job training; provide background studies on services, policy/legal memorandum to support government decisions; impact assessment studies and advice on implementation; organise training and workshops for officials on services policy and implementing services commitments; fund a permanent team to be based in Geneva/Jakarta; fund study tours to WTO, OECD, WB and IMF. <i>Horizontal</i> – assist government source aid-for-trade; technical assistance to train officials on-the-job. <i>Horizontal & sectoral</i> – assist modernisation of the regulatory framework; conduct feasibility studies, draft laws, impact assessments, and legal or policy support. <i>Horizontal</i> – legal support to government to improve investment climate; advise relevant ministries on drafting laws, coordinating investment laws and improving legal investment procedures; assist to improve internal mechanisms to issue licenses/permits, collect taxes, and to streamline bureaucracy. <i>Horizontal</i> – assist in data collection, diagnosis, improvement of statistical system; provide training grants to attend OECD seminars on trade statistics. <i>Horizontal</i> – assist private sector to improve human resources: (i) Train Chamber of Commerce and university staff on the role of services in the economy and their regulation, including through joint research; (ii) support universities to establish business courses; (iii) ease transfer of workers into services by funding vocational schools, training and workshops and research grants. |
| Malaysia | <i>Horizontal & sectoral</i> – conduct overseas case studies of successful regulatory reforms, especially at the sectoral level focusing on (i) what changes are needed and (ii) how to implement them; study visits/advisory activities on successful reforms. <i>Horizontal & sectoral</i> – compile AMS country studies on experiences in developing human resource capacity to deal with services liberalisation. <i>Horizontal & sectoral</i> – country studies on the cost of doing business, focusing on the hidden costs in identified sectors of all AMS. <i>Horizontal & sectoral</i> – economic impacts, policy and legal research. |
| Myanmar | <i>Horizontal</i> – comprehensive mapping of all associations; research activities to thoroughly scope the services sector to enable its needs to be properly assessed. <i>Horizontal</i> – develop projects to connect private and public sectors, focusing on ASEAN/WTO commitments, and to bring together private and public sector capacity building programmes. |

| AMS | List of technical assistance and/or capacity building |
|-------------|---|
| | <p><i>Horizontal</i> – support research institutions to undertake basic/qualitative impact assessment studies of services liberalisation in selected sectors.</p> <p><i>Horizontal & sectoral</i> – projects to harmonise inter-ministerial regulation of sectors; develop project to create a Tourism Promotion Board responsible for consolidating and harmonising inputs from the four ministries regulating the sector.</p> <p><i>Horizontal & sectoral</i> – implement projects through various sector/industry-wide associations to strengthen MRAs by narrowing the gap between training, certification and accreditation of skills.</p> |
| Philippines | Refer Appendix to this Chapter. |
| Singapore | Provide capacity building in other AMS especially in public sector management. |
| Thailand | See The Philippines. |
| Vietnam | <p><i>Horizontal</i> – legal support to improve investment climate and regulations; experts to advise relevant ministry in drafting laws, coordinating investment laws, and on improving all legal procedures affecting investment; assist government improve internal mechanisms to get licenses/permits, in collecting taxes and streamline bureaucracy; train officials and judges on anti-corruption.</p> <p><i>Horizontal</i> – conduct impact assessment studies on services liberalisation.</p> <p><i>Horizontal</i> – assist data collection, diagnosis, and improvement of statistical system; fund training grants to attend OECD seminars on trade statistics.</p> <p><i>Horizontal</i> – assist import and export promotion, and services regulation; include train the trainers projects and coaching on pilot projects.</p> <p><i>Horizontal</i> – project to establish a Coalition of Service Industries.</p> <p><i>Horizontal</i> – awareness campaign on services-related policies e.g seminars, workshops and papers.</p> |

Source: SDNAS country reports.

5. Case Studies

Several case studies were highlighted in the country reports to provide lessons on how to best build off technical assistance or capacity building.

(i) Private sector–government dialogue in Cambodia

The successful Government-Private Sector Forum (G-PSF), established in 1999, provides a reliable consultative mechanism for government and private sector dialogue. It has delivered significant cost savings of US\$69.2 million to the economy by initiating over 100 reforms (IFC 2009). Cambodia was ranked first out of 24 public – private dialogue (PPD) initiatives supported by the World Bank based on the following 12 key process, which provide a useful benchmark for developing private sector – government dialogue processes in other AMS (WBG (IFC 2009)):

- assessing the optimal mandate and relationship with existing institutions;
- deciding who should participate and under what structure;
- identifying the right champions and helping them to push for reform;
- engaging the right facilitator;
- choosing and reaching target outputs;
- devising a communication and outreach strategy;
- elaborating a monitoring and evaluation framework;
- considering the potential for dialogue on a sub-national level;
- making sector – specific dialogue work;
- identifying opportunities for dialogue to plan an international role;
- recognising specificities and potential of dialogue in post-conflict or crisis environments; and
- finding the best role for development partners (donors).

The World Bank has narrowed these into three particularly influential factors for determining the success of public/private sector dialogue mechanisms, namely:

- political will of governments to make reform happen;
- an efficient and effective secretariat as the engine to operationalise the willingness; and
- ensuring the right people – those genuinely committed to reform – on the working groups.

This case study demonstrates that properly implemented public-private sector dialogues can deliver tangible outcomes. While it is important to understand how the economic benefits were calculated, it provides a strong basis for institutionalising public-private sector dialogue in AMS using set principles to deliver economic and administrative reforms. A study tour to allow participants from other AMS to understand Cambodia's system could be a good start.

(ii) Logistics in Indonesia

CarakaYasa, a local courier company established in 1985 by the owner of PT. Birotika Semesta/DHL Indonesia, initially extended services to more remote areas that DHL ceased servicing. DHL transferred technology to Caraka, which became the first domestic firm to use an electronic tracking system (similar to those used internationally). Caraka intends expanding throughout ASEAN by extending into Thailand, which is centrally located and processes business licenses relatively easily.

This case study provides important lessons on the importance of investment openness. Investment is not only vital to acquiring technology for developing economies but allows ASEAN firms to expand regionally. By extension, this case study validates the AEC objectives.

(iii) Air travel in Malaysia

AirAsiaBerhad, a Malaysia-based airline, pioneered low-cost travel in Asia. In 2001, AirAsia was resurrected, re-branded and re-launched as a low-cost carrier with two planes, five destinations and 250 staffs.⁷ It has expanded to one of the world's largest airlines with over 130 routes linking three continents. It is Asia's largest low-cost carrier with the widest route connectivity and largest customer base. As of 2009, the AirAsia Group (including its Thai and Indonesian affiliates) operated 90 aircraft servicing over 60 destinations from hubs in Malaysia, Thailand and Indonesia. It operates over 3,500 weekly flights, and employs some 7,500 staff. The Group's 2009 revenue was US\$1 billion (recorded profit of US\$168.25 million). Air Asia has won numerous annual international awards, including Developing Airline of the Year in 2003.

The phased introduction of the 'ASEAN Open Skies' agreements facilitated AirAsia's expansion. The ASEAN Multilateral Agreement on Air Services and the ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services, both in May 2009, provided it with 'first mover' advantage to benefit from regional liberalisation given its prominent market position, strategic management, low cost, and use of ICT. Instant recognition of the AirAsia brand and its strategic partnership with respective domestic stakeholders (Thailand and Indonesia) has enabled it to penetrate new regional markets. Its success helped prompt major Asian markets such as Japan, China and India to consider similar initiatives and to even assist AirAsia in opening new routes, which extends beyond ASEAN. In 2007, it set up AirAsia X and

⁷AirAsia was founded by a government-owned conglomerate (DRB Hicom) in 1993. Tune Air Sdn. Bhd. purchased the heavily indebted airline for RM1 (US\$0.40).

now flies to 20 countries. Other destinations include the rest of Asia (Japan, South Asia, Taiwan, South Korea and Hong Kong/Macau), Europe (London, Paris), Middle East (Iran), Australia, and New Zealand. Using ICT as a key competitive tool, it sold 500,000 tickets within 24 hours in September 2010 (world record). AirAsia is the ‘poster boy’ of services liberalisation in the ASEAN region.

The AirAsia experience highlights the value of first mover advantage. Services liberalisation in ASEAN under the AEC will thus provide opportunities for entrepreneurs to make the first move.⁸

(iv) Education and training services in Malaysia

Private colleges and universities provide education services following Malaysia’s liberalisation of these from the late-1980s. This allowed private educational institutions, specifically colleges, and encouraged ‘twinning’ (local colleges to offer foreign degree programmes), thereby enabling them to meet international quality standards. In 2010, more foreigners studied in Malaysia (86,923) than Malaysians studied abroad (79,254), which had almost trebled since 2003. At end-2009, about 20 private universities, 394 private higher educational institutions and five foreign branch campuses operated in Malaysia.

In 2010, about 40% of foreign students came from South Asia, East Asia and Southeast Asia, followed by West Asia (27%), Sub-Sahara Africa (15%), and North Africa (9%). Higher educational institutions have exported services via Mode 2 (foreign students in Malaysia), and Mode 3 (e.g. INTI college was acquired by Laureate International Colleges).

This case study demonstrates the benefits of liberalising education and training (Singapore has also successfully liberalised education). Other AMS can learn from Malaysia’s experience, and specific capacity building projects can assist them to liberalise education.

(v) Business and professional services – accounting services in Malaysia

The Malaysian Institute of Accountants (MIA) developed a liberalisation roadmap in 2003. It included a national strategic direction, objectives and action plans to prepare accountants to face global competitive pressures from liberalisation. The MIA is amending the Accountant Act to clearly distinguish between professional and regulatory interests that would facilitate further liberalisation (expected to be tabled in 2012). It recently advised private practicing accountants, especially those from small and medium firms, to look for markets overseas so as to reap export opportunities provided by liberalisation. MIA Members are comparatively well placed to export because most use international accounting and auditing standards, good English skills, and a cultural advantage within the region, especially in Vietnam and Cambodia.

MIA recognises its role is bigger than just serving its members. As chair of the ASEAN Federation of Accountants, it helps accountancy associations in AMS (e.g. Vietnam, Brunei and Cambodia) to produce their Statement of Membership Organisation for joining the IFAD (International Federation of Accountants), and also sponsors such membership applications (e.g. Brunei). MIA hosted the World Congress of Accountants in 2010, and will organise the Conference of ASEAN Federation of Accountants in 2011. Malaysia intends establishing a

⁸ However, this can be a two-edged sword with discriminatory liberalisation. Giving regional firms preferential access and first-mover advantages can ‘lock’ the country into less competitive regional suppliers for many years.

common ASEAN competency framework and signed an MRA with Indonesia, and has held networking sessions and made referrals at the firm level to advance business collaboration.

This case study highlights the importance of well planned and implemented industry-driven liberalisation strategies. AMS governments and industries can learn from MIA's experience in developing and implementing an industry-wide liberalisation roadmap. Key features identified in this case study included the importance of forward thinking in meeting AEC targets. Furthermore, it provides lessons on many implementation issues (e.g. how MIA identified the priority regulatory issues and regulations to be reformed in support of expanded membership).

(vi) Advocacy and coalition building in The Philippines

Multi-stakeholder support and empirical based studies for successful advocacy - the RORO case: The Asia Foundation and local partners determined that shifting from containerised domestic shipping to 'roll-on, roll-off' services ('RO-RO' system) offered substantial efficiencies (Asia Foundation 2010). Enabling loaded vehicles to 'roll on and roll off' vessels eliminated time-consuming and costly cargo-handling and portside equipment, and in particular side-stepped burdensome and inefficient maritime and port regulations. To promote RO-RO policy reforms, the Foundation with local partners worked among those most affected by high domestic sea transport costs, namely the Department of Agriculture, the Development Bank of the Philippines, the National Economic Development Authority, the Mindanao Business Council, the Philippine Chamber of Commerce and Industry, and the Supply Chain Management Association of the Philippines. The Research, Educational and Institutional Development Foundation (REID) provided direct technical assistance to government, supported by the Foundation and USAID. Although some RO-RO routes previously existed, the President introduced a comprehensive RO-RO policy in 2003 with the inauguration of the Strong Republic Nautical Highway. The RO-RO policy has transformed the maritime sector, vastly improving inter-island economic linkages, increasing competition, and driving down costs with minimal public investment. The support for the studies and networking among partners was an important input to this successful advocacy.

This case study shows the importance of collaborative work spanning different sectors in introducing best practices in services through strategic research and advocacy. This model of collaborative work and strategy can be transferred to other parties interested in reform.

High Profile Advocacies: DAI-AGILE, Freedom to Fly Coalition and Open Skies - stakeholders supporting an open skies policy to boost economic activity formed the Freedom to Fly Coalition (FFC), with USAID funding, to advocate air transport liberalisation (Development Alternatives, Inc.- Accelerating Growth Investment and Liberalisation with Equity (DAI AGILE) Project). FFC, and other partners, helped achieve resumed flights to Taiwan, and increased seating capacity to key markets e.g. Malaysia and Singapore. However, a selective open skies policy was only announced recently.⁹ DAI-AGILE's successful high-profile promotion of domestic policy reforms led to those opposing them asserting that the American consulting firm was promoting US interests by intervening in the country's internal affairs.¹⁰ Its visibility in the policy reform process attracted criticism from those opposing liberalisation, and the FFC's legitimate efforts became subject to anti-nationalism accusations. Hence, technical assistance and capacity building must facilitate reforms from within (i.e. providing the tools for domestic

⁹ A major organiser of FFC is now the Secretary of the Ministry of Tourism.

¹⁰ AGILE was also involved in other liberalisation efforts e.g. financial market reform.

players to implement reforms), and advocacy would seem best clearly sourced through and owned by local agencies and organisations.

Building Institutions: Lessons from the Philippine Services Coalition - established in May 2005, the Philippine Services Coalition (PSC) aimed to promote services trade by enhancing public and private consultation. As a partnership among key stakeholders (e.g. from government, private sector and the academe) it provided a focal point for ongoing activities related to services trade. The first Services Congress held in June 2006, gathered policy makers, academia, private sector representatives and trade associations, service providers, consumers, and representatives of an external support network led by the International Trade Centre. The PSC commissioned studies on twelve sectors and subsectors, namely health and wellness (3 subsectors), accountancy (2 subsectors), engineering (2 subsectors), interactive media, ship crewing and management, franchising, education, and trade policy and negotiations. Its objective was to develop awareness and understanding of services trade, and to craft a strategic framework for developing exports, including specifying a roadmap to define the country's vision in global services trade, the roles of the private sector, academia and government in raising export competitiveness. The PSC, which was to be housed in the Department of Foreign Affairs (DFA), is now moribund after its founder retired and donor funds stopped. Hopes that the private sector or academia would continue the PSC's work never eventuated.

This case study demonstrates any reform advocacy measures must be sustainable and not driven primarily by individuals or short-term external funding. Reform advocacy measures must be sustainable financially. This outcome contrasts with successful services coalitions elsewhere (e.g. Australian Services Roundtable) that have helped drive reforms. Developing sustainable coalitions can also, if done successfully, could help drive the required economic reforms in AMS.

Alternative Options for Stakeholders in the Transition: the Philippine Confederation of Exporters' (Philexport) Experience - in the mid-1990's Philexport, funded by USAID, implemented the Trade and Investment Policy Analysis and Advocacy Support Program (TAPS). Support also helped to indirectly strengthen Philexport's advocacy of services liberalisation, including wholesale and retail trade. It funded policy studies and sponsored study tours for retailers (potential losers from liberalisation) searching for alternative activities, like franchising. Their opposition to liberalisation weakened, and franchising boomed from liberalising retailing. This project highlighted that technical assistance and capacity building should include concrete efforts to assist stakeholders search for options and to develop adjustment programs during the transition to liberalisation. Technical assistance and grants involving technology transfer, market linkage and study tours would help.

Multi-stakeholder research and advocacy approaches are important in addressing liberalisation issues, and should focus on both the winners and the losers from trade-related reforms.

Annex 4.1: Examples Illustrating Development of Technical Assistance and Capacity Building

The Philippines and Malaysia illustrate how technical assistance and capacity building were developed, but not prioritised, from the analysis on constraints to services liberalisation (Tables A4.1.1, A4.1.2 and A4.1.3). In the Philippines, constraints were defined and various steps identified to resolve them. In Malaysia, an extra layer of detail incorporated the responses from various stakeholders. The constraints were used to identify the needs or gaps that each AMS required help in meeting its AEC targets. These needs were converted into capacity building and technical assistance activities, and possible delivery modes identified from past experience or best practise. While similar approaches were used to interpret all fieldwork reports, it was necessary to apply the frameworks and strategic approaches given in the SDNAS to identify major constraints to liberalising services, and to propose priority technical assistance and capacity building.

Table A4.1.1: Developing Technical Assistance and Capacity Building in the Philippines

| Constraints to Services Liberalisation | Capacity Gaps and Technical Assistance Needs | Capacity Building Program and Technical Assistance | Possible Delivery Modes |
|--|--|--|--|
| Non-competitive and poor productivity; private sector inefficiencies | Inadequate activities and programs to: reduce costs of doing business; promote entrepreneurship and innovation; advocate an investment friendly macro-environment. | Public-private sector dialogues to tackle high costs of doing business and to create friendly investment climate; programs to boost entrepreneurship, R&D and innovation. | Institutional-building programs to establish or enhance public-private sector mechanisms e.g. consortiums, coalitions; workshops; studies on how to reduce business costs, improve investment climate, and on markets, linkages and technology transfers. |
| Institutional and regulatory weaknesses | Inadequate comprehensive strategy on liberalising services and sectoral/sub-sector roadmaps; weak government agency coordination on services; weak public-private engagement, especially at sectoral/sub-sector levels. | Crafting comprehensive strategy to liberalise services and sectoral/sub-sector roadmaps; activities to strengthen government agency coordination on services; enhancing public-private/civil society engagements, mainly at sectoral/sub-sector levels. | Institutional-building to: strengthen government coordination mechanisms among agencies e.g. planning/ writing skills workshops, training programs; establish or enhance public-private sector mechanisms e.g. Philippine Services Coalition, planning workshops, secretariat support. |
| Inadequate public communication | Insufficient: stakeholder, public awareness and information campaigns on benefits of services liberalisation; key statistics on services. Weak public-private engagements, especially at sectoral and sub-sector levels; negative perceptions on | Enhance public-private/civil society engagements, mainly at sectoral/sub-sector levels; studies on benefits and costs of liberalisation; strengthening data collection and management for services; awareness and advocacy campaigns on benefits of services | Institution-building programs: to establish or enhance public-private sector mechanisms e.g. Philippine Services Coalition, planning workshops, secretariat support; for research institutes e.g. Philippine APEC Study Centre Network, research grants, policy dialogues, funding improved statistics collection. Information and education campaigns with public sector and key stakeholders; ASEAN-wide workshops and forums. |

| Constraints to Services Liberalisation | Capacity Gaps and Technical Assistance Needs | Capacity Building Program and Technical Assistance | Possible Delivery Modes |
|---|--|---|---|
| | ASEAN's capacity to deliver. | liberalisation; ASEAN-wide activities to inform stakeholders and discuss important issues. | |
| Human resource issues | Recruit competent staff in areas covering services trade liberalisation e.g. trade negotiations, technical studies, coordination, advocacy, information dissemination. | Craft strategy to develop human resource in agencies handling services, including building capacity of negotiators. | Workshops on inter-agency planning, writing skills, training; e-learning, mentoring. |
| Financing issues | Inadequate funding for capacity building, coordination, networking, studies, improving quality of available statistics; sustainability of institutions and capacity programmes | Mechanism for donor coordination; strategies to mobilise resources | -coordinated mechanism for capability programs and technical assistance - workshops and seminars on resource mobilisation and financial sustainability |

Source: Philippines country report.

Table A4.1.2: Developing Technical Assistance and Capacity Building in Malaysia

| Horizontal Issues | MOF | MOTOUR | MOH | MDTCC |
|--|--|------------------------|--|-------------------------|
| Improving competitiveness/productivity issues. | Accreditation/MRA common approach. | Workshop/lab/seminar. | Workshops, consultations, discussions. | Workshop & Incentives. |
| New/improved institutional/regulatory issues. | Best practice benchmarking exercise. | Inter-agency meetings. | | Study. |
| Human resource development issues. | Accreditation tie ups with leading world institutions. | Workshop /lab/seminar. | | Training. |
| Financing. | Not applicable. | Inter-agency meetings. | | Incentives (soft loan). |
| Issues concerning supply-side constraints hindering benefits from market access. | Not applicable. | Workshop /lab/Seminar. | | Study. |
| Issues associated with transitional adjustment costs from liberalisation. | Capacity development fund. | Workshop /lab/Seminar. | | Seminar & incentives. |
| Private sector efficiency. | Not applicable. | Workshop /lab/Seminar. | | Workshop & Training. |
| Improving statistics. | Not applicable. | Workshop /lab/seminar. | | Study. |
| Communicating to / from public sector. | Not applicable. | Workshop/lab/Seminar. | | Consultation. |
| Economic impact research. | Impact of liberalisation – lessons from | Inter-agency meetings. | | Study. |

| Horizontal Issues | MOF | MOTOUR | MOH | MDTCC |
|--------------------------|-----------------|------------------------|-----|--------|
| | manufacturing. | | | |
| Policy & legal research. | Not applicable. | Inter-agency meetings. | | Study. |

Source: Malaysia country report.

Table A4.1.3: Developing Technical Assistance and Capacity Building in Malaysia

| Horizontal Issues | MOSTI | Malay Chamber of Commerce | CTIM | MIA | MAPCU |
|--|--|---------------------------|---|---|---|
| Improve competitiveness/productivity issues. | Workshop/seminar. | Workshop. | Seminar to share experience of successful entrepreneurs. | Training programmes/compliance with world benchmarks & standards. | Joint workshops. |
| New or improved institutional / regulatory issues. | Consultation | Workshop. | Dialogue to better understand issues/constraints of regulators & service providers. | Regular dialogue sessions with stakeholders. | Industry consultation on regulatory reform. |
| Human resource development issues. | Workshop/professional training. | Courses. | Workshops - hands on technical training. | Common competency framework AMS professionals. | Equitable access to HRD funding. |
| Financing. | Informing via media electronic or publishing in relevant websites. | Workshops/clinics. | Financial consultation. | Easy access to funding for export of services. | Equitable access to funding/ financing of capacity development. |
| Issues concerning supply-side constraints hindering benefits from market access. | Market studies/publishing in MIDA's and MATRADE's website. | Exhibitions. | Research to explore alternative. | Regular dialogue sessions with stakeholders. | Joint promotional activities. |
| Issues on transitional adjustment costs from liberalisation. | Workshop. | Workshop. | Financial consultation & fiscal assistance. | Not applicable. | Regulatory reform. |
| Private sector efficiency. | Consultation with private sector. | Courses. | Seminar to share experiences of successful businesses. | Not applicable. | Reward organisation efficiency & effectiveness. |
| Improving statistics. | Consult with Department of Statistics. | Workshop. | Publications & websites to share information. | Improving data collection on relevancy of services to GDP. | Not applicable. |
| Communicating to/from the public sector. | Request public on website provide comments/feedback. | Dialog/forum. | Dialogue with relevant authorities. | Road shows, public service announcements, dialogue with stakeholders. | Not applicable. |

| Horizontal Issues | MOSTI | Malay Chamber of Commerce | CTIM | MIA | MAPCU |
|---------------------------|--|----------------------------------|-------------------------------------|--|-----------------|
| Economic impact research. | Market studies by MIDA & MATRADE. | Seminar. | Publications to share information. | Regular dialogue with stakeholders, workshops with academics & practitioners. | Not applicable. |
| Policy & legal research. | Market studies by AGC, MIDA & MATRADE. | Seminar. | Publications to share information.. | Improving legal & constitutional framework by benchmarking to world standards. | Not applicable. |

Source: Malaysia country report.

Chapter V: Key Cross-Cutting and/or Sectoral Issues

This Chapter identifies from the field work the key cross-cutting (or service sector-wide) and/or sectoral issues that must be tackled through technical assistance and capacity building to advance the genuine ‘on-the-ground’ services liberalisation and related reforms needed to implement the AEC. As already indicated, the field work reinforced overwhelmingly that the main issues that need addressing to advance services trade liberalisation and related reforms were cross-cutting blockages identified across most if not all sectors and most if not all AMS. When specific sectors are looked at in terms of capacity building, as for example undertaken in the proposed tourism project, it is evident that key sectoral issues are in reality a specific package of non-sectoral issues; in tourism, mainly constraints on investment and the movement of labour.

1. Previous Technical Assistance and Capacity Building Projects

Recommended technical assistance and capacity building projects must take account of the stock of effective assistance on ASEAN trade in services already undertaken. This is necessary to avoid costly duplication, or even worse, projects from working at cross-purposes. There is substantial technical assistance and capacity building being directed into the ASEAN region, and effective coordination is needed to focus on the most pressing issues (binding constraints) e.g. ERIA assessment of ASEAN services liberalisation progress. The ASEC has an important role in ensuring technical assistance and capacity building across AMS is effectively coordinated.

The list of technical assistance and capacity building projects on trade in services within ASEAN provided by the ASEC indicated:

- Many projects have focused on trade negotiations, not a direct priority in the SDNAS. They have been concerned with commitments ‘on-paper’ (with many exemptions etc), which essentially are a sideshow to delivering the services trade liberalisation required for regional economic growth and to achieve the AEC. While some suggested projects in the SDNAS e.g. the Regional Knowledge Platforms may help trade negotiations their real value is in tackling fundamental domestic reforms;
- Too general or too specific projects to build a program of related projects off;
- Some projects were too short-term for the program of related projects envisaged in the SDNAS but may be built off - this could be investigated if more details on these projects is available (details on REPSF projects are on the ASEC website);
- Certain priority sectors have not yet been fully addressed and even those covered (e.g. tourism) may offer opportunities for further development if details are obtained (e.g. issues beyond MRAs in terms of achieving greater liberalisation of professional services); and
- Some projects have been relatively ineffective despite being undertaken for long enough to provide ample time for awareness, implementation, and could benefit from new approaches (e.g. MRAs in terms of achieving greater liberalisation of professional services) or simply from more effective dissemination, especially to the private sector that has driven some key services trade liberalisation.

2. Extent of Focus on CLMV

One important matter is the extent to which suggested assistance projects should focus on the CLMV economies. While generally relatively small economies, their growth and inclusion are essential to the AEC’s success. Bringing them ‘up to speed’ with other AMS in terms of economic development, structures and institutions, may therefore provide a disproportionately large benefit to the AEC. Narrowing this gap is thus essential, and while allowing CLMV more

generous transition periods under AFAS is a pragmatic diplomatic way of accommodating such differences, they provide the wrong messages. If they are to catch other AMS, they must move as quickly as possible to a more liberal market economy. Hence, while relevant to all AMS, the types of technical assistance and capacity building identified in the SDNAS could easily be productively targeted on the CLMV, and have been designed with this in mind. They could generally be easily fine-tuned and provided specifically to the CLMV, or to focus on them. For example, training courses and workshops could be held in the CLMV economies for their sole or main participation.

Moreover, while small economies, they should maximise their own growth potential, and services trade liberalisation is an essential ingredient. While they have a lower base and face more acute challenges, the potential economic benefits may be even relatively larger in generating efficient, bigger ASEAN players e.g. Vietnam (Petrie et al 2010). There are also likely to be significant spillovers to ASEAN from the CLMV countries catching the more developed AMS through receiving more focused technical assistance and capacity building. In many respects, the AEC's success will only be as good as its worst performers. Also, the CLM countries, being the only ASEAN economies that are not also APEC members, miss out on the substantial technical assistance and capacity building activities available within APEC. Thus, technical assistance and capacity building projects to the CLM economies may help overcome this.

In terms of the other prioritisation rules described later, there are some areas where the CLMV countries will be more competitive than other AMS (e.g. fundamental importance of unskilled labour to the low cost operation of many services such as tourism which is also in demand in the more developed AMS) and better integration through CLMV-focused capacity building will benefit ASEAN as a whole. More developed AMS may have successful liberalisation experiences in services trade that, like technological catch-up, CLMV countries could adopt and improve their chances of success and accelerate implementation. Finally, on risk reducing diversity grounds alone as explained later in the analytic framework used for prioritisation, there should be a reasonable number of CLMV-focused projects in the capacity building programs.

3. Cross-Cutting Issues Identified in the Field Work

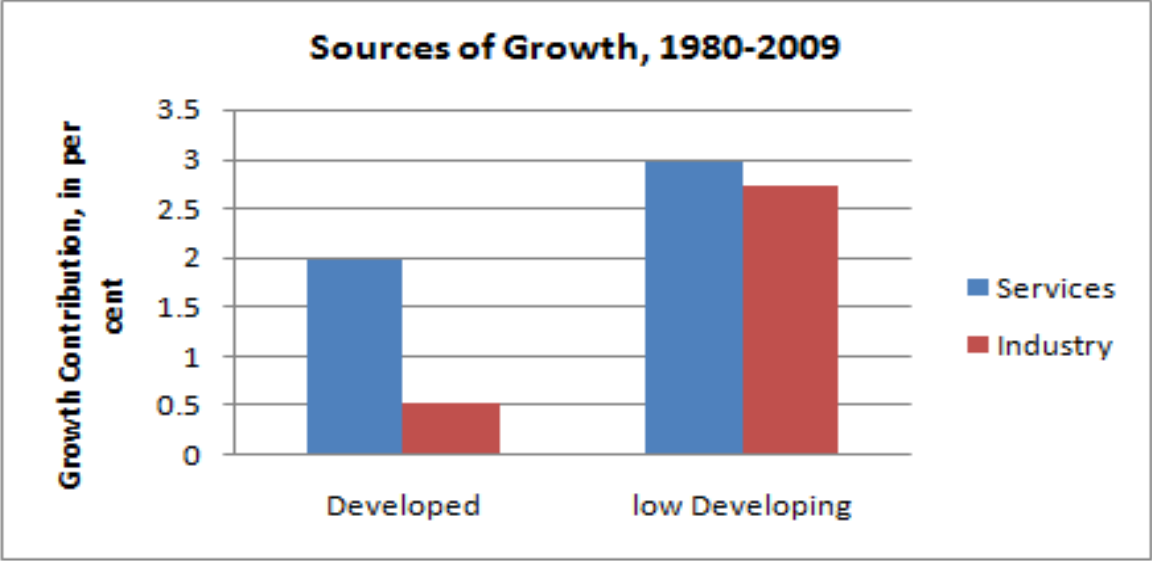
(i) Lack of information on services markets

The services economy

There seems only limited knowledge among AMS citizens and officials, including trade negotiators, of the ASEAN regional services economy. While this has improved, it remains much shallower than for goods. Indeed, AMS trade ministries generally have only limited understanding of the services sectors of their economies, including how vital they are to growth, productivity, employment, trade and investment (Figures 5.1 and 5.2).

To properly understand the importance of services to the economy they must be correctly measured statistically. Poor and unreliable services statistics contribute greatly to the knowledge gap relative to goods. This hampers empirical analysis and policy research on services. Disaggregated data is effectively unavailable in AMS, making sector-specific and detailed analysis very difficult and questionable. Most research relies on anecdotal business evidence collected by stakeholder groups.

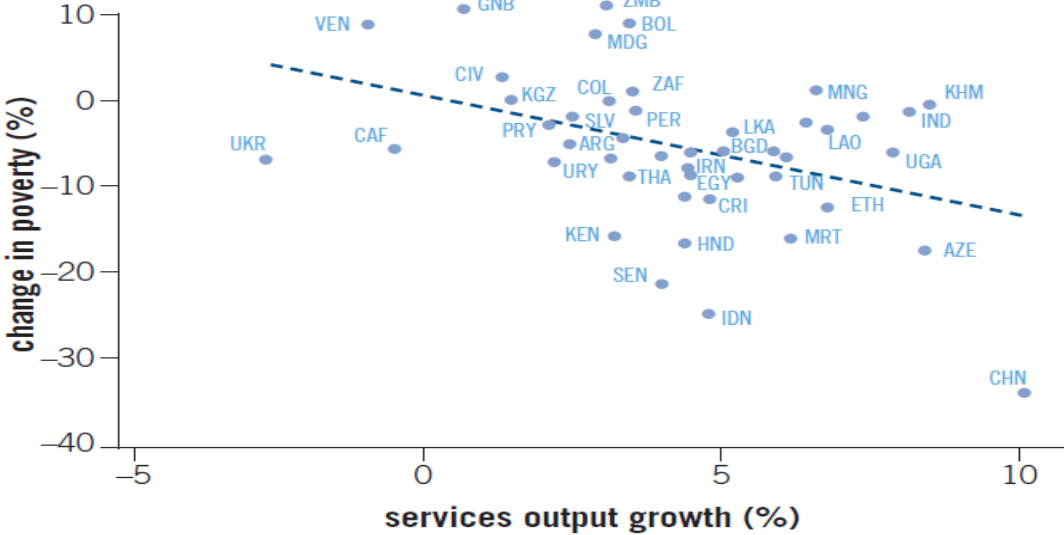
Figure 5.1: Services the Dominant Source of Growth



Source: Ghani, Grover and Kharas 2011.

Consequently, most ASEAN, including trade, officials know little about their services sectors, either in aggregate or especially at particular activity level. As well compounding the malaise for unilaterally reform, a main theme of the SNDAS, it means trade officials negotiate blindly on services. They also naively assume little capability or prospects exist to trade services internationally, and hence see few gains from liberalisation.

Figure 5.2: Higher Services Growth Associated with Greater Poverty Alleviation



Source: World Bank, World Development Indicators.

Services competitiveness

There is pervasive ignorance and uncertainty about the main factors contributing to competitiveness in services, with marked gaps in the academic literature and the empirical basis for advocacy partly due to the paucity of statistical data (e.g. on services productivity) (Box 5.1). This is beginning to be addressed largely by the World Bank and other regional and global institutions but needs still exist in AMS. For example, Indonesia has requested that Australian donors assist in determining gaps and needs in service trade statistics. Such newly emerging information must be effectively disseminated to AMS.

Box 5.1: Determinants of Services Competitiveness

Since all services (especially the fast growing knowledge-intensive business services) are very skills intensive, the development and movement of human capital (talent, know-how and ideas) is critical to competitiveness. Thus, national competitiveness in services is increasingly being seen as a function of the quality of secondary and tertiary education, and of the penetration of digital infrastructure. Other critical determinants are connectivity across-borders to form global supply chains (e.g. telecommunications, aviation, interoperability and mutual recognition of standards) and openness to trade, investment and people movement.

Also fundamental is having an enabling business environment (i.e. behind-the-border) with an efficient, transparent, regulatory framework that provides a degree of coherence and seamlessness in regulatory settings in other countries.

The quality of institutions is also vitally important, as reflected, for example, in the degree of corruption, complexity of export and import procedures, labour market rigidities, and the economic freedom index. The existence of business associations in services, and associated stakeholder consultation mechanisms, seem to be constructive (Arti Grover Goswami, Aaditya Mattoo and Sebastien Saez).

These issues appear insufficiently understood in AMS.

International business in services

At a more immediate practical level, evidence is widespread of an imperfect understanding of how firms supplying services operate, and of the business environment, infrastructure, and policy stance needed for them to grow.

Services are traded internationally through four modes. Cross-border supply of (digital) services essentially occurs via the internet. The cross-border movement of services providers or customers and commercial presence by foreign investors is also vitally important. Hence, any foreign investment barriers in services will restrict services trade. However, while officials, including trade negotiators, tend to think and work in individual modes, most firms in services increasingly use a flexible combination of modes. Thus, they continually request governments to establish a regulatory environment that allows them flexibility to deliver across modes as they see fit.

Adding even greater complexity is that the growth of cross-border digital intra- and inter- firm trade enables international services supply chains to be developed, as evidenced by national centres of expertise e.g. the Business Process Offshore industry.

Related to this inadequate understanding of the workings of service firms is also an insufficient knowledge of the domestic and international obstacles and challenges they face. This can be partly attributed to suppliers poorly articulating their needs, many of whom still do not clearly see themselves as part of the services sector.

These problems are exacerbated in the ASEAN region by most service firms being Small and Medium-sized Enterprises (SMEs), which face particularly severe resource constraints in organising themselves and having dialogue with government.

Services stakeholders

There is a shortage of well-developed forums for services stakeholders to communicate with governments in ASEAN. Some new whole-of-services sector initiatives are underway, for example, in Indonesia and Malaysia, to help facilitate more structured and regular interaction between private sector services stakeholders, trade and other relevant officials. In Indonesia, the initiative, under the joint umbrella of the peak business association Kadin Indonesia and the Centre for Strategic and International Studies, has benefitted from initial World Bank support. In Malaysia, the Malaysian International Chamber of Commerce houses a Malaysian Coalition of Services Industries, but with recent government support, several new professional services bodies have also been formed. These mechanisms require dynamic input from the global business community and benefit from information exchanges, including on international best practice.

A major problem often undermining effective consultation processes, both formal and informal, is an inadequate understanding by officials (especially trade negotiators) and private stakeholders on the main barriers to services trade, given these restrictions usually operate behind-the-border in complex regulatory arrangements.

Services trade promotion

Official export promotion activities seem poorly equipped and inexperienced in AMS to promote services. Services trade promotion requires different skills than for goods, and a whole new toolkit. A few official agencies are making improvements, and could positively share their experiences across AMS, if facilitated by activities planned at the ASEAN level. The donor community similarly has relevant new experiences to share.

Reflecting how suppliers engage internationally, services trade promotion requires new and complex attention to facilitating people movement (skill sets), both onshore and offshore, to attracting foreign direct investment and to helping local services establish commercial presence overseas, often in joint ventures. Effectively promoting services trade (e.g. offshore workers) can sometimes require new regulatory bodies, and overwhelmingly needs innovative national branding.

Cross-border trade in services is usually aimed at attracting global work on-shore, preferably of higher value-added. However, attracting this into local 'centres of excellence' can seem, on the face of it, very different to attracting foreign buyers of goods. Firms must usually undertake significant business process innovation to enter relevant global supply chains. SMEs particularly need public efforts to facilitate such innovation by addressing critical information gaps. As elsewhere, AMS trade promotion agencies tend to be poorly informed on the trade facilitation needs of services firms.

Absence of policy planning tools

Insufficient services statistics has handicapped development of appropriate policy research and analytical capacity in AMS (generally the case throughout the world). This fundamental problem must be addressed to progress services trade reform.

Inadequate ASEAN activity, individually or jointly, exists to fix this information deficit. It should be a prime focus of technical assistance and capacity building.

(ii) Policy defensiveness

Policy makers in several AMS often have difficulty seeing where their national interests in services lie, and hence try to retain discretionary policy space, including in trade negotiations, for future possible ‘industry policy intervention’. There is also the common perception by some AMS that due to their very limited, if any, services export opportunities they must be defensive in trade negotiations. This flawed mercantilist approach reflects a total misunderstanding and lack of awareness, helped by inadequate information, of the vital link between services trade liberalisation and national growth, employment and development.

A vicious circle exists between this lack of awareness and inadequate advocacy to raise awareness, and little services policy planning. Only a few AMS (e.g. Malaysia) have any recent public dedicated all-of-services sector strategy, roadmap or vision either for local sector development or for international engagement.

While there are limited examples of attempts to ‘target’ growth of particular services, evidence of success is scarce. In general, it is more likely a danger sign that decision makers are reverting to old fashioned, highly discredited and inefficient industrial policy interventions to ‘pick winners’, rather than with easing the regulatory cost burden on services suppliers and the economy, and letting the market commercial success.

Defensive policy stances are entrenched by misinformation. The lack of specific economic analysis and evidence weakens data-driven advocacy and evidence-based policy making. It also diminishes the opportunities for stakeholders to articulate success stories. Instead, a strong preference develops for officials (and politicians) to retain policy space for possible future industry policy intervention, including to reward vested interests, that avoid structural adjustment, rather than reforming to reap the overall productivity and competitiveness gains (Box 5.2).

(iii) Regulatory reform inertia

Service suppliers are affected in AMS, as elsewhere in the world, by an array of highly complex ‘behind-the-border’ business regulations, often meeting a mix of legitimate objectives (e.g. providing information on quality) and protectionism. In most AMS, the regulatory regime is also uncoordinated, overlapping, duplicative, opaque, and excessively burdensome for business. There is rarely a one stop shop, with each step in the process adding to business costs.

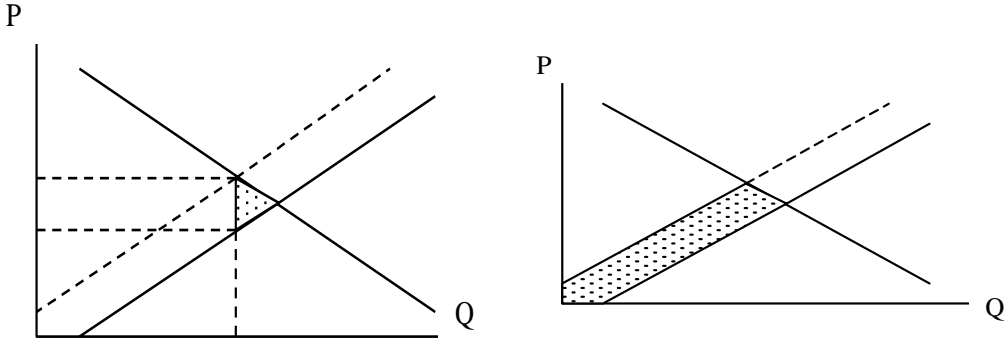
Inefficient or unnecessary regulations hamper competitiveness and usually restrict international providers from entering the domestic market. This has real negative economic consequences since so many services are infrastructural or affect the competitiveness of other industries and

sectors. Where regulations permit wide discretion in implementation the regulatory environment can also become prone to corruption.

Box 5.2: The Productivity Costs of Protecting Services

Services trade barriers can create rents and raise costs of supply. Rent-creating measures include quantitative restrictions that by limiting market entry raise prices of services and generate ‘rents’ for incumbents. Cost-raising measures are those associated with compliance and other costs from inefficient regulation, which raise costs of, and sometimes prohibit, service delivery, and dampen productivity. Economists believe services trade liberalisation improves an economy’s efficiency and productivity.

This is illustrated graphically below. Liberalising rent-creating services trade barriers will yield ‘triangular gains’ in producer and consumer surplus from improved allocative efficiency (the shaded area in the first diagram). It would also have redistributive effects due to incumbent firms losing producer surplus.



Liberalising cost-increasing measures to shift the supply curve vertically by the same amount would be equivalent to a much larger ‘roughly rectangular’ productivity gain (saving in real resources - the shaded area in the second diagram). This could importantly raise returns to incumbent service providers while lowering costs to users. Liberalising cost-increasing measures will enhance national welfare more than removing rent-creating measures. Thus, removing cost-increasing measures provides a ‘win-win’ situation, suggesting that liberalisation should focus on ‘behind-the-border’ arrangements.

Source: P. Dee, C. Findlay and R. Pomfret, 2007, Trade Facilitation: What, Why, How and Where?

AMS officials, including trade negotiators, typically inadequately understand their regulatory frameworks. Moreover, because many agencies are usually involved in regulating services, no single agency, least of all the trade ministry, will fully know the regulatory regime for any particular service.

Even if governments do they can lack the capacity to implement badly needed reforms. This can reflect resistance from vested interests. Sometimes governments will need technical solutions and/or reform strategies. Often a simple guiding principle can facilitate reform e.g. ‘one regulation in and one regulation out’. New processes and/or institutions may also be needed.

Institutions tasked with improving domestic policy transparency and efficiency in many AMS still lack the necessary capacity and expertise. Irregular or no regulatory review means there are no internal driving mechanisms for boosting services productivity and competitiveness. Thus, the main elements governments should consider in designing and implementing regulatory frameworks are poorly articulated and implemented.

At the ASEAN level there is also insufficient dedicated focus on benchmarking regulatory practice and raising awareness of regulatory incoherence. Various domestic rules and compilation exercises of AMS are not coordinated across them and/or sectors. No ASEAN-wide regulatory dialogue occurs to help benchmark progress, sector by sector. There is no well-

developed and well-accepted set of regulatory principles for services, focused on transparency and dialogue. Put simply, no joint, ASEAN-wide stocktake exists of progress towards regulatory reform in services. Several of the technical assistance and capacity building proposals of the SDNAS address these gaps.

The lack of a whole-of-government impetus to reform in AMS, and also at the ASEAN level, means services policy remains highly fragmented. There is minimal domestic inter-governmental coordination on services trade.

(iv) Trade policy coordination

Good internal trade policy coordination is especially important for services. In a globalising, more services oriented world economy, setting trade policy has become far more complex. Trade policy now requires managing the nature and extent of foreign participation in all domestic economic transactions. Good trade policy (i.e. trade liberalisation) means allowing foreigners to compete in home markets on equal terms with residents. Even more account must be taken of the domestic dimensions of trade policy, namely using it as domestic economic policy to improve overall productivity and economic efficiency. So for trade ministries the policy canvas has widened enormously.

International trade has impacted on all ministries responsible for services, including those with line responsibility for individual services (e.g. telecommunications), which play a critical role in sectoral regulation and hence trade policy formulation. Other ministries or agencies are responsible for horizontal or cross-sectoral matters relevant to trade (e.g. investment, immigration, intellectual property, government procurement).

Trade ministries everywhere need an institutional mechanism to communicate and consult with all relevant ministries and agencies. While a formal mechanism is usually best, informal mechanisms can also operate satisfactorily. But ultimately, a well coordinated and coherent ‘whole-of-government’ trade policy position must be communicated both domestically and in international organisations e.g. ASEAN. International experience shared through capacity building may help AMS. Inadequate trade policy coordination is endemic in ASEAN.

(v) Absence of supportive regional regulatory dialogue

AMS do not appear to work closely together to benchmark appropriate and efficient regulatory practices for services. Their trade negotiators rarely meet with ASEAN regulators, either domestically or regionally. Many line agencies responsible for international dimensions of services policy seem to work in a vacuum.

(vi) Inadequate progress in mutual standards recognition and regional convergence in regulatory settings

Insufficient and irregular regulatory exchanges on international best practices, either on an ‘all-of-services’ basis or by sector, has slowed progress towards greater convergence of regulatory practices, including implementation of mutual recognition of services standards across ASEAN, and more broadly. There seems to be inadequate recognition of the consequences this has for services suppliers. They repeatedly call for changes to enable them to conduct business in each others’ market as they do at home. This requires cutting business transaction costs and facilitating trade, and is fundamental to their competitiveness.

This is a major basis for achieving the AEC. It is not only a matter of appropriate regulatory settings, but also of standards. The inter-operability of services standards is generally identified as a key priority for firms to operate across the ASEAN region.

AMS governments, and their professional services associations, have put insufficient effort into concluding, and importantly implementing, meaningful mutual recognition arrangements. There is a similar lack of focused effort to drive convergence of standards important for knowledge-intensive services.

There seems inadequate policy effort within ASEAN on developing opportunities in regional supply chains for services (e.g. outsourcing and off-shoring, innovation in business models). The business reality is that any disconnect between standards generates a chokepoint in cross-border supply chains, that inflate cost structures of all firms, in particular burdening SMEs.

Efforts to facilitate SME entry into regional and global supply chains will inevitably prove ineffective unless simultaneous efforts are made to ensure connectivity at the technical level. Without focused efforts to ensure sufficient cross-border connectivity, ASEAN services suppliers will struggle to move up the value chain and to meet their offshore export challenges.

Chapter VI: Framework for Developing Technical Assistance and Capacity Building to Advance ASEAN Services Sector Liberalisation

A two-tiered framework has been developed to identify major obstacles to liberalisation of trade in ASEAN services and associated effective technical assistance and capacity building projects to tackle them so to facilitate deeper integration, consists of two components. First in this chapter an economic component is applied to develop broad Thematic Areas. Second, this is combined in Chapters VII and VIII with a structured strategic approach and cost-benefit analysis to primarily assist in establishing priority types of technical assistance and capacity building activities within these clusters.

1. Economic Component

(i) Unilateralism the key to liberalising services trade

Unilateralism has been successful in the ASEAN region. This has been facilitated by the fact that as APEC members, except Cambodia, Laos PDR and Myanmar, AMS have voluntarily followed ‘concerted unilateralism’ approach to meet the Bogor Goals of the ‘full free flow of goods, services and investment’ on a non-discriminatory basis by 2010 for developed economies and 2020 for developing countries (all APEC AMS except Singapore). Thus, very successful unilateral reforms have been the main approach used in ASEAN to liberalise trade, including in services. At the same time, and increasingly in the past decade, ASEAN has placed greater reliance on regional trade agreements, especially AFAS as a precursor to the AEC, to pursue services trade liberalisation.

However, international evidence overwhelmingly shows trade agreements, whether multilateral, regional or bilateral, have been ineffective at liberalising trade in services. Most significant services trade liberalisation anywhere in the world, including Australia, has resulted from unilateral action by governments to reform services (Bosworth and Trewin 2011, Dee and Findlay 2007a and 2007b). Thus, a huge dose of unilateralism is needed for services liberalisation ‘on-the-ground,’ and must be the foundation for achieving the AEC.

This is hardly surprising, given that most service trade barriers are embedded in complex ‘behind-the-border’ regulations, which usually meet a mixture of legitimate objectives, such as consumer protection, and non-legitimate protectionist goals. Disentangling these effects and measures is incredibly difficult, and cannot be sensibly done as part of negotiating trade agreements¹¹. Indeed, such reforms are best managed as part of a government’s overall domestic micro-economic reform agenda for services needed to enhance the economy’s efficiency and competitiveness. Services are such important inputs that their efficient supply is essential to any economy’s performance. The impact of service efficiency on economic growth and development are well documented.

More to the point, many of the major inefficient trade barriers in services impede market access, including on a discriminatory and non-discriminatory basis. Unlike national treatment impediments, such limitations are far more difficult to negotiate away on a reciprocal basis through trade agreements (e.g. Bosworth and Trewin 2011). Thus, AFAS is almost certainly to remain a sideshow to promoting the actual ‘on-the-ground’ trade liberalisation and other reforms

¹¹Trade negotiators negotiate, either multilateral, regionally or bilaterally, while unilateralism involves no negotiations and also downplays the role of trade ministries in setting trade policy.

affecting services needed to improve each AMS's economic performance, and to achieve the AEC. Again, for many liberalisation measures, this will also be inevitable given that their implementation on a discriminatory basis under AFAS is likely to be non-feasible and/or make little economic sense. For such measures, non-discriminatory liberalisation is imperative, which can only be achieved through unilateralism.

Binding overhang a common feature of trade agreements, including AFAS

Substantial 'binding overhang' exists in service commitments, both multilaterally and within trade agreements, especially in the more prominent positive list agreements. For example, services trade in APEC economies is freer than reflected in commitments under GATS and trade agreements (DFAT 2010b). Services commitments in the GATS and trade agreements of ASEAN members are also well known to lag actual practice considerably (Stephenson and Nikomborirak 2002). Hence plenty of room exists to introduce more restrictive measures, and there is no hard evidence that 'binding overhang' has been substantially reduced under trade agreements.¹² Moreover, there is no formula approach (like for tariffs) to ensure 'binding overhang' is reduced over time; indeed it may increase if AFAS commitments lag unilateral trade liberalisation by AMS. Thus, over time commitments are made even more redundant if 'binding overhang' increases by AMS not keeping pace with unilateral (applied) trade-related reforms.¹³

The significant 'binding overhang' reflects that most services liberalisation is undertaken unilaterally (Hoekman and Mattoo 2011), which remains beneficial even if 'binding overhang' expands.¹⁴ The GATS bindings, on average 2.3 times more restrictive than currently applied policies, allow more than a doubling of average restrictiveness levels without breaching commitments.¹⁵ While some PTAs have wider sectoral coverage of services, they do not appear, with a few exceptions, to have induced significant market opening (Hoekman and Mattoo 2011).

Unilateralism matters more than trade agreements

A country benefits most from its own trade-related liberalisation, not from trading partners reducing their trade barriers. Reducing barriers to trade and investment improves a country's resource allocation and efficiency from accessing cheaper imports and availability of capital, labor and knowledge, thus enhancing productivity.

There seems no escaping the fact that significant services trade liberalisation can only be successfully tackled unilaterally because of the nature of the measures (i.e. embedded in domestic legislation and the difficulties of liberalising preferentially). Trade Agreements like AFAS (and especially the WTO) may marginally help but are no substitutes for unilateralism. The politics of services reform differs from that of goods; additional foreign market access is not required as part of a big political bargain to offset the local resistance to reform in services, being largely about FDI, and when barriers are removed local activity can actually increase (Drake-

¹² Even substantially reducing 'binding overhang' may be largely redundant if it still allows for significant backsliding. Some bindings are so below applied levels that even large changes would have no impact.

¹³ Reducing applied trade-restrictive measures produces economic gains and not changing the degree of 'binding overhang'.

¹⁴ World Bank database on services trade barriers of 93 economies covering financial services (banking and insurance), telecommunications, retail distribution, transportation, and professional services.

¹⁵ While Doha would improve GATS commitments by about 10%, offers still remained on average twice as restrictive as actual policies.

Brockman and Findlay 2011). Furthermore, in many cases the service businesses themselves push for services reform to remove unnecessary and costly regulation or rules.

Because the big gains in services are from reforming non-discriminatory, anti-competitive measures affecting both domestic and foreign suppliers, services reforms are best handled domestically where the political economy considerations principally pit incumbents against new entrants, and not domestic versus foreign (Dee and Findlay 2007a and 2007b). The main risks to reform are to focus too much on national treatment, which typically happens in both regional and multilateral trade negotiations (Dee and Findlay 2007a and 2007b). The steps in sensible unilateral reform are: (i) transparency (ii) review and evaluation, and (iii) domestic reform (Dee and Findlay 2007a and 2007b).

Most significant policy reforms in services have been domestically driven, with trade agreements offering limited scope to reform services, partly also due to a lack of domestic constituencies focusing on self-liberalisation rather than mercantilism efforts concentrating on obtaining greater access abroad. Achieving domestic reform of services markets through external trade agreements, including the WTO, has proven difficult in practice (Francois and Hoekman 2010).

At best, negotiated forms of liberalisation, including PTAs (Preferential Trade Agreements), have resulted in commitments ‘on-paper’ without generating actual liberalisation of measures, and this is certainly the case in Australia (Bosworth and Trewin 2008, Bosworth and Trewin 2011).¹⁶ While the trade negotiating community claim binding such measures via ‘on-paper’ commitments to be major achievements, their value, especially in services, is largely overstated. This is especially so when commitments contain significant ‘binding overhang’ to provide substantial policy space to de-liberalise. Unfortunately, while perhaps of academic interest, much of the research documenting so-called services liberalisation under PTAs (and the WTO) have overly focused on countries’ scheduled commitments, which are known to contain significant binding overhang and/or to have contributed little to actual or ‘on-the-ground’ liberalisation, and thereby been of limited policy value (Fink and Molinuevo, Roy, Marchetti and Lim 2007, Marchetti and Roy 2008, Mattoo and Sauve 2010, Sauve and Shingal 2011). The domestic politics of trade in services may make it difficult to achieve real liberalisation in trade agreements (or WTO) as opposed to international codification of measures already approved domestically (Van Grassek 2011). There has also been a marked inclination among governments to dress up issues in PTAs which do not fundamentally free up markets – because eliminating the barriers needed is too hard and instead focus on issues which may please constituents but have little impact (ITS 2011).

In terms of liberalisation and economic benefits, preferential trade agreements are inferior to unilateralism, supported to the extent possible by multilateralism (PC 2010)¹⁷. The potential advantages of unilateralism are especially apparent in services given that they are typically protected by complex behind-the-border regulatory measures (e.g. regulations and institutional

¹⁶ Even applying the Fink and Molinuevo (2007) analysis to TAFTA found only small improvements over Australian and Thai GATS commitments, themselves second-rate (Bosworth and Trewin 2008).

¹⁷ Australia’s recently released Trade Policy Statement reaffirms the vital importance of re-focusing on five guiding principles of good trade policy setting, namely unilateralism, non-discrimination between countries, separation of trade and foreign policy, transparency, and indivisibility of trade policy from domestic economic reform (Bosworth and Trewin 2011). These principles apply equally to all countries, irrespective of development, and reinforce the importance of achieving these outcomes to setting growth-enhancing trade policies. Hence, the Australian Government strongly believes in the value of promoting recognition and strengthening of these principles in developing countries through provision of technical assistance and capacity building components as part of its overseas development aid.

arrangements restricting competition) that generally cannot be liberalised by trade agreements. Expecting governments to significantly liberalise measures in trade agreements is largely wishful thinking that also fails to appreciate how essential unilateralism is to implementing sound reforms. Trade policy is not trade negotiations and nor are policy measures something best determined by negotiations. Thus, trade negotiators generally do not negotiate actual policy measures, and play a minor role in liberalisation, a preferable result given the non-economic outcomes such negotiations would in all likelihood deliver.¹⁸ Growth-promoting policies do not depend upon trade negotiations, but rather on governments adopting sound unilateral outcomes as part of their on-going micro-economic reform programs.

Domestic transparency is essential

Transparency is a vital first step to any trade-related reforms. Even knowing the full array of a country's trade-related barriers, including at the state or provincial level, is a major achievement, let alone analysing their effects and disentangling these from protectionism and legitimate outcomes.

Governments should be encouraged to develop institutions which highlight the economy-wide impacts of policy decisions (ANZBLE 2010). Since protectionism results from decisions taken by governments at home, for domestic reasons, any response must therefore begin at home, and bring into public view the domestic consequences of those decisions by creating domestic transparency arrangements in individual countries to provide public information about the economy-wide costs of domestic protection to counter the powerful influence protected domestic interests exercise over national trade policies. Australia is one of very few developed countries to have substantially liberalised its industry protection regime unilaterally, outside the conventional concession-swapping milieu favored by other countries (Banks 2010).¹⁹

Developing countries would also seem to have much to gain from greater domestic transparency in trade-related policy formulation, especially linked into the institutional policy setting framework (independently funded think-tanks with sufficient policy formulation input may also play an effective role, especially where public institutions can be starved of funds or commissioned inquiries to avoid domestic transparency of sensitive issues). Institutions and processes within government played a crucial role in Australian reform, with virtually every major reform preceded by public review processes commissioned by, but conducted at arm's length from government (Banks 2010b). Since unilateralism is fundamental to setting trade policy, including liberalising services, greater domestic transparency and associated institutional arrangements is essential. Otherwise, domestic trade reform is likely to be incomplete – transparency is the key.

2. Significant Implications for Technical Assistance and Capacity Building

The most effective technical assistance and capacity building economically is that which promotes 'on-the-ground' unilateral non-discriminatory reforms to services trade within each AMS as part of domestic micro-economic reform efforts. An essential element of this is to promote domestic transparency of the economic costs to an economy of protecting services, and

¹⁸ The main exception is outside services, namely tariffs whereby PTAs negotiate applied discriminatory rates unlike in the WTO where MFN bindings are negotiated.

¹⁹ The Australian Productivity Commission (PC) has been an important part of the institutional architecture for regulatory reform in Australia and provides a model with many features that could usefully be emulated overseas (OECD 2010).¹⁹ The WTO has also noted the important contribution the PC and its predecessors have made to domestic transparency and Australian trade-related reforms (WTO 2007).

of the economic gains from liberalising trade and implementing associated reforms. Such transparency helps build coalitions favouring reform to provide an effective counterweight against vested commercial and political interests, often in favour of providing protection. Efforts, of which there are already many, to focus on trade negotiations under AFAS (or the WTO), are likely for the reasons indicated to be largely ineffective in promoting ‘on-the-ground’ liberalisation.

Thus, the approach adopted in the SDNAS is a conventional economic one that attaches by far the highest priority to advancing services liberalisation as part of each AMS’s domestic economic reforms. This has the best chance of success. Trade negotiations rarely lead trade liberalisation, including especially in services, and at best can only support such reforms by locking them in through liberalising ‘on-paper’ commitments. The right sequencing is important, however. Put another way, negotiating so-called liberalising commitments in AFAS (and the WTO) achieves little unless they translate to actual ‘on-the-ground’ liberalisation, which generally is not the case. Indeed, as indicated, it is well documented in both ASEAN and elsewhere that commitments contain a high level of ‘binding overhang’, and hence do not even ‘lock in’ existing more open arrangements. While removing ‘binding overhang’ through trade negotiations may be useful, it is of a much lower priority than promoting ‘on-the-ground’ liberalisation and developing a deep domestic commitment politically to maintain open trade policies.

The technical assistance and capacity building activities proposed in the SDNAS have been selected and prioritised accordingly in an effort to tackle the fundamental obstacles to liberalising trade in services. Such projects, if implemented properly, should be capable of effectively promoting services trade liberalisation and related reforms both, in a unilateral and AEC framework, thereby maximising ‘value for money’ from the technical assistance and capacity building.

Chapter VII: From Framework to Activity Clusters

This Chapter develops ‘activity clusters’ of projects that donors (multilateral and/or bilateral) could support, based on the building blocks of previous chapters, including:

- An understanding of current services trade liberalisation across the AMS²⁰, in particular of the large unfinished agenda despite past successful unilateral reforms;
- An assessment of recent and ongoing technical assistance and capacity building trade-in-services projects in the AMS (including ASEAN-wide initiatives);
- Development of an effective framework for developing technical assistance to advance services trade liberalisation and related reforms; and
- The important field work across AMS and key findings on technical assistance and capacity needs.

The SDNAS advocates adopting three ‘thematic needs’ as the basis for selecting and designing technical assistance and capacity building projects. These are best viewed as ‘umbrellas’ under which to define sets of relevant inter-related areas, or ‘clusters’. The three ‘thematic needs’ groupings emerge from the above building blocks and the vision about how bilateral and multilateral donors can best support stronger liberalisation in trade in services and related reforms among member states.

1. The Vision

The vision is very much the economic one that international trade is a long-run win-win for all countries from a national welfare-enhancing perspective. This is the theoretical corner stone of comparative advantage, as well as of the empirical historical record showing that countries shying away from global competitive pressures do not grow. The economic success stories of rapid economic development since 1945 have all included increasingly free trade as part of their success. More recently, the importance of services productivity to a country’s growth has reinforced these empirical observations.

Trade liberalisation and related reforms in services, as for goods, is not an economic problem but a domestic political problem. Unfortunately, all politicians or policy makers do not either share this vision, or only pay it lip service. Many talk about ‘competitive advantage’, an idea borrowed from business schools, which think of countries competing for shares in a fixed market, like domestic firms. They often confuse comparative and absolute advantage, and adopt flawed ‘mercantile’ thinking that ‘exports are good and imports are bad.’ They therefore overlook the benefits to their economy and consumers of cheaper imports. Similarly, their pre-occupation with trade balances, especially on a bilateral basis, makes little economic sense.

An appreciation of comparative advantage leads economists to support unilateral trade liberalisation – in line with the economic sub-framework previously outlined - with very few and rare exceptions. Yet the political economy makes this difficult in reality, and trade policy becomes a confusing mix of economic and legal logic (e.g. precedent arguments). Consequently trade policy evolves as a ‘negotiation’ – give something, get something – without an

²⁰ More details about this and other country-specific matters are contained in the ten country reports prepared by the in-country experts from their field work (Appendix 4). To keep inputs manageable and understandable, efforts were directed at preparing well edited, concise and representative summaries for each country report. The in-country reports were requested to generally follow a set structure, although in practice there were some variations (Appendix 3).

understanding that just removing domestic protectionist policies (without ‘getting’ in return) is welfare-benefiting for the country. The dynamic economy-wide costs of ongoing protection are not understood: saving some jobs now loses more in the long-run. Liberalising, including services, generates higher growth and employment – irrespective of what other countries do. Australia, for example, is benefiting from doing this during 1983-2003, as have some AMS e.g. Indonesia (Fane and Warr 2007).

Political economy factors

Yet often policy ‘confusion’ is often a façade for political economy realities. The ‘logic’ for protectionism is political and legal (arguments based on precedent), and its use and outcomes may only make sense in a model of competing domestic interest groups seeking targeted protection. Thus it is somewhat naïve to formulate the problem as simply one of awareness raising.

Real and meaningful services liberalisation, like for goods, has its foundations in domestic constituencies lobbying for change – and the same is true of protectionist policies. Opening or closing the economy to trade and foreign competition is a never-ending tussle between those who believe in comparative advantage, and those who do not understand it, or choose not to.

2. Thematic Needs

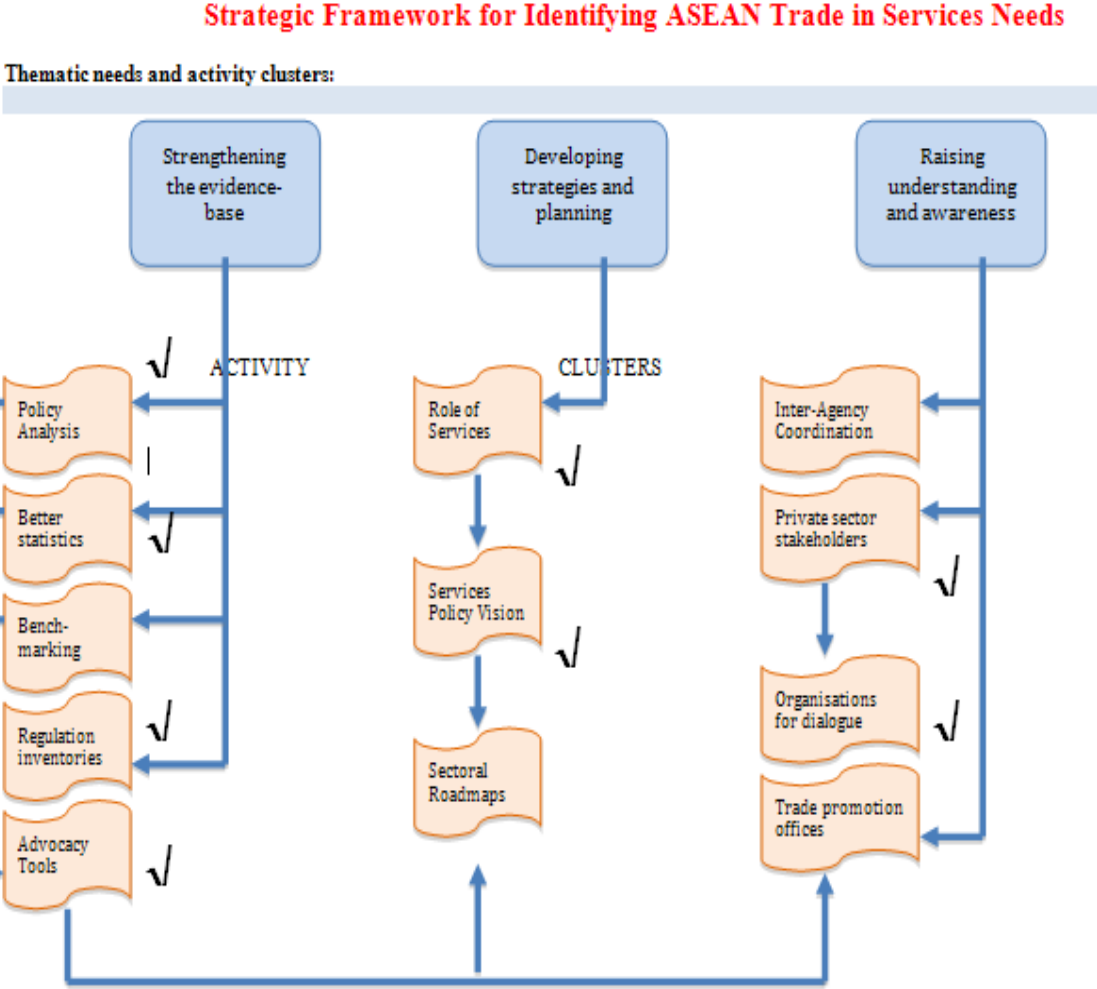
The choice of three thematic needs areas is guided by the finding, reinforced by the country reports, that real services trade liberalisation must be domestically driven to be successful (Figure 7.1). The main objective is thus to support domestic-led evidence-based reform. This involves all domestic stakeholders, including non-state actors, in a process of better understanding the leading role of services in the economy, the importance of having cost-effective services, and what inefficiencies need to be addressed. This should be a research-led (‘evidence-based’) learning process, using different methods to collect and present data.

The three thematic areas fit the vision well. What is downplayed, but nevertheless covered, is the external dimension of trade reform, including bilateral and multilateral negotiations. Instead, the focus is on the domestic dimension of trade policy as the basis for mainstreaming it into a country’s economic and development strategies to improve economic efficiency. The SDNAS has found that the role played by the external dimension of trade policy is very much secondary, and that technical assistance and capacity building is best focused on domestic issues supporting reform. There is already much technical assistance and capacity building, for example, to support capacities in particular ministries to negotiate trade agreements, or to draft legislation. Donor resources, invariably limited and usually subject to meeting specific effectiveness criteria, are best focused upon building and disseminating evidence about the role of the services sector, and the costs and benefits of liberalisation, across a wider range of domestic stakeholders, some of which will be applicable to all trade liberalisation approaches, including trade negotiations.

The country reports raised many ideas for technical assistance and capacity building activities supporting trade in services liberalisation. Some were country-specific, some regional (e.g. CLMV), and some ASEAN-wide.

Based on these, the SDNAS has identified those most relevant to our three thematic areas. Consequently many ideas, such as generic human resource strengthening, and various sector-specific training activities were dropped. The defining feature of the ‘strategy’ is its explicit focus (i.e. does not ‘cover everything’).

Figure 7.1: Strategic Framework for Identifying ASEAN Trade in Services



Clusters are ‘need areas’, which can be supported by one or many projects that target the particular need (e.g. better statistics). Further, given the invariably limited resources of donors and the need to ensure to the extent possible that they are used effectively, eight of the twelve clusters have been prioritised for targeting technical assistance and capacity building projects (those ‘ticked’ in the above chart).

(i) Thematic area 1 (strengthening the evidence base)

The first four of the five activities can be undertaken discretely i.e. they are not necessarily linked to each other. For example, policy research can be undertaken without having to do benchmarking, or visa-versa (although policy analysis would benefit from better statistics and a prior regulatory inventory). The fifth activity does, however, feed from the first four: advocacy tools. These ‘tools’ are the ‘readable outputs’ from more detailed research efforts – the executive summaries, glossy policy briefs, newsletters, brochures, newspaper articles, etc. Such ‘tools’ are easy by-products of research efforts, yet are often neglected with some implicit assumption that research will ‘disseminate itself’.

The evidence base, by definition, underpins the other two thematic areas (hence the arrows from below leading up to them). The development of strategies and plans is clearly supported by the

evidence collected, as is the quality of documents and arguments used for awareness raising and to inform interested stakeholders about costs and benefits.

(ii) Thematic area 2 (developing strategies and planning)

This consists of three sequential activities. First, a general document should be drafted that explains the role, importance and methods to measure services in ASEAN. Services are not easily defined or measured, and thus tend to get less attention in policy circles – despite the evidence that services grow to dominate GDP in all rich countries. Focus across most AMS tends to be on ‘industrialisation’, despite the significant role and potential of services. From this foundation of understanding comes the second activity, which is for ASEAN and each AMS to develop a ‘policy vision’ for services to 2025. These broad policy documents would build upon research under the first thematic area (such as better statistics), and set output and efficiency goals for 2015. The third activity specifies how to get to those goals – through detailed sector studies that specify necessary reforms as ‘sectoral roadmaps’. Developing them is demanding, and hence the first two activities have been ‘ticked’ as immediate technical assistance and capacity building priorities. Nevertheless, it would be of real analytical interest to select one sector to pilot test sectoral road-mapping and to conduct a regulation inventory.

(iii) Thematic area 3 (awareness raising)

This is a series of cluster activities that use the advocacy tools and research from the evidence base built under Thematic Area 1. Trade promotion offices, for example, can use the evidence to better understand the strengths and weaknesses of their country’s service providers, and to identify the opportunities for business in other AMS. At present their focus is drawn to the more tangible demands of foreign direct investors rather than to the considerable income to be gained from promoting consulting (e.g. architecture and urban planning), health or education exports. Services due to their lack of detailed information tend to receive lower priority.

The private sector must be a driving force for reform. While businesses have diverse and specific interests, most want more efficient and cost-effective services at home. Better (quality and cost) services enhance economic efficiency as they are large inputs into producing almost anything. The evidence base from Thematic Area 1 would give private sector organisations the information needed to understand and take action to improve services. Thus a dissemination strategy would regularly brief and provide information to private (and public) organisations about services research results. This may be complemented by supporting the establishment of a new business organisation (or sub-group under an existing Chamber) to specifically focus on service sectors. In Australia, for example, there is the Australian Services Roundtable and some relevant ASEAN organisations were previously mentioned. The viability of such ‘Organisations for Dialogue’, and what best suits each AMS, needs to be investigated.

‘Inter-Agency Coordination’ is another activity cluster under Thematic Area 3. Few Governments have a single department in charge of services. Instead, most, like the AMS, have several different ministries dealing, in some form, with services. For example, ministries often deal individually with trade, communications and transport. A problem for developing trade therefore is that no single ministry is responsible for services, despite the economic benefits. The shared responsibility makes coordination extremely difficult, causing conflicts between sectoral and economy-wide issues, and impacting on the development of the services sector.

Coordination between ministries is therefore crucial for successful trade liberalisation. This could be through officials from each ministry being employed solely to liaise with others on services development, especially in relation to trade. Alternatively, a specific coordinating team could be set up within government to work with all ministries, but this may be deemed inefficient. However, for coordination to be achieved ministries must find ways to work together to develop beneficial services policy for the economy.

3. Prioritising Activity Clusters

Although these three thematic areas provide focus under a vision of needs, the range of activity clusters is too large to focus on. An attempt has thus been made to prioritise and select a sub-set of linked activity clusters considered to be the most urgent (achievable within four years).

The first steps towards a systematic ASEAN strategy towards services sector development could begin with undertaking ‘top down’ research on ‘The Role of Services in ASEAN’, leading subsequently to defining ‘Services Policy Vision’ documents for all AMS. The ‘Role of Services in ASEAN’ document would not be an extensive study, but draw on the modest existing literature and data. Its purpose would be to raise awareness across a wide range of stakeholders about what are services, how to measure them, and how they affect the cost of goods. It should be a ‘readable’ document (maximum 50 pages) covering all AMS, translated into local languages, and available electronically. The document’s dissemination strategy should include presentations and wide distribution in each AMS. It should lay the foundation for starting the second activity cluster: a Services Policy Vision for ASEAN (and then for each AMS).

Services Policy Visions for each AMS might emerge after about four years (2015), and be based on prior research conducted under Thematic Area 1. They may also, as already discussed, be supplemented by a pilot testing of one sector road map and regulation inventory. The Services Policy Visions would overview the services industries, set development targets, and define a policy reform agenda. Other aspects of the Services Policy Vision would include establishing the mechanisms for inter-ministerial coordination, and for an active evidence-based dialogue with the private sector. One AMS may be selected to pilot test the Services Policy Vision approach at the same time as initiating the ‘Role of Services’ research, with roll-out to other AMS based on lessons learned from that first study.

Three of the five clusters under the needs area ‘Strengthening the Evidence Base’ have been chosen. They are:

- policy analysis;
- regulatory inventories; and
- advocacy tools.

Policy analysis activities would focus on the most relevant sectors and cross-cutting themes as identified in the SDNAS. They must be carefully designed to ensure useful and sustainable results – such a ‘mix’ includes accepting data limitations, using a variety of measurement methodologies to get policy-relevant impact results, working with relevant AMS research organisations to ensure capacity building outcomes, and involving officials as part of an explicit dissemination strategy.

Taking stock of existing regulations in a services sector is a major research task. A stocktake of all regulations in a sector is an essential first step to enhancing transparency, evaluating their costs and benefits as well as consistency with trade agreements, and to developing a

liberalisation plan. These regulatory inventories should be tackled by sector, and it would be beneficial to start with a service sector with ministerial boundaries. Health and Education would be a good starting point; both generally tend to be ‘highly regulated as a consequence of a range of policy objectives’ (World Bank, 2009, p.15). In these cases the GATS and most trade agreements respect the right of countries to administer regulations on the supply of services to meet national objectives.

The SDNAS has identified ‘Advocacy tools’ as a distinct project area because it tends to be overlooked. Dissemination, such as how research is packaged and the strategy for maximising impact, is important. Information from the above projects, and from other sources, can be packaged and delivered for various public and private stakeholders – for their information and for use. This would include, for example, local-language outputs on websites, newspapers, policy briefs for ministers and stakeholder organisations, maintaining blogs and e-mail groups, newsletters. The defining feature is not to conduct original research, but to synthesise, package and deliver better what already exists (and is produced by other projects).

Thematic Area 3, ‘Raising understanding and awareness’, covers working with private sector stakeholders and supporting ‘organisations for dialogue’ as priority projects. Few countries have private sector organisations devoted to representing the services sector, and they typically fall under the ambit of a National Chamber of Commerce. How the services sector could be represented by non-state actors in each AMS should be researched. It could be a sub-group of a National Chamber, a consolidation of existing sectoral business groups, or something discrete and new. The menu of choices needs to be evaluated in terms of appropriateness to each AMS, and the most viable option for each defined in detail. This should lead to establishing services-specific non-state ‘organisations for dialogue’ in some AMS by 2015.

Meanwhile, much can be done to work with existing private sector stakeholders. These include sector organisations (e.g. tourism and hospitality industry groups) and national chambers, and others (e.g. International Chambers of Commerce). The focus of a project working with such organisations would be to raise their awareness about the business costs of various forms of service sector protection, to provide precise evidence about such costs, and to assist those organisations in making representations for policy changes.

4. Conclusion

This Chapter has identified three thematic areas of need, and 12 project cluster areas under these. It has prioritised eight clusters and given an insight into the nature of projects that these would involve. These include:

- role of services in ASEAN study (30 page high-level published and widely distributed document);
- services policy vision study to be pilot tested in one AMS, for possible subsequent roll-out to all AMS;
- regulatory inventory of one services sector across all AMS;
- detailed road-map for policy reform for one (same as inventory – could be same project) sector across all AMS;
- a programme of policy analysis linked to capacity building and an explicit dissemination strategy;
- research the options for supporting organisations for non-state service sector dialogues in each AMS;

- design a project to produce and maintain evidence-based advocacy tools for both private and state service sector stakeholder organisations; and
- developing strengthened use and collection of services statistics, including on trade, to underpin analysis and policy relevant studies on impact of services and of trade-related reforms.

Chapter VIII: Selecting Technical Assistance and Capacity Building Programmes

The two main elements of the key project objectives, identifying major obstacles to liberalisation of trade in ASEAN services and developing associated effective technical assistance and capacity building projects to tackle them to facilitate deeper liberalisation, required an appropriate framework to be developed to help prioritise projects to recommend. It had been hoped that the fieldwork might have provided consistent priorities for key current obstacles for capacity building but responses were not always, even internally, consistent and also tended to reflect the interests of the respondents in a small and selective final sample of respondents rather than those of society. The field work did however supply a comprehensive list of potential projects (Chapter IV, Tables 4.2 and 4.3) that could be assessed within economic, strategic and analytic frameworks to select priority activities across the range of suggested potential projects.

1. Cost-Benefit Analytical Component

Cost-benefit analysis of services at an ASEAN-level to focus on economic welfare, as distinct from private or only country-level benefits, provides an appropriate analytical framework to choose among possible ASEAN technical assistance and capacity building projects. Basically, cost-benefit analysis as discussed here compares the benefits and costs of a particular trade constraint or undertaking a specific ASEAN technical assistance and capacity building project. It is widely used, for example, by the PC for various assessments, prioritisation, such as in assessing the performance in allocating research funding of the Entomology Division of CSIRO and in the more recent inquiry into Public Support for Science and Innovation.²¹

Cost-benefit analysis is based around the economic welfare concept of economic surplus (actual costs/prices relative to what willing to pay/accept)(see Box 5.2). It is highly relevant to the AEC objectives of identifying constraints to maximising welfare (the measure used in determining whether a project is significant or not) and the most cost-effective capacity building.

Examples of practical applications of the analytic framework are available from the websites of the Australian Centre of Agricultural Research (ACIAR), the Rural Industry Research and Development Corporation (RIRDC) and other international agricultural research institutions in the Consultative Group on International Agricultural Research (CGIAR) network like the International Rice Institute (IRI) and others based in ASEAN (see also Alston, Norton and Pardey 1998) and more generally than agriculture (e.g. initial proposals to the Gates Foundation). Where appropriate data is available, computer programs (e.g. DREAM, IFPRI 2000) have been developed to use this framework to quantitatively determine priorities, such as for research expenditures.

However, since the appropriate data is currently not available in ASEAN services, though hopefully it may become available as a result of the SDNAS, the SDNAS has devised various rules or criteria based on the cost-benefit analysis framework that could be used to determine general orders of technical assistance and capacity building priorities.²² These six rules were implicitly used in the country reports in identifying successful projects. The rules themselves

²¹The PC is involved in an Australian Research Council (ARC) project on 'Setting priorities for services trade' which includes analysis of the potential benefits of reform.

²²This is along the lines of ACIAR's important factors determining estimates of expected economic impacts. This approach has been used more generally, for example the 'Johnson rules' developed to simplify quantitative measures of the impact of trade agreements (Johnson 1960).

cannot be prioritised and all six need to be satisfied. A project meeting all these criteria would make a significant expected contribution to social welfare in the short-run. The opposite can be the case if a certain criterion is not met. For example, large potential impacts on social welfare could be discounted to insignificance if net benefits are not realised because of high cost providers, or the constraint is not important, or benefits go to monopolies, or are not realised quickly, or the probability of success is low. Since the rules cannot be applied precisely and require some judgment, they should not be used to try to select one 'best' project but rather recommended projects which should also include some diversification in options.

The six rules are:

Rule 1: Potential economic impact - a large sector/mode/issue economically;

Rule 2: Possible efficiency gains - low domestic resource costs (e.g. competitive sector);

Rule 3: Significance of obstacle (issue) economically – constraint significant impact on efficiency, trade and therefore gains from reform;

Rule 4: Supply/Demand responsiveness - determines the extent of benefits from reforms and society's provider/users shares of them;

Rule 5: Probability of success of project off ASEAN-induced action; and

Rule 6: Time to realise net benefits – whether costs of project quickly covered by benefits.

These rules were applied in a structured way over broad programme groupings and to activities within them and then to individual projects within these activity groups along the lines outlined in the matrix developed from its application later in the chapter. This approach is appropriate given the difficulty of choosing between a large number of individual projects and the impreciseness of the rules. It is this last aspect of needing to choose a large number of individual projects that diminishes the usefulness of some other approaches that identify one or two main binding constraints (e.g. Hausmann, Rodrik and Velasco 2006 which does not have the framework or empirical measures to identify or assess more than one or two representative priority projects within priority programs and activities).

How to best allocate donor funds for development has attracted much research and discussion in recent times, especially as private funders have grown (The Economist 2011a). There has been a sorry history of some good philanthropic intentions and international aid not delivering change and social benefits, or even making societies worse off. More focus is being devoted to how to address the difficult task of cost-effective philanthropy and international aid. Different approaches are being considered (e.g. engaging in political advocacy to change government policies, such as on education reforms). Moreover, greater clarity on proposed outcomes along with improved monitoring to ensure progress and realisation of net benefits is being sought. This will require more rigorous and objective processes of the 'head and not the heart'. Some issues are 'heart-felt' but have little probability of being successfully addressed and/or having a significant impact in the overall scheme of things. Systems need to be created such as used in the CGIAR network and drawn on by the Gates Foundation to measure the benefits and effectiveness of proposed philanthropic or international aid activities.

Capacity building needs associated with more liberalising success stories that have realised net benefits are likely to be of particular importance in determining some priorities (Chapter IV). For example, AirAsia seized the introduction of a more open skies policy and the Malaysian Government's interests to establish an efficient domestic airline. It quickly became a significant regional carrier and then built off this to become truly international. AirAsia's success fits the analytic framework, by operating in a significant sector, using a low cost model, drawing on

liberalised ASEAN air routes, involving large society benefits from lower fares, and quickly realising net economic welfare benefits. It may be useful in assessing similar ‘successful’ capacity building opportunities, such as those developed in field work (e.g. coastal shipping).

2. Prioritising Technical Assistance and Capacity Building Programmes

The SDNAS has identified six criteria, or rules, to help select specific priority technical assistance and capacity building projects within the overall activity clusters. These rules, although unable to be applied precisely and requiring judgments, nevertheless provide the best available framework in which to assess such assistance proposals.

As mentioned earlier, the analytic framework, given the imprecision of the rules, would be best applied in a structured way as set out in strategically structured framework outlined in Chapter VII where three key ‘umbrellas’ in terms of maximising economic welfare (Raising awareness; Developing strategies; and Planning, and strengthening evidence based) were identified, as were groups of projects (e.g. Policy analysis) within comprehensive and diversified activities under these umbrellas. Some programs that may have fitted into this schema, such as negotiated liberalisation, were not implicitly included as much capacity building has already been undertaken on related activities and projects, though correctly structured capacity building should benefit all approaches to liberalisation. The analytic framework rules, based on a consistent economic welfare concept with the strategic structured framework, and thus integrated with it, were then used to support priority activities under all of the ‘umbrellas’, as well as to assess suggested priority projects within these activities. As a result, a representative diversified sample of priority projects was derived that also took into account the linkages between these projects in favouring projects that were necessary before others could be undertaken (e.g. statistical information and regulatory stock takes) and to obtain full value from projects once they were undertaken (e.g. raising awareness).

The application of the rules are best viewed as a matrix (Table 8.1), whereby all six rules must be satisfied before the technical assistance or capacity building project is selected or confirmed from the lists developed in Chapters IV and V. On this basis, several broad and specific project categories have been identified. These are broken down further into recommended technical assistance and capacity building project concept notes, listed and detailed in Chapter IX.

Table 8.1: Matrix of Titles/Categories and Rules for Selecting Proposed Projects

| Title/Category | Potentially large economically | Competitive | Constraints | Shared benefits | Success probability | Time to realise benefits |
|--|--------------------------------|---|--------------------------|--------------------------|-----------------------------------|---------------------------------------|
| 1. Injecting Greater Competition in Delivery of Services/ Strengthening the evidence base; Policy analysis | AMS wide | Necessary preliminary | Large | Large all round | Past success but vested interests | Relevant approaches available |
| 2. Facilitating Joint University Policy Research/ Strengthening the evidence base; Policy analysis | AMS wide | Comparative advantage determines focus & promotes competitiveness | Selection focus on large | Selection focus on large | High, past success | Short projects aimed at quick impacts |
| 3. Officials | AMS wide | Promotes | Large | Large all | High, past | Background |

| | | | | | | |
|---|--------------------------------------|---|---|--|--|--|
| Promoting awareness of Services Liberalisation workshops/ Raising understanding and awareness; Inter-agency coordination | | competition, necessary preliminary | | round | success | material available & aimed at quick impacts |
| 4. Raising Awareness to help Liberalise Professional Services/Raising understanding and awareness; Private sector stakeholders | AMS wide, affects many sectors | No overall AMS comparative advantage but will promote competitiveness | Not all modes directly but significant | Not all modes directly but significant | Past success but vested interests | Model analysis already available |
| 5. Raising Awareness of the Benefits of AEC services integration/ Strengthening the evidence base; Policy analysis | AMS wide | Promotes competition and collaboration, necessary preliminary | Large | Large all round | High, past success | Analysis within year |
| 6. Training in Analytic tools to assist services liberalisation/ Strengthening the evidence base; Policy analysis | AMS wide | Promotes competition, necessary preliminary | Large on main issues & assists other issues | Indirectly significant all round | High: past success | Relevant approaches available |
| 7. Service knowledge platforms development/ Strengthening the knowledge base; Advocacy tools | AMS wide | Promotes competition, necessary preliminary | Large | Large all round | High, supporting development by World Bank etc | Relevant approaches being developed |
| 8. Better services trade statistics/ Strengthening the evidence base; Better statistics | AMS wide | NA, necessary preliminary | Large | Indirectly significant all round | High; past successes | Progress within year |
| 9. ASEAN Tourism future/ Strengthening the evidence base; Policy analysis/ Developing Strategies and Planning; Services Policy Vision | AMS wide, & underlying issues | AMS comparative advantage | Large | Large all round | High, some past success | Successful business lobbying has accelerated reforms |
| 10. Regulatory stock takes (incl. health & individual | AMS wide, primary services affecting | No overall AMS comparative advantage | Not all sectors but significant | Not all sectors but significant | Past success but vested interests | Sectoral analysis already available |

| | | | | | | |
|---|----------------------------------|--|---|--|---|--|
| professions)/ Strengthening the evidence base; Regulatory inventories | many sectors & the economy | but will promote competitiveness | | | | |
| 11. Healthcare regulation analysis/ Strengthening the evidence base; Policy analysis | Key primary sector | Promotes competition | Large | Large all round | High: some past success | Leakages overseas if not reformed |
| 12. Building services trade promotion capacity/Raising Understanding & Awareness; Trade promotion offices | AMS wide | Comparative advantage determines focus | Large, informed private sector important | Indirectly significant all round | Trade promotion becoming more targeted to where effective | Quick start up |
| 13. Private sector inclusion in services policy dialogue & reform advocacy/ Raising understanding and awareness; Private sector stakeholders | AMS wide | NA, project will improve competitiveness | Large, an engaged private sector important | Large all round with a competitive economy | High, past success | Relevant approaches available |
| 14. Regulatory best practice dialogues/ Developing Strategies & Planning; Services Policy Vision | AMS wide | Comparative advantage determines focus | Large | Large all round | Past success but vested interests | Man-made & quickly removed with convincing analysis |
| 15. Role of ASEAN services & policy vision/ Developing Strategies and Planning; Role of Services/Services Policy Vision | AMS wide | Promotes competition, necessary preliminary | Large | Large all round | High: past success | Relevant approaches available & quick analysis possible |

Note: the number of the ‘title/category’ corresponds to the number of the project templates given in Chapter IX.

Some important preliminary capacity building activities are obvious, such as improving the statistical information needed to support services trade liberalisation and related reforms. This should help redress the anti-services policy bias, which commonly exists and is widespread in the ASEAN region, due to their economic importance being inadequately appreciated by government and policy makers. Improving such basic statistics is needed across all sectors and AMS to varying degrees, and so such capacity building has a potentially large sectoral aggregated impact on national economic welfare, and hence ‘scores’ highly on the first rule. The ASEAN-wide stock take and awareness project on services statistics recommended in this Study as a result also builds on a proposed Indonesian project based on an initial successful Australian approach to finding the gaps and needs in its services trade statistics. As this preliminary project needs to be undertaken quickly and only involves a relatively small commitment of resources, it should realise quick benefits.

Other key cross-cutting issues, like ‘Raising awareness of the benefits of services integration to ASEAN’, also have a potentially large sectoral aggregated impact on national economic welfare and hence ‘score’ highly on the first rule. Determining the benefits of services integration in ASEAN would be expected to be a high priority within such key issues, as showing the large economic costs to each AMS of ignoring the potential benefits of services trade liberalisation and related reforms should generate more concerted efforts, including in assistance terms, by all AMS to achieve the AEC liberalisation targets, necessary for its success. Its priority reflects the success of a similar exercise, the Cecchini Report that contributed substantially to EU integration (Cecchini 1988).²³ Supply/demand responsiveness suggests that within ASEAN even the most liberalised, open and internationally competitive economy, Singapore, would still gain significantly from regional integration with improved access for its services (Petri et al 2011). Again, this proposed background analysis and awareness activities could be undertaken relatively quickly for medium-term returns.

As already emphasised, unilateral (non-negotiated) domestic liberalisation is fundamental to successful services trade liberalisation and related reforms. This issue, largely requiring domestic transparency and public scrutiny of the economic costs of protection, transcends all sectors and all AMS. Promoting unilateral liberalisation as a key ingredient of micro-economic reform, would deliver the greatest ‘on-the-ground’ liberalisation, and hence offers the best probability of success, despite often being dis-credited or ignored by politicians, policy makers, and especially trade negotiators. Unilateral action can also be quicker as it is independent of other countries actions. Comprehensive unilateral liberalisation will improve economic efficiency by allocating resources to activities where they are most productive, thereby encouraging efficient exports and equally as important competitive import-competing industries. National well-being is improved significantly in countries liberalising trade in services in many ways, including from enhanced consumer welfare (e.g. Vietnam’s experience), which would provide a number of useful spillover lessons to other AMS. Background analysis that supports the benefits of unilateral liberalisation and associated awareness activities could be undertaken relatively quickly, again for high rewards.

Awareness/transparency (generating better public information on the economic benefits of services trade liberalisation and related regulatory reforms), especially for the private sector, is needed in all sectors and AMS. Even good research will have limited effectiveness unless accompanied by transparency and awareness, as evidenced by some failed examples of capacity building. Addressing these issues will counteract information asymmetries between economic actors and lead to better market outcomes for consumers and producers, and for national welfare. There are regional success stories from addressing these issues (e.g. Australia’s policy transparency from the Productivity Commission). Addressing this issue could be quickly implemented by drawing on such experiences.

Very useful technical assistance and capacity building projects, such as stock takes, benchmarking, dialogue, coordination and deregulation, also encompass aspects of some other issues already discussed e.g. awareness/transparency. They are often large and time-consuming exercises (e.g. regulatory stock takes). Policy deregulation is most likely to be considered in sectors where the country is seen to have a comparative advantage, and where it is thought there are large obstacles, such that the economic gains are seen to be substantially, and relatively easily obtainable, without adjusting current resource endowments and incurring large structural

²³ The Cecchini Report was used very effectively by the European Commission to raise awareness of the economic benefits of all members to European integration, and was instrumental in gaining widespread support by all stakeholders, including from governments, to its implementation.

adjustment costs. Coordination, which appears to have been poor in AMS, would be best focused where there is a strong chance that there will be a comparative advantage. However, and this is the domestic political obstacle to reform which must be overcome, the greatest economic gains to an economy is likely to occur from liberalising and de-regulating services where the country has no comparative advantage, such that they will either respond to competitive pressures and become efficient, or contract (perhaps closing) to allow the economy access to cheaper and more efficient imports. After all, if there was no major structural adjustment following services trade liberalisation, there would be few economic gains.

Focusing simply on the impacts of the liberalised service sector without looking at the broader effects on other sectors and the economy generally is perhaps one of the main weaknesses of trade policy formulation in the ASEAN region. Moreover, such trade policies still seem to be handicapped by the view that trade policy is best seen as industry policy, whereby governments 'pick winners' or those activities perceived to have comparative advantage and provide selective protectionism to support their growth. However, there is no evidence to suggest that such 'infant industry' protection will be any more successful for services than for goods, and really amounts to setting trade policy by looking backwards rather than forwards.

Dialogue, which again appears poor in AMS, should occur no matter the situation concerning comparative advantage. Successes elsewhere suggest that many issues linked to coordination and dialogue should respond well to capacity building to deliver significant benefits, and could be transferred relatively quickly. Bad policies/regulations can be quickly removed with sufficient political will and the right information needed on the economic costs of current arrangements and benefits from reform. The TAMF project in Indonesia has produced useful stock takes of service regulations, and if modified to provide greater analysis and transparency, and to focus less on trade negotiations and more on domestic reform, could be usefully paralleled across ASEAN.

Building policy analysis, planning and advocacy tools also relate to some areas already discussed (e.g. on policies and regulations). These could form part of a sequential cluster of projects undertaken within a broader program that incorporates a number of the 'umbrellas'²⁴. It is an issue that applies generally across all services and AMS, and is a large issue in aggregate. Quantitative analysis and planning as well as advocacy appear poor in AMS and would benefit from capacity building in relevant tools such as economic models of specific service sectors or the sector as a whole within the overall economy. Policy analysis, planning and advocacy should respond well to capacity building in associated tools to deliver significant and relatively quick benefits, given the availability of relevant tools and successes elsewhere.

Issues concerning temporary movement of people, both in professions which affects efficiency of other sectors (e.g. tourism) and in low-cost unskilled labour where certain AMS may have strong comparative advantage, are important for ASEAN. These have strong constraints, either in the form of self-regulated/government-endorsed professional rules or strict treatment across all sectors of unskilled labour mobility. Such liberalisation would have significant economic benefits (Box 8.1). Examples of successful reforms, like unskilled labour in tourism and skilled labour in the professions, are often driven by competitive pressures from businesses realising that without reform they risk becoming internationally non-competitive and suffering from a shrinking domestic market (e.g. legal service concerns in Malaysia). Background analysis and greater awareness of these issues could be undertaken relatively quickly.

²⁴ When the final collection of projects is determined it would be worthwhile to produce a chart that shows the flows over time of projects, both within clusters and more broadly.

Education, health and telecommunications are large, important primary or input-type sectors that are fundamental to the development of many goods and services. Countries can pay a high price in foregone development and growth if such sectors are inefficient. Their importance has been recognised in AMS as priority areas. While protectionist obstacles can be by-passed, with users going overseas to receive education, health and telecommunications, it is costly (see PECC Tertiary Education Report 2010). Users would benefit from access to greater choice of competitive services, whether provided locally, through foreign investment and professionals, or from overseas. Domestic providers would also benefit in the long-run from competition that would help them to compete globally.

Box 8.1: Benefits of Opening Professions

Professional groups are usually closed in most countries and protect their members by controlling the issuance of practicing licenses, with governments endorsing such cartels, including by over-riding immigration and investment requirements (The Economist 2011b). Limits are often set on the number of licensed professionals, and the number of ‘professions’ requiring licensing seems to be rising rapidly (e.g. interior designing). By reducing competition such regulation is usually associated with higher earnings. Many of these excess returns (or ‘rents’) are, however, dissipated through inefficiency and rent-seeking activities, such as the financial and other costs of obtaining a license, and the cost of bureaucrats to administer the licenses and associated arrangements. They also cost jobs, entrepreneurship and mobility, and hurt the poor most. Technological change, especially in communications, has injected some competition in providing these services by enabling new ways to trade them. For example, international businesses now frequently sign contracts in the legal jurisdiction of third countries that have lower costs or better quality, by either undertaking services remotely or visiting the country. These transactions often involve expatriates attracted overseas by a more dynamic sector, and using local partners when necessary. Professionals in some countries have become aware of this and have ‘opened’ to become more internationally competitive and to operate in a growing international market rather than remain focused in a closed and shrinking domestic market. This is often happening outside of government actions (e.g. through country professional bodies commencing dialogue on how there can be better integration in terms of joint recognition of qualifications). In fact, government agencies (e.g. India) have in some cases hindered such outcomes through bureaucracies trying to stifle developments to maintain the status quo and their influence.

Governments should be concerned with improving economic welfare by facilitating the development of internationally competitive and traded professional services, for example by providing information on the benefits of opening, not endorsing protectionist measures on recognising qualifications, and liberalising foreign investment and immigration requirements.

Safeguards/policy space is an important issue to AMS. Apart from Singapore, their GATS and bilateral commitments are conditional on the adoption of Emergency Safeguard Measures. These issues generally cover all sectors and aggregate into a large obstacle that can hold back investment with major negative impacts on economic welfare. Other successful approaches to these issues overseas raise the probability of relatively quick success with convincing analysis and greater awareness. It would tend to rank lower in priority than some of the potential projects already discussed, for example as it is based around negotiated liberalisation.

Chapter IX: Recommended Technical Assistance and Capacity Building Projects (Project Templates)

In this Chapter, the initially proposed projects, summarised below, are separately listed given the importance of this output of the SDNAS (Table 9.1).

Table 9.1: Summary of Proposed Technical Assistance and Capacity Building Projects, Including Suggested AMS Focus

| Title/category no. | Purpose/anticipated timing | AMS focus |
|---|---|---|
| 1. Injecting Greater Competition in Delivery of Services/ Strengthening the evidence base; Policy analysis | Examine how best to improve competition policy outcomes to support services trade liberalisation and related reforms in each AMS, including through building much needed domestic support for trade liberalisation. Important preliminary project. 15 person months. | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines and Brunei |
| 2. Facilitating Joint University Policy Research/ Strengthening the evidence base; Policy analysis | Develop a facility program to assist close links between relevant developed countries and AMS university/research institutions (e.g. CRCs in the case of Australia) through instituting joint policy research outputs on services projects related to the AEC, especially liberalisation and related reforms. Also provide AMS university/research institutions valuable opportunity to establish collaborative arrangements with experienced external university/research institutions, thereby building capacity and establishing sustainable links. Could be established within 6 months. 27 person months (6 outputs of 3-6 months each). | Across all AMS, but mainly CLMV |
| 3. Officials Promoting Awareness of Services Liberalisation workshops/ Raising understanding and awareness; Inter-agency coordination | Annual program of relevant developed country and regional-based workshops on all aspects of services liberalisation, targeting AMS trade and other relevant officials. Such workshops would provide an efficient means to skill AMS officials on services liberalisation and the implications and challenges for each AMS and for ASEAN generally. Important preliminary project. 3 person months. | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines & Brunei |
| 4. Raising Awareness to help Liberalise Professional Services/Raising understanding and awareness; Private sector stakeholders | Derive and raise awareness of information on current and potential impacts of professional service arrangements (e.g. loss of competitiveness, shrinking domestic markets, and missed opportunities in globalised growth), and of overseas experiences in addressing these negative impacts to advantage from globalisation. This would assist AMS to assess current policies and institutions, and to identify policy reform options. Would build off preliminary projects like regulation stock takes. 15 person months. | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines and Brunei |
| 5. Raising Awareness of the Benefits of AEC services integration/ Strengthening the evidence base; Policy analysis | Measure and raise awareness of the economic costs to all AMS from failing to liberalise services, including in the AEC. These economic costs include foregone benefits from the AEC not being successfully implemented and freer movement of services between AMS being achieved. Overseas experiences in successful economic integration would assist AMS to both assess current policies and institutions, and to identify policy reform options. Important preliminary project. 15 person months. . | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines and Brunei |
| 6. Training in Analytic tools to assist services liberalisation/ Strengthening the evidence base; Policy analysis | Devise and provide a training programme of services trade policy analysis across all AMS, incorporating key sectors, modes and issues. It would be based around applied training in the use of a broad range of analytic tools to support the development ASEAN services trade policy, to | Across all AMS, but mainly CLMV |

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| | raise awareness of the current services trade policy situation, and of possible reforms with relevant stakeholders. Important preliminary project. 6 person months. | |
| 7. Service knowledge platforms development/ Strengthening the knowledge base; Advocacy tools | Develop a ‘service knowledge platform’ – a forum aimed at fostering substantive evidence and analysis-based discussion of impacts of sector-specific regulatory policies. It would help bring stakeholders together to assist service policy reforms. Important preliminary project. 15 person months. | ASEAN-wide |
| 8. Better services trade statistics/ Strengthening the evidence base; Better statistics | Undertake stock take of statistical information on the ASEAN services economy, and especially on trade, that could be used, including with additional analysis, to support services trade liberalisation; to identify gaps in such information; and to raise awareness of the current situation with relevant stakeholders. Important preliminary project. 12 person months. | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines and Brunei |
| 9. ASEAN Tourism future/ Strengthening the evidence base; Policy analysis/ Developing Strategies and Planning; Services Policy Vision | Prepare a vision of what a liberalised ASEAN tourist sector might look like via future demand for and supplies of major inputs, capital and labour, and to raise awareness to highlight the costs of trade constraints and draw support for services trade liberalisation. Important AMS sector. 15 person months.. | ASEAN-wide |
| 10. Regulatory stock takes (incl. health & individual professions)/ Strengthening the evidence base; Regulatory inventories | Provide a detailed national inventory, initially for internal government purposes, of all legislation as well as regulatory and administrative decrees impacting on selected sectors. This would give trade and other relevant Ministries a clear picture of how particular services are regulated, and of market access or national treatment limitations distorting trade. The inventory should include all horizontal restrictions affecting particular services e.g. immigration, investment and employment laws. Important preliminary project. 7 person months per sector. | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines and Brunei |
| 11. Healthcare regulation analysis/ Strengthening the evidence base; Policy analysis | Conduct separate cost/benefit study, for each AMS, of the regulatory regime applying in Healthcare (based on the regulatory inventory developed in the precursor activity) to improve awareness of the costs and benefits of policies and reform alternatives. It will identify and quantify the costs of protection and raise awareness of liberalisation benefits, including of greater efficiency e.g. effects on healthcare costs, hospital bed queues, diagnostic delays, patient recovery times. Would build off preliminary work like Healthcare Regulation stock take. 15 person months. | Across all AMS, but mainly in CLMV, followed by Indonesia, Thailand, Malaysia, the Philippines and Brunei |
| 12. Building services trade promotion capacity/Raising Understanding & Awareness; Trade promotion offices | Share best practice services trade and investment promotion experiences across ASEAN, and improve the services-oriented tool kits and skills of trade promotion agencies in the AMS. Would build off preliminary work like Regulation stock takes. 3 person months. | ASEAN-wide |
| 13. Private sector inclusion in services policy dialogue & reform advocacy/ Raising understanding and awareness; Private sector stakeholders | Build momentum for private sector of each AMS to more effectively organise to play an active evidence-based role in dialogue with government on services reform strategies, on both a sectoral and whole-of-services basis. Build capacity among private sector to equip stakeholders with appropriate ‘information tools’ for policy reform advocacy. Would build off preliminary work like Regulation stock takes. 11.5 person months. | ASEAN-wide |
| 14. Regulatory best practice dialogues/ Developing Strategies & | Conduct an ASEAN-wide seminar series bringing together trade policy officials and regulators, across all services, in a series of benchmarking exercises designed to build | ASEAN-wide |

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| Planning; Services Policy Vision | momentum towards developing an ASEAN-wide set of regulatory best practice principles. Would build off earlier work like Regulation stock takes. 4 person months. | | |
| 15. Role of ASEAN services & policy vision/ Developing Strategies and Planning; Role of Services/Services Policy Vision | Produce two reports to raise awareness on the role and importance of services in economic development: (a) 'Role of Services' report to tackle favouritism of manufacturing over services ASEAN-wide, using international comparisons of benchmark indicators and experience (b) country-specific Services Policy Vision report detailing the service sectors in one AMS with no such exercise, to be used as a learning exercise and incorporating practical experiences of other AMS. Both reports would be quantitatively focused to measure the costs of inefficient services, and developing cross-country performance indicators to identify areas for reform. Important preliminary project. 21 person months for both linked projects. Aspects relevant to selected AMS with need and assistance from other AMS. | ASEAN-wide and selected AMS | |

Note: the number of the project corresponds with the number of the following project templates.

PROJECT TEMPLATE NO. 1**PROGRAMME:**

Injecting Greater Competition in Delivery of Services/Strengthening the evidence base; Policy analysis

ACTIVITY TITLE:

Improving competition policy outcomes in AMSs in support of services liberalisation

PURPOSE:

This note outlines a study to examine how best to improve competition policy outcomes that would support services trade liberalisation and related reforms in each AMS. The application of an effective competition policy, defined broadly, is increasingly being seen as an essential component of trade liberalisation. Enhancing competition policy in each AMS would help build the much needed domestic support for trade liberalisation, both preferentially within the AEC but also more importantly for unilateral MFN reforms.

TARGET STAKEHOLDERS:

Consumers, private sector service users and providers, competition and services-related government agencies and politicians.

BACKGROUND:

The freer movement of services between AMS is a key aspect of a successful AEC. Technical assistance and capacity building is needed to help achieve this success.

Fieldwork indicated that across all AMS, albeit to varying degrees, a lack of understanding of the importance of competitive markets in improving national economic and consumer welfare. There are three basic inter-connected aspects of competition policy, namely trade liberalisation, regulatory reform and competition law. It does not follow that all should receive equal focus, or that the most effective mix of these policies will be the same in each AMS at any point in time given their differing stages of development.

OBJECTIVES/OUTCOMES:

For each AMS:

- In conjunction with key stakeholders, examine key aspects of existing competition policy approaches, identifying strengths, weaknesses and gaps in relation to consumers being able to purchase services at the best possible prices, as well as relative to other AMS with relevant experiences.
- Assess the three components of competition policy (trade liberalisation, regulatory reform and competition law) and determine a suitable policy mix given the level of development that will assist consumers in being able to purchase quality services at the best possible prices.
- Identify the main government agencies and ministries playing a significant role in setting competition policy, highlighting their effectiveness and developing a set of possible institutional reforms that would improve competition policy outcomes across-the-board.
- Develop a suitable well co-ordinated over-arching competition policy framework that would effectively promote the benefits of competitive/contestable markets at all stages of development.
- Identify the main generic and sectoral anti-competitive measures for leading sectors, analyse their economic impacts and develop a program of reform;
- Highlight practical ways of building advocacy support among all stakeholders, such as the private sector, government agencies and politicians, for the importance of competition, and raising awareness of the costs of anti-competitive policies/regulations.
- Identify capacity building and technical assistance needs to support implementing the identified institutional and other reforms suggested, including ensuring that human resource capacities are adequate for generating expected policy outputs.
- Put in place competition policy to support services trade liberalisation.

OUTPUTS/DELIVERABLES:

The project would produce the following output for each AMS (or selected sub-set):

- An identified list of strengths, weaknesses and gaps in competition policy.
- A suggested suitable policy mix of components of competition policy.
- Measures of effectiveness and possible institutional reforms to relevant government agencies and ministries to improve competition policy outcomes.
- A developed suitable and well co-ordinated over-arching competition policy framework, including in an AEC context, that would effectively promote the benefits of competitive/contestable markets at all stages of development.
- An identified list of the main generic and sectoral anti-competitive measures for leading sectors, their economic impacts and a program of reform.
- A description of practical ways of building advocacy support among all stakeholders for the importance of competition, and raising awareness of the costs of anti-competitive policies/regulations.
- A suggested implementation schedule of recommendations and capacity building activities.

SCOPE OF ACTIVITY/METHODOLOGY:

- Conduct fieldwork in each AMS to interview relevant stakeholders, including in both the public and private sectors.
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS.
- Produce a draft report incorporating the above outputs for consideration by ASEC and the donor.
- Based on ASEC/donor comments prepare a further draft report for presentation, to the CCS in the first instance.
- Prepare final report.

TIMEFRAME/DURATION:

This major study should, on the basis of earlier related studies, involve some 15 man-months. It could be completed as one entire study or as several smaller studies each looking at a group of AMSs, either done concurrently or sequentially. Concurrently with a team would enable quicker completion. Sequential completion, which could be undertaken with a smaller team, would enable subsequent studies to be revised and perhaps better focused based on the outcomes of earlier studies.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients).

PROJECT TEMPLATE NO. 2**PROGRAMME:**

Facilitating Joint University Policy Research/Strengthening the evidence base; Policy analysis

ACTIVITY TITLE:

Facilitating joint research projects between AMS and universities of relevant developed countries on policies that would advance ASEAN services liberalisation.

PURPOSE:

This note outlines the development of a facility program to assist close links between relevant developed countries and AMS university/research institutions (e.g. CRCs in the case of Australia) through instituting joint policy research on services projects related to the AEC, especially services liberalisation and related reforms. As well as generating high quality and useful public policy research reports, it would provide AMS university/research institutions the valuable opportunity to establish joint working arrangements with experienced relevant developed country university/research institutions, thereby building capacity and establishing sustainable links for future collaboration.

TARGET STAKEHOLDERS:

AMS research, public and private sector stakeholders.

BACKGROUND:

The freer movement of services between AMS is a key aspect of a successful AEC. Technical assistance and capacity building is needed to help achieve this success.

Fieldwork indicated that there was insufficient policy research being conducted across all AMS, albeit to varying degrees, of key aspects of services liberalisation, such as the importance of services to productivity and growth, correct sequencing and approaches to services liberalisation and how these may differ across sectors, structural adjustment and economic re-structuring implications, and employment consequences. There is therefore an urgent need to facilitate such research, especially in the CLMV economies, and this program is seen as a valuable means to obtain quick results and at the same time, develop a sustainable facility that involves AMS universities/research institutions (including all stakeholders such as the public and private sectors, preferably jointly) and accommodates demand-driven research within broad programme priorities identified through the ASEC.

OBJECTIVES/OUTCOMES:

The facility would be managed by a contractor, preferably linked to a university of a relevant developed country and with established ASEAN relationships. Objectives of the facility would be:

- To establish a program facility within a relevant developed country university/research institution.
- The program would facilitate joint demand-driven research on services policy projects related to the AEC (working closely with the donor and the ASEC to ensure that relevant policy research topics were devised and ensure that they were effectively researched).
- The research would link relevant institutions and researchers from both the relevant developed country and AMS.
- The joint research would be disseminated initially through joint research papers but also at annual conferences in AMS countries (all reports would be expected to be edited to publishable standard and made public, either in appropriate journals or by the respective universities/research institutions in Newsletters, Policy briefs, Internet forums etc).
- A related outcome of the facility would be a strengthening of AMS institutions and researchers.
- The facility could be sustainable in its own right, attracting and disseminating fundable research.
- In the longer-term, research on services policy related to the AEC would advance services

liberalisation.

OUTPUTS/DELIVERABLES:

- Establishment of a sustainable services research program facility.
- A priority program of joint demand-driven research on services policy projects related to the AEC.
- Institutional and personal linkages between relevant developed country and AMS universities/research institutions.
- A flow of joint policy research reports, policy briefs, newsletters, internet blogs etc within priority program themes that were AMS/AEC specific and aimed at contributing to enhancing domestic support for services trade liberalisation.
- An annual conference and proceedings based around the joint research materials on priority program themes aimed at contributing to enhancing domestic support for services trade liberalisation.

SCOPE OF ACTIVITY/METHODOLOGY:

The contractor would:

- Establish the facility with its linkages to ASEAN and individual AMS.
- Devise and implement an appropriate mechanism for deriving suitable policy research topics (including possible appointments of part-time Technical Advisor/Program administrator/Editor), in close consultation with the donor.
- Be responsible for advertising and letting of contracts to the joint researchers.
- Monitoring preparation and the on-time delivery of the research reports and ensuring that they are of publishable quality.
- Run an annual conference in a AMS and publish proceedings.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients).

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| <p>PROJECT TEMPLATE NO. 3</p> <p>PROGRAMME: Officials ‘Promoting awareness of services liberalisation” Workshops/Raising understanding and awareness; Inter-agency coordination</p> |
| <p>ACTIVITY TITLE: Annual program with a relevant developed country to provide regional-based workshops on services liberalisation targeting AMS trade and other relevant officials.</p> |
| <p>PURPOSE: The workshops would improve knowledge and understanding among AMS officials of key aspects of services liberalisation, including unilateral, multilateral and regional issues, both cross-cutting and for particularly key sectors, such as telecommunications. They would provide an efficient means of skilling AMS officials on services liberalisation and the implications and challenges for each AMS and for ASEAN generally in reforming services trade.</p> |
| <p>TARGET STAKEHOLDERS: Trade and other relevant AMS government officials</p> |
| <p>BACKGROUND: The free movement of services between AMS is a key aspect of a successful AEC. Technical assistance and capacity building is needed to help achieve this success.</p> <p>Fieldwork indicated a need across all AMS to assist in the training and development of AMS trade and other officials playing key roles in services trade liberalisation and related reforms. In many AMS the trade ministry has responsibilities on trade negotiations but other ministries have line responsibilities in domestic services policies. Their role is critical to effective liberalisation and so inter-agency cohesion and coordination is essential, and these workshops would also promote such efforts. Improving the skill base of relevant AMS officials would contribute significantly to unilateral services trade liberalisation, which would also facilitate AEC and WTO and outcomes. The workshops would be designed to meet both practical and conceptual issues confronting AMS officials on services trade liberalisation.</p> |
| <p>OBJECTIVES/OUTCOMES: Among AMS officials, develop an:</p> <ul style="list-style-type: none"> - Understanding of basic trade economics relevant to services trade liberalisation; - Understanding of the linkages between services trade liberalisation and an economy’s economic productivity and development; - Awareness of the importance of appropriate unilateral policy to reform services, and how this can best be achieved; - Understanding the strengths and weaknesses of regional and multilateral liberalisation; - Understanding of the issues confronting services trade liberalisation of particular key sectors, such as telecommunications; - Improving basic practical skills for policy reform would contribute significantly to unilateral services trade liberalisation, as well as within the AEC, other trade agreements, and the WTO. |
| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - A brief needs assessment study of the training and capacity building needs; - A designed course, notes and presentations covering basic trade economics relevant to services trade liberalisation; linkages between services liberalisation and an economy’s economic productivity and development; the importance of unilateral policy to reform services, and how to best achieve this; the strength and weaknesses of regional and multilateral liberalisation; and in-depth examination of services trade liberalisation of key sectors; - Two 3-week workshops should be trialled in the first year. Each workshop would target some 25-30 participants covering AMSs and the ASEC. There should be significantly senior relevant |

trade and other officials who are directly involved in services trade liberalisation. It would draw on more developed AMS and the relevant developed country's experience, as relevant;

- The first workshop would be held in the relevant developed country, to enable visits to key government agencies involved in services trade liberalisation and regulatory bodies, including those along the lines of the Australian Productivity Commission (a transparent and independent research and advisory body that investigates a range of economic and other issues affecting social welfare, including in services trade) if they exist. Such agencies would be invited to deliver presentations to the group. The course would be best offered through an academic institution that has access to the requisite expertise and facilities to provide the workshop;
- The other workshop could be held either in the relevant developed country or regionally in a selected AMS that would have the required facilities;
- The workshop provider would be required to develop a suitable program in close collaboration with the donor and the ASEC that would meet the requirements of the AMSs. This would be based on an initial needs assessment study of AMSs to ensure that these requirements would be met.

ACTIVITY/METHODOLOGY:

- Design and deliver two suitable workshops in the first year to AMS and ASEC officials on relevant aspects of services trade liberalisation;
- Conduct a brief needs assessment study of the training and capacity building needs of AMS officials as a basis of the design, to be developed in close collaboration with the donor and ASEC;
- Prepare and distribute in advance, appropriate course material for delivering the workshop;
- Provide successful participants with an appropriate Completion Certificate;
- Ensure appropriate monitoring and evaluation of the workshop and associated delivery;
- Refine/revise the second workshop, as necessary, based on the feedback and experience of the first workshop; and
- Work closely with the donor and ASEC to select suitable participants.

TIMEFRAME/DURATION:

Each of the two workshops would be for three weeks duration, and be held within one year. In all, including conducting the needs assessment study, holding the two workshops in the first year would involve a total of some 3 man-months. If successful and in demand, the annual program could be extended.

ANTICIPATED RESOURCES: course administrators to run and trainers to produce and deliver course material, and course facilities such as lecture rooms with projectors, tea room etc.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients).

PROJECT TEMPLATE NO. 4**PROGRAMME:**

Raising awareness to help Liberalise Professional Services/Raising understanding and awareness; Private sector stakeholders

ACTIVITY:

Deriving and raising awareness to assist the liberalisation of trade in ASEAN professional services

PURPOSE:

The purpose is to derive and raise awareness of information on current and potential impacts of professional service arrangements (e.g. loss of competitiveness, shrinking domestic markets, and missed opportunities in globalised growth), and of overseas experiences in addressing these negative impacts to take advantage of globalisation. This would assist AMS to both assess current policies and institutions, and to identify policy reform options.

TARGET STAKEHOLDERS:

Professional services users and providers, relevant government officials and politicians.

BACKGROUND:

The freer movement of services between AMS is a key aspect of a successful AEC. Technical assistance and capacity building is needed to help achieve this success.

Fieldwork showed that most professional services across the ASEAN region tended to be closed. Professional bodies in each AMS determined licences to practice, endorsed and supported, including through over-riding immigration and investment requirements. The costs of these licensing arrangements include time and money, loss of entrepreneurship and mobility, plus jobs. Technology has enabled new ways to trade in such services and allowed some external competition (e.g. contracts in third countries where costs are lower/quality better, undertaken remotely or via country visits often involving expatriats attracted overseas by a more dynamic sector, and using local partners when necessary). Some countries have endeavoured to open professional services through dialogue between country associations, in conjunction with governments, and to become more internationally competitive so as to operate in growing international markets rather than remain in a closed but shrinking domestic market.

OBJECTIVES/OUTCOMES:

- Derive information on the current arrangements in professional services and their impacts (e.g. loss of competitiveness, shrinking domestic markets, lost opportunities in globalised growth), as well as of immigration and investment requirements;
- Raise awareness of the importance of liberalising professional services with relevant stakeholders, including national professional associations, governments and private users, through e.g. research reports, newsletters, policy briefs, internet forums, as well as specific conferences.
- Increasing liberalisation in ASEAN professional services would contribute significantly to the performance of other sectors dependent on such services and the AEC.

OUTPUTS/DELIVERABLES:

- Research reports etc providing information on the current arrangements and their impacts and the experiences of some liberalising countries which would assist AMS to both assess current policies and institutions, and identify policy reform options;
- A conference on the research with proceedings which would further assist to raise awareness of the benefits of reforms.

SCOPE OF ACTIVITY/METHODOLOGY:

- Conduct fieldwork in each AMS to interview relevant stakeholders from both the public and private sectors on the constraints and impacts;
- Undertake economic analysis of existing and potential impacts of the current and alternative arrangements in professional services, including drawing on other relevant countries' experiences;
- Work closely with ASEC who will facilitate the programme through the focal points of the CCS in each AMS;
- Produce a draft report incorporating the above outputs for consideration by ASEC and the donor;
- Based on ASEC/donor comments prepare a further draft report for presentation, to the CCS in the first instance; and
- Prepare a final report.

TIMEFRAME/DURATION:

This major study should involve some 15 man-months. It could be completed as one entire study or as several smaller studies each looking at a group of AMSs, either done concurrently or sequentially. Concurrently with a team would enable quicker completion. Sequential completion, which could be undertaken with a smaller team, would enable subsequent studies to be revised and perhaps better focused based on the outcomes of earlier studies.

ANTICIPATED RESOURCES:

- Proven track record of experience in the area of activity design, including professional services arrangements, economic analysis of the costs and benefits of current arrangements and more liberalised alternatives, and information dissemination
- Knowledge and experience on economic issues related to ASEAN services liberalisation is essential
- Proven skills in writing and conversing in English.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients).

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| <p>PROJECT TEMPLATE NO. 5</p> <p>PROGRAMME: Raising Awareness of the benefits of AEC services integration/Strengthening the evidence base; Policy analysis</p> |
| <p>ACTIVITY: Measuring and raising awareness of the economic costs to all AMS from not liberalising services, including in the AEC</p> |
| <p>PURPOSE: The purpose is to measure and raise awareness of the economic costs to all AMS from failing to liberalise services, including in the AEC. These economic costs include foregone benefits, including from the AEC not being successfully implemented and freer movement of services between AMS being achieved. Overseas experiences in successful economic integration would assist AMS to both assess current policies and institutions, and to identify policy reform options.</p> |
| <p>TARGET STAKEHOLDERS: Private and public stakeholders, including government officials and politicians.</p> |
| <p>BACKGROUND: The freer movement of services between AMS is a key aspect of a successful AEC. Technical assistance and capacity building is needed to help achieve this success.</p> <p>Liberalisation of services, including in the AEC, will generate significant economic benefits to the ASEAN region and to all AMS, irrespective of developmental status. Singapore, the most developed and liberalised would gain from freer trade in services within ASEAN, as would the least developed CLVM from access to cheaper and better quality services, including for industry users, and development of more efficient economies based on competitive domestic services. Fieldwork indicated that a lack of awareness of these overall and individual AMS benefits and was instrumental to there being no strong commitment to liberalisation among key stakeholders. It would be in the interests of liberalised AMS to strongly support other AMS to liberalise, for example, by assisting them assess the costs of current policies and institutions, and identify successful policy reform options. Strong political commitment and that of key AMS ministries is especially required to ensure the full benefits of the AEC are realised through the necessary structural adjustment within AMS and the ASEAN region. Some related integration exercises overseas e.g. the EU have demonstrated the practical significance of the economic gains. Early-stage modelling of broader AEC integration (Petri et al 2011) has shown similar, if not greater, economic gains to EU integration (Cecchini 1988). Such early-stage modelling could be significantly improved, in particular by broadening the measures of the cost of constraints on services trade, focusing on providing more reliable, including disaggregated, measures.</p> |
| <p>OBJECTIVES/OUTCOMES:</p> <ul style="list-style-type: none"> - Derive information on the constraints in each major sector to liberalisation; - Measure using economic analysis impacts of constraints on each AMS and ASEAN overall; - Compare these estimates with those derived overseas of successful of economic integration, and of the approaches used to overcoming key constraints; - Raise awareness of the importance of the AEC with relevant stakeholders, including from the public and private sectors, through e.g. research reports, newsletters, policy briefs, internet forums, as well as specific conferences; <p>Increasing liberalisation in ASEAN services would contribute substantially to the performance of other sectors dependent on such services and the AEC.</p> |

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| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - Research reports etc providing information on the constraints, their economic impacts, and the experiences of some liberalising countries to assist AMS to both assess current policies and institutions, and identify policy reform options; - A conference on the research, including non-AMS integration experiences, with proceedings to further raise awareness of the benefits of reforms. |
| <p>SCOPE OF ACTIVITY/METHODOLOGY:</p> <ul style="list-style-type: none"> - Conduct fieldwork in each AMS to interview relevant stakeholders from both the public and private sectors on the constraints and impacts; - Work closely with ASEC who will facilitate the programme through the focal points of the CCS in each AMS; - Undertake economic analysis of the impacts of the constraints and alternative arrangements, drawing on other relevant countries' experiences; - Produce a draft report incorporating the key outputs such as the constraints, impacts and options based on others experiences to discuss with ASEC and the donor, and present to the CCS through the ASEC; - Based on ASEC/donor comments prepare a further draft report for presentation more broadly in a conference including non-AMS experiences; - Prepare a final report; and - Apply selected approaches to raising awareness of the impacts of current constraints and the benefits of alternative options e.g. via policy briefs. |
| <p>TIMEFRAME/DURATION:</p> <p>This major study should involve some 15 man-months. It could be completed as one entire study or as several smaller studies each looking at a group of AMSs (e.g. developed and least developed), either done concurrently or sequentially. Concurrently with a team would enable quicker completion. Sequential completion, which could be undertaken with a smaller team, would enable subsequent studies to be revised and perhaps better focused based on the outcomes of earlier studies.</p> |
| <p>ANTICIPATED RESOURCES:</p> <ul style="list-style-type: none"> - Proven track record of experience in the area of activity design, including surveying, measuring services trade constraints, economic analysis of the impact of these constraints on the benefits of integration, other economic integration experiences, especially in terms of options for reform, and information dissemination. - Knowledge and experience on economic issues related to ASEAN services liberalisation is essential. - Proven skills in writing and conversing in English. |
| <p>APPLICATION/QUALIFICATIONS:</p> <ul style="list-style-type: none"> - 1-page Letter of Intent - Work plan with all costings, professional fees and expected outputs - CVs - Name and addresses of at least 2 referees (supervisors, clients). |

PROJECT TEMPLATE NO. 6**PROGRAMME:**

Training programme on analytical tools to assist services liberalisation/Strengthening the evidence base; Policy analysis

ACTIVITY TITLE:

A training programme of applied services trade policy analysis linked to analytic tools, including an explicit dissemination strategy

PURPOSE:

To devise and provide a training programme of services trade policy analysis across all AMS, key sectors, modes and issues. It would be based around applied training in the use of a broad range of analytic tools to support the development ASEAN services trade policy, to raise awareness of the current services trade policy situation, and of possible reforms with relevant stakeholders.

TARGET STAKEHOLDERS:

Policy analysts and makers, private services users and providers, and politicians

BACKGROUND:

The freer movement of services between AMS is a key aspect of a successful AEC. Technical assistance and capacity building is needed to help achieve this success.

ASEAN services trade policies need to be assessed both in terms of their impacts and preferred options. Such analysis is routinely undertaken in some countries and international agencies e.g. the Australian Productivity Commission. The fieldwork indicated little such assessment in AMS. Such internal assessments to each AMS are more likely to be successful than when done externally e.g. by international agencies. Also, there appeared little knowledge and experience in the use of analytic tools to aid such assessments within AMS. Appropriate tools range from simple quantitative measures derived from databases e.g. simple trade ratios like market share analysis) to economic modelling of varying sophistication e.g. informal trends, and formal models to systematise past information, and bring objectivity and logic into conditional analysis through applying a consistent framework (Partial Equilibrium (forecasting models such as gravity models), and Computable General Equilibrium models ('what if' models that analyse questions such as the impacts of removing constraints can be linked). The best quantitative tool depends on the problem, and the most sophisticated is not always the best.

This study is an important preliminary to support studies aimed at liberalising services trade policies and assisting the deeper integration of the ASEAN services economy.

OBJECTIVES/OUTCOMES:

- Develop a stocktake of policies related to ASEAN-wide trade in services;
- Provide an understanding of the role of quantitative data analysis in policy reform;
- Provide information on available databases (e.g. key features, limitations in services, how to use, ways to address limitations);
- Present options in analysing the data and when and how to use these;
- Apply the policy analysis training to practical case studies;
- Raise awareness of the importance findings from the case studies analysis with relevant stakeholders, including through a conference to present the findings;
- The training and application should be designed and presented so as to assist the liberalisation of ASEAN services trade and the deeper integration of the ASEAN services economy

OUTPUTS/DELIVERABLES:

- Develop a stocktake of key policies related to ASEAN trade in services;
- Promote a better understanding of the role, strengths and weaknesses of available data and how to analyse this data appropriately among AMS relevant stakeholders;
- Apply the training in ASEAN service trade policy analysis to practical case studies;
- Identify approaches to raising awareness of the importance of practical services trade policy analysis, for example, holding a conference to present the case studies to policy makers;
- Specific outputs within these broad categories would include a detailed course program; a handbook containing a background overview of ASEAN trade in services policies and prepared course notes which would be delivered; completed case studies (developed in stages from a 1-page outline to a draft and then final report); conference proceedings, and an evaluation.

ACTIVITY/METHODOLOGY:

- Interviews in all AMS of stakeholders to develop a stocktake of service trade policies, any available policy analysis and gaps;
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS;
- Produce a draft report incorporating the key outputs such as the policy stocktake, case studies of policy analysis, and approaches to raise awareness to discuss with ASEC and the donor, and present to the CCS through the ASEC;
- Based on the CCS and ASEC comments, prepare a further draft for presentation at a conference built around the case studies;
- Prepare a final report; and
- Apply selected approaches to raising awareness of the importance of ASEAN services trade policy analysis with stakeholders e.g. policy briefs.

TIMEFRAME/DURATION:

The programme would involve around 6 person months over around a 4 month period. (A related strategic trade policy analysis course undertaken in Indonesia some years back involved 6 weeks of training by on average 2 trainers over 3 months, but covered more than services. Being focused on one AMS, it did not involve as comprehensive fieldwork, or awareness raising, as envisaged here.)

ANTICIPATED RESOURCES:

- Proven track record of experience in the area of activity design, including surveys, services trade economic frameworks, services trade databases, quantitative economic analysis, and information dissemination.
- Knowledge and experience on economic issues related to ASEAN services liberalisation is essential
- Proven skills in writing and conversing in English.

PROJECT TEMPLATE NO. 7**PROGRAMME:**

Service knowledge platform development/Strengthening the knowledge base; Advocacy tools

ACTIVITY TITLE:

Develop a 'service knowledge platform' to bring stakeholders together to assist service policy reforms

PURPOSE:

Develop a 'service knowledge platform' – a forum aimed at fostering substantive evidence and analysis-based discussion of impacts of sector-specific regulatory policies– to bring stakeholders together to assist service policy reforms.

TARGET STAKEHOLDERS:

Policy makers, trade and other relevant sectoral ministries, sectoral experts and the private sector

BACKGROUND:

The freer movement of services between AMS is a key to a successful. Technical assistance and capacity building is needed to help achieve this success.

Fieldwork indicated little general knowledge of service policies and their impacts. It is important to diagnose current policies (or the lack of them), how they are implemented and their impacts as a basis for reform. This will take time but would benefit from information on approaches and overseas experiences in facing similar challenges, such as on impacts. Sectoral and trade interests need to be brought together as they often do not think of the implications of their actions on the other. A 'knowledge platform' should help build a common understanding of where the large potential economy-wide gains from opening markets lie, the pre-conditions for realising such gains, and the preferred options for domestic policy reform (Hoekman and Mattoo 2011). More specifically a forum could:

- provide information on current services activity and policies to facilitate broad discussion on priority sectors and where the key policy problems lie;
- enhance knowledge on current policy and impacts experience overseas, thereby helping identify appropriate policies and underlying factors to expand trade in services and to address market failure and distributional concerns; and
- bring together country stakeholders (e.g. policy makers, regulators, trade officials and the private sector) to draw on experiences and work through political economy constraints.

Organisations that have established processes and mechanisms through which trade officials may interact with regulators that an ASEAN 'services knowledge platform' could be based include the World Bank, OECD and, most relevantly, APEC. Platforms to identify best practices must be broad-based, and include regional policy institutes, sectoral organisations and coalitions of service industries.

OBJECTIVES/OUTCOMES:

- Identify specific appropriate modes of operation of a knowledge platform on services policies that is AMS-focused, demand-driven and action-oriented. It would be beneficial to draw on the broader relevant experiences of non-AMS countries – the platform may be best designed on a regional basis but could be linked to other regional integration initiatives and regional institutions (e.g. ADB) to incorporate broader experiences. Regional platforms could be linked through websites, sharing of data and tools, and assembled annually, such as in a conference, to exchange information and results so as to progress their integrated development;
- Develop a stocktake of AMS service policies, including information on implementation;
- Undertake a mapping exercise to: identify existing networks of regulators and related stakeholders (e.g. regional/international agencies, policy institutes, sectoral organisations and

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| <p>coalitions of service industries); develop pilot arrangements to test the knowledge platform concept, focusing on either a few priority sectors, or clusters; and suggest tools to assess the current situation and policy needs (e.g. regulatory audits and impact assessments;</p> <ul style="list-style-type: none"> - Develop information on the impacts of AMS services policies and other relevant non-AMS experiences; - Bring together relevant parties such as trade and sector officials to improve domestic services policies; - Raise awareness of the importance of services information with relevant stakeholders, including politicians, relevant government officials and private users. |
| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - A suggested mode of operation of a services knowledge platform in ASEAN; - A stocktake of AMS services policies, including their implementation; - A mapping of existing regulators and other stakeholders; - Information on the impacts of AMS and other relevant services policies; - Examples of successful interaction overseas between stakeholders that has improved domestic services policies; and - Identify approaches to raising awareness of the importance of services information obtained from the services knowledge platform. |
| <p>ACTIVITY/METHODOLOGY:</p> <ul style="list-style-type: none"> - Interview stakeholders in all AMS to develop a suggested mode of operation of the services knowledge platform, to obtain information on developing a stocktake of services policies, a mapping of existing regulators and other stakeholders, and impacts of service policies; - Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS; - Develop a stocktake of services policies, a mapping of existing regulators and other stakeholders, impacts of service policies, and examples of successful interactions between stakeholders to improve domestic service policies; - Produce a draft report incorporating the key outputs such as the stocktake, and approaches to raise awareness to discuss with ASEC and the donor, and present to the CCS through the ASEC; - Based on the CCS and ASEC comments, prepare a final report; and - Apply selected approaches to raising awareness of the importance of services information to stakeholders, including private sector users. |
| <p>TIMEFRAME/DURATION:</p> <p>This major study should involve some 15 man-months and could be undertaken within a year when it could be assessed in terms of future directions.</p> |
| <p>ANTICIPATED RESOURCES:</p> <ul style="list-style-type: none"> - Proven track record of experience in the area of activity design, including information systems, economic analysis, dialogue approaches and information dissemination - Knowledge and experience on economic issues related to ASEAN services liberalisation is essential - Proven skills in writing and conversing in English. |
| <p>APPLICATION/QUALIFICATIONS:</p> <ul style="list-style-type: none"> - 1-page Letter of Intent - Work plan with all costings, professional fees and expected outputs - CVs - Name and addresses of at least 2 referees (supervisors, clients). |

PROJECT TEMPLATE NO. 8**PROGRAMME:**

Better services trade and related statistics/Strengthening the evidence-base

ACTIVITY TITLE:

Improving statistical and related information supporting services trade liberalisation: A coherent stocktake, identification and awareness-raising of priority needs.

PURPOSE:

The purpose of the Activity is to undertake a stocktake of statistical information on the ASEAN services economy, and especially trade in services, that could be used, including with additional analysis, to support services trade liberalisation; to identify key gaps in such information; and to raise awareness of the current situation with relevant stakeholders.

TARGET STAKEHOLDERS:

National Statistical Agencies, Central Banks, Ministries of Commerce, other line Ministries, private users.

BACKGROUND:

The freer movement of services between AMS is a key aspect of the AEC being a success. Capacity Building/Technical Assistance is needed to help achieve this success.

There are few statistics on the ASEAN services economy that would allow the determination of key constraints, sectors and issues, and Capacity Building/Technical Assistance in this area would be most beneficial.

This study is an important preliminary to support more directly services-related studies aimed at liberalising policies, such as estimating the benefits of deeper integration of the ASEAN services economy.

OBJECTIVES/OUTCOMES:

- Undertake a stocktake of statistical information available on the ASEAN services economy and ASEAN-wide trade in services;
- Undertake some value-added analysis of what collective ASEAN statistical information is available, or could be available using case studies on relevant non-AMS (e.g. India), to illustrate how this might inform services trade reform policies;
- Identify key gaps in such information;
- Raise awareness of the importance of filling the gaps in statistical information with relevant stakeholders, including national statistical agencies and private users; and
- (A possible additional objective could be to undertake some actual training on how to put together a coherent set of statistics and to review their efforts in this regard – this would require additional outputs like a set of coherent ASEAN services statistics, and a training and assessment component in the Scope of services);
- An outcome of the project would be increased statistics and analysis supporting liberalisation in services.

OUTPUTS/DELIVERABLES:

The consultant is required to produce the following outputs:

- Stocktake of statistical information available on the ASEAN services economy and ASEAN trade in services;
- Identified key gaps in such information; and
- Identified approaches to raising awareness of the importance of filling these gaps.

SCOPE OF ACTIVITY/METHODOLOGY:

- Visit all AMS to interview national statistical and other public and private service statistics providers and stakeholders to develop a stocktake of available service statistics, value-added analysis and gaps, and, in addition, Capacity Building/Technical Assistance providers to determine relevant past and current activities;
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS;
- Produce a draft report incorporating the key outputs such as the stocktake, identified needs, and approaches to raise awareness to discuss with ASEC and the donor, and present to the CCS through the ASEC;
- Based on the CCS and ASEC comments, prepare a final report; and
- Apply selected approaches to raising awareness of the importance of filling gaps to national statistical agencies and other stakeholders including private sector users.

TIMEFRAME/DURATION:

A maximum of up to 12 person months is envisaged to conclude this study, beginning as soon as the contract is agreed

ANTICIPATED RESOURCES:

- Proven track record of experience in the area of activity design, including services statistics frameworks, statistical analysis, and information dissemination
- Knowledge and experience on economic issues related to ASEAN services liberalisation is essential
- Proven skills in writing and conversing in English.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients).

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| <p>PROJECT TEMPLATE NO. 9</p> <p>PROGRAMME: ASEAN tourism future?/Strengthening the evidence base; Policy analysis/Developing Strategies and Planning; Services Policy Vision</p> |
| <p>ACTIVITY TITLE: ASEAN tourism: Constrained by future supplies of capital and labour?</p> |
| <p>PURPOSE: The purpose of the Activity is to prepare a vision of what a liberalised ASEAN tourist sector might look like via analysis of future demand for and supplies of its major inputs, capital and labour, and to raise awareness of the results of this analysis which will highlight the costs of trade constraints with relevant stakeholders and draw support for services trade liberalisation.</p> |
| <p>TARGET STAKEHOLDERS: Policy makers relevant to Tourism, Trade and other relevant sectoral ministries (Labour, Finance, Immigration, Professional, Education etc), sectoral experts, Tourism associations and the private Tourism sector</p> |
| <p>BACKGROUND: The freer movement of services between AMS is a key aspect of the AEC being a success. Capacity Building/Technical Assistance is needed to help achieve this success.</p> <p>Fieldwork indicated that there have been shortages of capital as well as skilled and unskilled labour in a number of key ASEAN service sectors. Tourism, which as a sector consists of a package of specific services such as travel agents and tour operators, professional services like accounting and legal, as well as less skilled services such as cleaning and hospitality, is a case in point. Foreign travel agents and tour operators are often restricted to limited joint ventures and land ownership may be a problem. Tour guides and other tourism-related occupations like chefs, generally need to be locals or at least residents. Some less developed AMS have a shortage of appropriately trained skilled professionals due to their level of development, lack of training etc which has been a constraint on the full development of sectors dependent on these services such as tourism. Similarly some more developed AMS find it difficult to attract labour from their own workforce at competitive prices to undertake less skilled tasks and this has led to infrastructure such as in tourism being under-utilised, causing business to lobby governments to allow the employment of foreign nationals. Foreign nationals undertaking this work not only contribute to the economy employing them but provide remunerations back into their own country which helps its development and also pick up skills that enables them to help develop industries like tourism on their return as well as the ASEAN integration cause. Analysis of the capital and labour requirements for a liberalised ASEAN tourist sector as envisaged under the AEC will illustrate the need to diminish constraints on these inputs if the AEC vision is to be realised.</p> <p>In relation to investment or Mode 3 constraints, the first question an AMS needs to ask is how does it want to grow a sector such as Tourism. A domestic agreement should be able to be reached by stakeholders on the growth and efficiency in such a service. Domestic industry should then be asked if they are not achieving best practice then what are the constraints and try to address these. If domestic industry is still not achieving best practice then investment should be opened up, as such investment would help drive necessary reforms.</p> <p>Hoekman and Mattoo (2011) provide examples of international regulatory cooperation which has led to success in respect of removing constraints to liberalisation of the presence of natural</p> |

persons or Mode 4. A first step is to assert that Mode 4 is about trade in services and not migration. They then focus on how an assumption of obligations by source countries in regional arrangement like APEC have facilitated mobility of skilled workers and some bilateral labour agreements have, to a limited extent, improved unskilled workers access. Such obligations include pre-movement screening and selection, accepting and facilitating returns, and commitments to combat illegal migration. Cooperation by the source, if it is effective in addressing security, temporariness and illegal labour concerns in a way that the host country cannot do on its own, constitutes a service that the host may be willing to pay for through increased access.

OBJECTIVES/OUTCOMES:

- Interview AMS on capital and labour supply and demand with a liberalised Tourist sector, constraints and their costs, policy options etc;
 - Determine what size a liberalised ASEAN Tourist sector would be;
 - Determine capital and labour demands and supplies in broad groupings, identifying disequilibria pressures;
 - Calculate the costs of the constraints in Mode 3 and 4;
 - Raise awareness of these constraints;
 - Look at means of reforms (e.g. capacity of domestic investment, regulatory cooperation on Mode 4); and
 - Disseminate the findings.
- An outcome of the project should be freer flow of inputs and a more liberalised and competitive tourism sector.

OUTPUTS/DELIVERABLES:

The consultant is required to produce the following outputs:

- A published vision of a liberalised Tourism sector, especially in respect of capital and labour relative to the current situation;
- A list of key constraints, especially in capital and labour flows, and estimates of their costs on the vision;
- Analyse reform options;
- Produce a draft report incorporating the above outputs for consideration by ASEC and the donor;
- Based on ASEC/donor comments prepare a further draft report for presentation, to the CCS in the first instance; and
- Prepare a final report.

SCOPE OF ACTIVITY/METHODOLOGY:

- Visit all AMS to interview stakeholder to develop a vision of a liberalised ASEAN tourism sector etc;
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS;
- Produce a draft report incorporating the key outputs such as the vision, especially in relation to the capital and labour, main constraints to the vision and reform options, as well as approaches to raise awareness to discuss with ASEC and the donor, and present to the CCS through the ASEC;
- Based on the CCS and ASEC comments, prepare a final report; and
- Apply selected approaches to raising awareness of the importance of reforms to key stakeholders including private sector users.

TIMEFRAME/DURATION:

This major study should on the basis of similar studies, such as that on competitiveness, involve some 15 person-months.

ANTICIPATED RESOURCES:

- Proven track record of experience in the area of activity design, including surveys, economic analysis, and information dissemination;
- Knowledge and experience on economic issues related to ASEAN services liberalisation is essential; and
- Proven skills in writing and conversing in English.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients).

PROJECT TEMPLATE NO. 10-A**PROGRAMME:**

Regulatory stock take (Health care)/Strengthening the Evidence Base; Regulation inventories

ACTIVITY TITLE:

All-of-government Domestic Regulatory Stock-take (Health care)– for each ASEAN member state

PURPOSE:

To provide a detailed national inventory, initially for internal government purposes, of all legislation as well as regulatory and administrative decrees impacting on Healthcare. This is to enable Trade Ministries, and Ministries responsible for Health, to have a clear picture of the way in which the particular services sector is currently regulated including all potential issues impacting from a trade perspective on either Market Access or National Treatment or otherwise causing potential trade distortions. The inventory needs to include all horizontal restrictions affecting the particular services sector; for example, immigration law, investment law and employment law etc.

TARGET STAKEHOLDERS:

Ministry responsible for Trade, Ministries responsible for Health, all other Ministries and government agencies with responsibility for aspects of policy making affecting healthcare; all regulatory agencies involved in implementing and enforcing regulation in the sector, all Ministries responsible for horizontal restrictions affecting the sector, private sector service providers in the chosen sector with local commercial presence, business associations interested in healthcare and all professional bodies in the healthcare sector.

BACKGROUND:

Healthcare has been identified as a priority sector for capacity building. No single government agency, least of all the agency responsible for trade policy, is likely to know with confidence the full extent of the national regulatory regime applicable to the healthcare sector. The activity is focused on addressing this information deficit.

ASEAN Member states eventually need a collective consciously articulated, dedicated focus on benchmarking regulatory practice in healthcare and raising awareness of any regulatory incoherence. The process has to start domestically. This activity will therefore commence with a stocktake undertaken separately in each ASEAN member state. The project will aim to help build support for effective domestic institutions for on-going regulatory review processes, ultimately with enhanced public accountability.

OBJECTIVES/OUTCOMES:

- Precise internal government knowledge of the specific nature of regulations governing the health services sector in each ASEAN Member state and identification of any regulations with the potential to impact on any mode of services trade delivery;
- Greater transparency across the entire government of the regulatory environment for health and of any regulations with the potential to impact on any mode of services trade delivery;
- Initial identification, within each AMS of any opacity, duplication, overlapping or inconsistency in the regulatory environment for healthcare;
- Raised awareness, within each AMS, of any potential inefficiencies in the regulatory environment for healthcare; and
- Greater clarity in each AMS, with respect to possible reform options in healthcare.

OUTPUTS/DELIVERABLES:

- Detailed written stock-take of regulations governing healthcare in each AMS;
- Report identifying any duplication, overlapping or inconsistency in the regulatory environment for healthcare for each AMS;
- Report for each AMS explaining the role of each domestic agency in regulating healthcare;
- Report for each AMS pinpointing potential inconsistencies with the GATS and/or AFAS and any other measures impacting on any mode of international trade in healthcare, for further follow up;
- Report for each AMS pinpointing other potential regulatory inefficiencies for further follow up; and
- Recommendations for each AMS with respect to aspects of the regulatory environment which should be the subject of further cost/benefit analysis to help determine potential reform options.

SCOPE OF ACTIVITY/METHODOLOGY:

- Appointment of 2 local ASEAN consultants in each AMS, preferably from an independent research institution;
- Two visits of 3 weeks each by 2 international consultants to each AMS to interview relevant Ministries and agencies as well as private sector stakeholders and professional bodies to develop an inventory of regulation affecting Healthcare;
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS;
- Produce a separate draft report for each AMS clearly describing the regulatory environment for healthcare;
- Present each separate draft report at a conference for relevant government ministries and other stakeholders in each AMS; and
- Prepare a final report describing the regulatory regime for healthcare in each AMS.

TIMEFRAME/DURATION:

2.5 months per AMS commencing 2012.

ANTICIPATED RESOURCES:

2 local ASEAN consultants (1 senior, 1 junior) for each AMS and 2 international consultants (1 senior, 1 junior) for each AMS.

APPLICATION/QUALIFICATIONS:

- 1 page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

PROJECT TEMPLATE NO. 10-B**PROGRAMME:**

Regulatory stock take (Professional services – Architecture)/Strengthening the Evidence Base; Regulation inventories

ACTIVITY TITLE:

All-of-government Domestic Regulatory Stock-take (Professional Services - Architecture)– for each ASEAN member state.

PURPOSE:

To provide a detailed national inventory, initially for internal government purposes, of all legislation as well as regulatory and administrative decrees impacting on Architecture. This is to enable Trade Ministries, and agencies responsible for qualifications, accreditation, professional standards, supervision, and all other regulation of Architecture, to have a clear picture of the way in which Architecture services are currently regulated including all potential issues impacting from a trade perspective on either Market Access or National Treatment or otherwise causing trade distortions. The inventory needs to include all horizontal restrictions affecting Architecture services; for example, immigration law, investment law and employment law, public procurement law etc.

TARGET STAKEHOLDERS:

Ministry responsible for Trade, public and private sector agencies responsible for Architecture services, all other Ministries and government agencies with responsibility for aspects of policy making affecting Architecture; all regulatory agencies involved in implementing and enforcing regulation Architecture, all Ministries responsible for horizontal restrictions affecting Architecture, Architecture firms and individual engineers with local commercial presence, Institutes and other professional bodies associated with Architecture, local university Faculties of Architecture etc.

BACKGROUND:

Professional services, including Architecture have been identified as a priority sector for capacity building. No single government agency, least of all the agency responsible for trade policy, is likely to know with confidence the full extent of the national public and professional regulatory regime applicable to Architecture. The activity is focused on addressing this information deficit.

AMS eventually need a collective consciously articulated, dedicated focus on benchmarking regulatory practice in Architecture and raising awareness of any regulatory incoherence or excess. The process has to start domestically. This activity will therefore commence with a stocktake undertaken separately in each ASEAN member state. The project will aim to help build support for effective domestic institutions for on-going regulatory review processes, ultimately with enhanced public accountability.

OBJECTIVES/OUTCOMES:

- Precise internal government knowledge of the specific nature of regulations governing architecture services in each ASEAN Member state and identification of any regulations with the potential to impact on any mode of services trade delivery or to otherwise distort trade and investment flows in architecture;
- Greater transparency across the entire government of the regulatory environment for architecture and of any regulations with the potential to impact on any mode of services trade delivery;
- Initial identification, within each AMS of any opacity, duplication, overlapping or inconsistency in the regulatory environment for architecture services;
- Raised awareness, within each AMS, of any potential inefficiencies in the regulatory

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| <p>environment for architecture; and</p> <ul style="list-style-type: none"> - Greater clarity in each AMS, with respect to possible reform options in architecture. |
| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - Detailed written stock-take of regulations governing architecture in each AMS; - Report identifying any duplication, overlapping or inconsistency in the regulatory environment for architecture for each AMS; - Report for each AMS explaining the role of each domestic agency in regulating architecture; - Report for each AMS pinpointing potential inconsistencies with the GATS and/or AFAS and any other measures impacting on any mode of international trade in architecture services, for further follow up; - Report for each AMS pinpointing other potential regulatory inefficiencies for further follow up; and - Recommendations for each AMS with respect to aspects of the regulatory environment which should be the subject of further cost/benefit analysis to help determine potential reform options. |
| <p>SCOPE OF ACTIVITY/METHODOLOGY:</p> <ul style="list-style-type: none"> - Appointment of 2 local ASEAN consultants in each AMS, preferably from an independent research institution; - Two visits of 3 weeks each by 2 international consultants to each AMS to interview relevant Ministries and agencies as well as private sector stakeholders and professional bodies to develop an inventory of regulation affecting architecture; - Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS; - Produce a separate draft report for each AMS clearly describing the regulatory environment for architecture; - Present each separate draft report at a conference for relevant government ministries and other stakeholders in each AMS; and - Prepare a final report describing the regulatory regime for architecture in each AMS. |
| <p>TIMEFRAME/DURATION:</p> <p>2.5 months per AMS commencing 2012.</p> |
| <p>ANTICIPATED RESOURCES:</p> <p>2 local ASEAN consultants (1 senior, 1 junior) for each AMS and 2 international consultants (1 senior, 1 junior) for each AMS.</p> |
| <p>APPLICATION/QUALIFICATIONS:</p> <ul style="list-style-type: none"> • 1 page Letter of Intent • Work plan with all costings, professional fees and expected outputs • CVs • Name and addresses of at least 2 referees (supervisors, clients) |

PROJECT TEMPLATE NO. 10-C**PROGRAMME:**

Regulatory stock takes (Professional services – Accountancy and Audit)/Strengthening the Evidence Base; Regulation inventories

ACTIVITY TITLE:

All-of-government Domestic Regulatory Stock-take (Professional Services - Accountancy and Audit)– for each ASEAN member state.

PURPOSE:

To provide a detailed national inventory, initially for internal government purposes, of all legislation as well as regulatory and administrative decrees impacting on accountancy and audit services. This is to enable Trade Ministries, and agencies responsible for qualifications, accreditation, professional standards, supervision, and all other regulation of accountancy and audit services services, to have a clear picture of the way in which accountancy and audit services are currently regulated including all potential issues impacting from a trade perspective on either Market Access or National Treatment or otherwise causing trade distortions. The inventory needs to include all horizontal restrictions affecting Accountancy and audit services; for example, immigration law, investment law and employment law, public procurement law etc.

TARGET STAKEHOLDERS:

Ministry responsible for Trade, public and private sector agencies responsible for accountancy and audit services, all other Ministries and government agencies with responsibility for aspects of policy making affecting accountancy and audit services; all regulatory agencies involved in implementing and enforcing regulation of accountancy and audit services, all Ministries responsible for horizontal restrictions affecting accountancy and audit services, Accountancy and audit service firms and individual engineers with local commercial presence, Institutes and other professional bodies associated with accountancy and audit services, local university Faculties of Accountancy and audit services etc.

BACKGROUND:

Professional services, including accountancy and audit services have been identified as a priority sector for capacity building. No single government agency, least of all the agency responsible for trade policy, is likely to know with confidence the full extent of the national public and professional regulatory regime applicable to Accountancy and audit services. The activity is focused on addressing this information deficit.

ASEAN Member states eventually need a collective consciously articulated, dedicated focus on benchmarking regulatory practice in Accountancy and audit services and raising awareness of any regulatory incoherence or excess. The process has to start domestically. This activity will therefore commence with a stocktake undertaken separately in each ASEAN member state. The project will aim to help build support for effective domestic institutions for on-going regulatory review processes, ultimately with enhanced public accountability.

OBJECTIVES/OUTCOMES:

- Precise internal government knowledge of the specific nature of regulations governing accountancy and audit services in each ASEAN Member state and identification of any regulations with the potential to impact on any mode of services trade delivery or to otherwise distort trade and investment flows in accountancy and audit services;
- Greater transparency across the entire government of the regulatory environment for accountancy and audit services and of any regulations with the potential to impact on any mode of services trade delivery;
- Initial identification, within each AMS of any opacity, duplication, overlapping or

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| <p>inconsistency in the regulatory environment for accountancy and audit services;</p> <ul style="list-style-type: none"> - Raised awareness, within each AMS, of any potential inefficiencies in the regulatory environment for accountancy and audit services; and - Greater clarity in each AMS, with respect to possible reform options in accountancy and audit services. |
| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - Detailed written stock-take of regulations governing accountancy and audit services in each AMS; - Report identifying any duplication, overlapping or inconsistency in the regulatory environment for accountancy and audit services for each AMS; - Report for each AMS explaining the role of each domestic agency in regulating accountancy and audit services; - Report for each AMS pinpointing potential inconsistencies with the GATS and/or AFAS and any other measures impacting on any mode of international trade in accountancy and audit services, for further follow up; - Report for each AMS pinpointing other potential regulatory inefficiencies for further follow up; and - Recommendations for each AMS on aspects of the regulatory environment which should be the subject of further cost/benefit analysis to help determine potential reform options. |
| <p>SCOPE OF ACTIVITY/METHODOLOGY:</p> <ul style="list-style-type: none"> - Appointment of 2 local ASEAN consultants in each AMS, preferably from an independent research institution; - Two visits of 3 weeks each by 2 international consultants to each AMS to interview relevant Ministries and agencies as well as private sector stakeholders and professional bodies to develop an inventory of regulation affecting accountancy and audit services; - Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS; - Produce a separate draft report for each AMS clearly describing the regulatory environment for accountancy and audit services; - Present each separate draft report at a conference for relevant government ministries and other stakeholders in each AMS; and - Prepare report describing regulatory regime for accountancy and audit services in each AMS. |
| <p>TIMEFRAME/DURATION: 2.5 months per AMS commencing 2012.</p> |
| <p>ANTICIPATED RESOURCES: 2 local ASEAN consultants (1 senior, 1 junior) for each AMS and 2 international consultants (1 senior, 1 junior) for each AMS.</p> |
| <p>APPLICATION/QUALIFICATIONS:</p> <ul style="list-style-type: none"> • 1 page Letter of Intent • Work plan with all costings, professional fees and expected outputs • CVs • Name and addresses of at least 2 referees (supervisors, clients) |

PROJECT TEMPLATE NO. 10-D**PROGRAMME:**

Regulatory stock takes (Professional services – Legal services)/Strengthening the Evidence Base; Regulation inventories

ACTIVITY TITLE:

All-of-government Domestic Regulatory Stock-take (Professional Services – Legal)– for each ASEAN member state.

PURPOSE:

To provide a detailed national inventory, initially for internal government purposes, of all legislation as well as regulatory and administrative decrees impacting on legal services. This is to enable Trade Ministries, and agencies responsible for qualifications, accreditation, professional standards, supervision, and all other regulation of legal services, to have a clear picture of the way in which they are currently regulated including all potential issues impacting from a trade perspective on either Market Access or National Treatment or otherwise causing trade distortions. The inventory needs to include all horizontal restrictions affecting legal services; for example, immigration law, investment law and employment law, public procurement law etc.

TARGET STAKEHOLDERS:

Ministry responsible for trade, public and private sector agencies responsible for legal services, all other Ministries and government agencies with responsibility for aspects of policy making affecting legal services; all regulatory agencies involved in implementing and enforcing regulation legal services, all Ministries responsible for horizontal restrictions affecting legal services, legal firms and individual engineers with local commercial presence, Institutes and other professional bodies associated with legal services, local university faculties of legal services etc.

BACKGROUND:

Professional services, including legal services have been identified as a priority sector for capacity building. No single government agency, least of all the agency responsible for trade policy, is likely to know with confidence the full extent of the national public and professional regulatory regime applicable to legal services. The activity is focused on addressing this information deficit.

ASEAN Member states eventually need a collective consciously articulated, dedicated focus on benchmarking regulatory practice in Legal services and raising awareness of any regulatory incoherence or excess. The process has to start domestically. This activity will therefore commence with a stocktake undertaken separately in each ASEAN member state. The project will aim to help build support for effective domestic institutions for on-going regulatory review processes, ultimately with enhanced public accountability.

OBJECTIVES/OUTCOMES:

- Precise internal government knowledge of the specific nature of regulations governing legal services in each ASEAN Member state and identification of any regulations with the potential to impact on any mode of services trade delivery or to otherwise distort trade and investment flows in legal services;
- Greater transparency across the entire government of the regulatory environment for legal services and of regulations with the potential to impact on any mode of services trade delivery;
- Initial identification, within each AMS of any opacity, duplication, overlapping or inconsistency in the regulatory environment for legal services;
- Raised awareness, within each AMS, of any potential inefficiencies in the regulatory environment for legal services; and

- Greater clarity in each AMS, with respect to possible reform options in legal services.

OUTPUTS/DELIVERABLES:

- Detailed written stock-take of regulations governing legal services in each AMS;
- Report identifying any duplication, overlapping or inconsistency in the regulatory environment for legal services for each AMS;
- Report for each AMS explaining the role of each domestic agency regulating legal services;
- Report for each AMS pinpointing potential inconsistencies with the GATS and/or AFAS and any other measures impacting on any mode of international trade in legal services, for further follow up;
- Report for each AMS pinpointing other potential regulatory inefficiencies for further follow up; and
- Recommendations for each AMS with respect to the regulatory environment which should be the subject of further cost/benefit analysis to help determine potential reform options.

SCOPE OF ACTIVITY/METHODOLOGY:

- Appointment of 2 local ASEAN consultants in each AMS, preferably from an independent research institution;
- Two visits of 3 weeks each by 2 international consultants to each AMS to interview relevant Ministries and agencies as well as private sector stakeholders and professional bodies to develop an inventory of regulation affecting legal services;
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS;
- Produce a separate draft report for each AMS clearly describing the regulatory environment for legal services;
- Present each separate draft report at a conference for relevant government ministries and other stakeholders in each AMS; and
- Prepare a final report describing the regulatory regime for legal services in each AMS.

TIMEFRAME/DURATION:

2.5 months per AMS commencing 2012.

ANTICIPATED RESOURCES:

2 local ASEAN consultants (1 senior, 1 junior) for each AMS and 2 international consultants (1 senior, 1 junior) for each AMS.

APPLICATION/QUALIFICATIONS:

- 1 page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

PROJECT TEMPLATE NO. 10-E**PROGRAMME:**

Regulatory stock takes (Professional services – Engineering)/Strengthening the Evidence Base; Regulation inventories

ACTIVITY TITLE:

All-of-government Domestic Regulatory Stock-take (Professional Services - Engineering)– for each ASEAN member state.

PURPOSE:

To provide a detailed national inventory, initially for internal government purposes, of all legislation as well as regulatory and administrative decrees impacting on engineering. This is to enable Trade Ministries, and agencies responsible for accreditation, supervision and other regulation of Engineering, to have a clear picture of the way in which the particular services sector is currently regulated including all potential issues impacting from a trade perspective on either Market Access or National Treatment or otherwise causing trade distortions. The inventory needs to include all horizontal restrictions affecting the particular services sector; for example, immigration law, investment law and employment law etc.

TARGET STAKEHOLDERS:

Ministry responsible for trade, engineering, and all other Ministries and government agencies with responsibility for aspects of policy making affecting engineering; all regulatory agencies involved in implementing and enforcing regulation in the sector, all Ministries responsible for horizontal restrictions affecting the sector, private sector service providers in the chosen sector with local commercial presence, business associations interested in engineering and all professional engineering bodies.

BACKGROUND:

Engineering has been identified as a priority sector for capacity building. No single government agency, least of all the agency responsible for trade policy, is likely to know with confidence the full extent of the national regulatory regime applicable to the engineering sector. The activity is focused on addressing this information deficit.

ASEAN Member states eventually need a collective consciously articulated, dedicated focus on benchmarking regulatory practice in engineering and raising awareness of any regulatory incoherence. The process has to start domestically. This activity will therefore commence with a stocktake undertaken separately in each ASEAN member state. The project will aim to help build support for effective domestic institutions for on-going regulatory review processes, ultimately with enhanced public accountability.

OBJECTIVES/OUTCOMES:

- Precise internal government knowledge of the specific nature of regulations governing the engineering services sector in each ASEAN Member state and identification of any regulations with the potential to impact on any mode of services trade delivery;
- Greater transparency across the entire government of the regulatory environment for engineering and of any regulations with the potential to impact on any mode of services trade delivery;
- Initial identification, within each AMS of any opacity, duplication, overlapping or inconsistency in the regulatory environment for engineering;
- Raised awareness, within each AMS, of any potential inefficiencies in the regulatory environment for engineering; and
- Greater clarity in each AMS, with respect to possible reform options in healthcare.

OUTPUTS/DELIVERABLES:

- Detailed written stock-take of regulations governing engineering in each AMS;
- Report identifying any duplication, overlapping or inconsistency in the regulatory environment for engineering for each AMS;
- Report for each AMS explaining the role of each domestic agency in regulating engineering;
- Report for each AMS pinpointing potential inconsistencies with the GATS and/or AFAS and any other measures impacting on any mode of international trade in engineering, for further follow up;
- Report for each AMS pinpointing other potential regulatory inefficiencies for further follow up; and
- Recommendations for each AMS with respect to aspects of the regulatory environment which should be the subject of further cost/benefit analysis to help determine potential reform options.

SCOPE OF ACTIVITY/METHODOLOGY:

- Appointment of 2 local ASEAN consultants in each AMS, preferably from an independent research institution;
- Two visits of 3 weeks each by 2 international consultants to each AMS to interview relevant Ministries and agencies as well as private sector stakeholders and professional bodies to develop an inventory of regulation affecting engineering;
- Work closely with ASEC who will facilitate the study through the focal points of the CCS in each AMS;
- Produce a separate draft report for each AMS clearly describing the regulatory environment for engineering;
- Present each separate draft report at a conference for relevant government ministries and other stakeholders in each AMS; and
- Prepare a final report describing the regulatory regime for engineering in each AMS.

TIMEFRAME/DURATION:

2.5 months per AMS commencing 2012.

ANTICIPATED RESOURCES:

2 local ASEAN consultants (1 senior, 1 junior) for each AMS and 2 international consultants (1 senior, 1 junior) for each AMS.

APPLICATION/QUALIFICATIONS:

- 1 page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

PROJECT TEMPLATE NO. 11**PROGRAMME:**

Healthcare Regulation Analysis/Strengthening the Evidence Base Policy Analysis

ACTIVITY TITLE:

Domestic Cost/Benefit Analysis of Regulatory Regimes Prevailing in Key Infrastructural Services (Healthcare) – for each AMS.

(This activity requires prior completion of the precursor activity to develop regulatory inventories in each AMS for the healthcare sector.)

PURPOSE:

To conduct a separate cost/benefit study, for each AMS, of the regulatory regime applying in healthcare (based on the regulatory inventory developed in the precursor activity). The idea will be to identify and quantify the costs of protection and to raise awareness of the benefits of liberalisation. The study will raise awareness of the increased efficiency and other gains available in this sector from concerted approaches to reform by highlighting for example, in the absence of protection, what the differences might be with respect to healthcare costs, hospital bed queues, diagnostic delays, patient recovery times, etc.

TARGET STAKEHOLDERS:

Ministry responsible for trade, health, all other Ministries and government agencies with responsibility for aspects of policy making affecting healthcare; all regulatory agencies involved in implementing and enforcing regulation in the sector, all Ministries responsible for horizontal restrictions affecting the sector, private sector service providers in the chosen sector with local commercial presence, business associations interested in healthcare and all professional bodies in the healthcare sector.

BACKGROUND:

Healthcare has been identified as a priority sector for capacity building. The precursor activity is designed to first develop a detailed inventory describing the current regulatory regime in each AMS for healthcare. This follow-up activity is focused on the next step in the process (ie for each AMS to conduct a cost/benefit study of the regulatory regime), once it has been fully identified.

ASEAN Member states eventually need a collective focus on benchmarking regulatory practice in healthcare. But the process has to first build momentum domestically. The project will aim to help build support for effective domestic institutions for on-going transparent regulatory cost/benefit analyses.

OBJECTIVES/OUTCOMES:

- More precise government and stakeholder understanding in each AMS of the actual and potential costs of protection associated with the domestic regulatory regime for healthcare;
- More precise government and stakeholder understanding of the actual and potential benefits of the domestic regulatory regime for healthcare;
- Greater transparency of the costs and benefits of the current government policy on health; and
- Improved understanding and articulation of the gains associated with potential reform options.

OUTPUTS/DELIVERABLES:

- Detailed written cost-benefit analysis, employing both qualitative and quantitative techniques, of regulations governing healthcare in each AMS, providing a user-friendly description of reduced healthcare costs or increased medical infrastructure etc achievable under a liberalised scenario; and
- Recommendations for each AMS with respect to potential domestic reform options.

SCOPE OF ACTIVITY/METHODOLOGY:

- Appointment of 1 local (senior) ASEAN consultant in each AMS, preferably from an independent research institution and 1 international (senior) consultant for each AMS;
- 10 days of collaborative desk based cost/benefit analysis by the 2 consultants, drawing on the regulatory inventory prepared as an outcome to the precursor activity;
- Produce a separate draft cost/benefit report for each AMS;
- Produce a set of possible, costed, reform options;
- 2 day mission by international consultant;
- Present each separate draft report at a 1 day workshop for relevant government ministries and other stakeholders in each AMS; 1/2 day presenting the cost/benefit analysis and 1/2 day presenting some (costed) possible reform options; and
- Prepare a final report incorporating stakeholder responses to the draft report.

TIMEFRAME/DURATION:

2 to 3 weeks per AMS commencing 2012 after completion of the healthcare regulatory stocktake.

ANTICIPATED RESOURCES:

1 local (senior) ASEAN consultant for each AMS and 1(senior) international consultant for each AMS.

APPLICATION/QUALIFICATIONS:

- 1 page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

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| <p>PROJECT TEMPLATE NO. 12</p> <p>PROGRAMME: Building services trade promotion capacity/Raising Understanding and Awareness; Trade Promotion offices</p> |
| <p>ACTIVITY TITLE: Building capacity of Trade Promotion agencies in the AMS to support the international engagement of services firms and other organisations (eg universities, professional bodies etc).</p> |
| <p>PURPOSE: To share best practice services trade and investment promotion experience across the ASEAN region; and To improve the services-oriented tool kits and skills of trade promotion agencies in the AMS.</p> |
| <p>TARGET STAKEHOLDERS: Trade Promotion agencies in AMS, services exporters and potential exporters.</p> |
| <p>BACKGROUND: Most Trade Promotion Agencies in the AMS are less experienced in working with services exporters as they are with goods exporters. The marketing, brand and promotional needs of services exporters are fundamentally different from those of goods exporters, who essentially trade cross-border rather than via the complex mix of mode of delivery (including commercial presence) associated with international services business. There are some good models in the region (eg MATRADE in Malaysia) which has deliberately embarked on a services export focus. The other ASEAN counterpart agencies need to be exposed to and learn from this experience. There are also some good models in the wider Asian region (eg in Hong Kong and in Australia) to which ASEAN agencies would also benefit from exposure. Measurable success in services trade promotion requires dedicated focus and a completely different tool kit to that employed in goods trade promotion. Most AMS are exporting services already, and their export performance could be significantly improved with a dedicated promotional campaign.</p> |
| <p>OBJECTIVES/OUTCOMES:</p> <ul style="list-style-type: none"> - Broader adoption across the AMS of best regional practice in services trade and investment promotion; - More widespread understanding in trade promotion agencies of the range of trade challenges faced by local services providers; - Greater understanding by ASEAN Governments of the need to facilitate commercial presence offshore – ie to promote outward as well as inward investment in services; and - Enhanced interaction between trade promotion agencies and private sector providers. |
| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - A 5 day retreat-style workshop/retreat at a venue in an ASEAN country, for senior officers of the Trade Promotion agency from each AMS with presentations and interactive simulated exercises on services trade (and investment)promotion, modeling regional practices; - Within two week of the retreat, a written document, based on feedback from the retreat, on Key Issues to take into account/address in services trade promotion; the purpose of this document is to serve as a basis on which each Trade Promotion agency can embark on follow up services sector stakeholder consultations in each AMS. The document will cover both whole-of services and sector by sector issues; and - An organised 5 day visit to the home offices of a developed country trade promotion office, as well as to the offices of other trade promotion agencies, for presentations on international practice in services trade promotion. |

SCOPE OF ACTIVITY/METHODOLOGY:

- Research into global and regional best practice in services trade promotion, with fieldwork visits to eg Austrade, Matrade and the HKTDC;
- Produce a draft report on Key Issues for distribution at the retreat;
- Design the programme and venue for the retreat for trade promotion agency officials in consultation with Austrade and with one or two selected ASEAN agencies (eg Singapore and Malaysia) as well as some coalitions of services industries in ASEAN countries (eg BPO Association in the Philippines, MCSI in Malaysia);
- Work closely with ASEC who will facilitate invitations to and follow up from the retreat through the focal points of the CCS in each AMS; and
- Plan a site visit for a delegation of ASEAN trade promotion officials to the home offices of a developed country trade promotion office as well as to the offices of an international trade promotion body in that location.

TIMEFRAME/DURATION:

3 months 2011/12.

ANTICIPATED RESOURCES:

1 senior international consultants, 2 junior international consultants, 3 ASEAN consultant from 3 different AMS.

APPLICATION/QUALIFICATIONS:

- 1 page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

PROJECT TEMPLATE NO. 13**PROGRAMME:**

Private Sector Inclusion in Services Policy Dialogue & Reform Advocacy/Raising Understanding and Awareness; Private Sector Stakeholders

ACTIVITY TITLE:

Facilitating inclusion of private sector services stakeholder in policy dialogue and reform advocacy.

PURPOSE:

To build momentum for the private sector in each AMS to organise more effectively to play an active evidence-based role in dialogue with government on services sector reform strategies, on both a sectoral and whole-of-services basis; and

To build capacity among private sector stakeholders to equip themselves with appropriate 'information tools' for services policy reform advocacy.

TARGET STAKEHOLDERS:

Business leaders and business organisations; academics and media; ASEAN political and bureaucratic leaders; relevant administrators and policy analysts.

BACKGROUND:

The freer movement of services between AMS is a key aspect of the AEC being a success. Capacity Building/Technical Assistance is needed to help achieve this success.

Compared with the traditional agricultural and manufacturing sectors, private sector stakeholders in the services sector are typically small and medium sized and poorly organised, with firms slow to identify themselves as 'services providers' or to take an initiative in carving out a role for themselves in public policy dialogue. From a society's point of view, there is an under-investment in private sector involvement in services policy dialogue and reform advocacy. The result is that governments are not receiving sufficient input from the broad range of services businesses to develop a vision or reform strategy for the sector. Where fledgling private sector services stakeholder groups do exist, they are handicapped by the absence of synthesised 'information tools' package for services policy advocacy. 'Information tools' are the essential ingredient for 'making the public-private policy dialogue work'. All these aspects were evident from the fieldwork undertaken during the study.

OBJECTIVES/OUTCOMES:

- Increased awareness within the business community about the importance of services, the costs of inefficient services, and the value of evidence-based policy research;
- Better organisation of private sector business groupings to collect and commission evidence, to engage in informed dialogue with government on development of services sector strategies and to advocate pro-competitive reforms; and
- More visible engagement of domestic private sector services stakeholders in the processes of driving an outcome of services trade policy reforms.

OUTPUTS/DELIVERABLES:

The consultant is required to produce the following outputs:

- A report about private organisations relevant to service sector reform across all AMS, identifying those most relevant and active (including individuals), and to be included as 'correspondent partners' in the 'information tools' project. Report to include recommendations for new domestic business structures as appropriate;
- A project design (including TOR) for a project to support evidence-based advocacy activities with the identified correspondent partners, by producing a package of 'information tools' tailored to each AMS; and
- An approach to deliver an ASEAN Services Business Summit to present findings and

recommendations.

SCOPE OF ACTIVITY/METHODOLOGY:

This project will, firstly, research and document the structures of private sector stakeholder organisations relevant to the services sector in each AMS, determine their activities, capacities and interest in being involved in an evidence-based advocacy project, and where appropriate recommend local options for establishing more formal structures to give more attention to the services sector. (In Indonesia, for example, there is the Indonesian Services Forum under the auspices of Kadin Indonesia; in Malaysia there is a Malaysian Coalition of Services Industries under the Malaysian International Chamber of Commerce.)

Secondly, the project will bring private sector stakeholders across ASEAN together in a Service Business Summit, to raise the profile of the ASEAN Services economy.

Thirdly, it will design a joint project to produce and maintain relevant evidence-based advocacy tools to be made available to private sector service stakeholder organisations over three years.

This project would support a central project office in an AMS (could be rotated among AMS) to develop institutions, to produce ‘information tools’ on the role of services, the importance of services trade liberalisation and the need for service sectors roadmaps relevant to all AMS.

The identified ‘correspondent’ private sector partner organisations in each AMS would also define their own additional information needs and work to produce evidence-based advocacy documents; ‘correspondent’ organisations could work with and commission inputs from the central project office. The ‘information tools’ would draw on existing secondary data and research or that specifically commissioned – they would be synthesis products packaged for advocacy purposes.

Dissemination, including how research is packaged and the strategy for maximising impact, is important. This would include, for example, local-language outputs on websites, newspapers, policy briefs for Ministers and stakeholder organisations, maintaining blogs and e-mail groups, newsletters, etc. The defining feature is not to conduct original research, but to synthesise, package and deliver what already exists (and is produced by other projects or commissioned). This project will determine the strategy appropriate for each AMS.

TIMEFRAME/DURATION:

Following some preliminary projects like regulatory stock takes.

ANTICIPATED RESOURCES:

One senior international consultant: 4 months; Local consulting inputs: 5 months; Travel to each AMC (one week each, on average i.e.2.5 months). Total 11.5 person months.

APPLICATION/QUALIFICATIONS:

- 1 page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs/Name and addresses of at least 2 referees (supervisors, clients)

PROJECT TEMPLATE NO. 14

PROGRAMME:

Regulatory Best Practice Dialogues/Developing Strategies and Planning; Services Policy Vision

ACTIVITY TITLE:

ASEAN-wide Seminar Series on Regulatory Dialogue to Develop Principles for Regulatory

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| Best Practice across all Services Sectors. |
| <p>PURPOSE: To conduct an ASEAN-wide seminar series bringing together trade policy officials with regulators, across all services sectors, to the same table, in a series of benchmarking exercises designed to build momentum towards development ASEAN-wide of a set of regulatory best practice principle for services regulation.</p> |
| <p>TARGET STAKEHOLDERS: Ministries in each AMS responsible for trade, all other Ministries and government agencies in each AMS with responsibility for regulation of affecting any services sector; all regulatory agencies involved in implementing and enforcing regulation in all services sectors, all Ministries responsible for horizontal barriers to trade in services.</p> |
| <p>BACKGROUND: ASEAN Member states need a collective focus on benchmarking regulatory practice not just on a sub-sectoral basis but across all services sectors. Ultimately what is needed is an agreed set of principles on regulatory best practice across all services sectors. Enhanced application to the services sectors of the OECD/APEC Integrated Checklist for Regulatory Reform is a good place to start. This voluntary tool is essentially a thorough Questionnaire, adopted by APEC in 2006 to assist countries go through a self assessment process to improve regulatory practice. It is an extremely simple and useful tool which needs to be much more widely disseminated and used. The checklist covers horizontal criteria concerning regulatory reform (such as transparency and accountability), regulatory policy (e.g. cost effectiveness and legal quality), competition policy and law, and market openness policy.</p> |
| <p>OBJECTIVES/OUTCOMES:</p> <ul style="list-style-type: none"> - Greater understanding on the part of regulators of the international dimension to services regulation; - Greater understanding on the part of Ministries responsible for trade of domestic regulatory practices; - Better communication between ASEAN Trade Policy officials and ASEAN regulators; - Enhanced application to services sectors in all AMS of the OECD/APEC Regulatory Self-Assessment Guidelines; and - Increased ASEAN-wide momentum towards discussion with trading partners of best practice regulatory principles for services. |
| <p>OUTPUTS/DELIVERABLES:</p> <ul style="list-style-type: none"> - (Series of) Workshop(s) in an ASEAN economy on regulatory best practice across all services sectors. |
| <p>SCOPE OF ACTIVITY/METHODOLOGY:</p> <ul style="list-style-type: none"> - Appointment of 1 (senior) ASEAN consultant and 1 international (senior) consultant to design and organise the Dialogue, preferably oriented to enhancing the use of the OECD/APEC Regulatory Self-Assessment Guidelines and demonstrating their relevance to services regulation; and - Invitations to all AMS Trade Ministries and to a wide variety of ASEAN and international Regulators with the help of ASEC coordinating through CSS in each AMS. |
| <p>TIMEFRAME/DURATION: 1 week preparation per 3 day seminar, commencing 2013.</p> |
| <p>ANTICIPATED RESOURCES: 1 senior ASEAN consultant and 1 senior international consultant for each Seminar.</p> |
| <p>APPLICATION/QUALIFICATIONS:</p> <ul style="list-style-type: none"> • 1 page Letter of Intent • Work plan with all costings, professional fees and expected outputs |

- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

PROJECT TEMPLATE NO. 15**PROGRAMME:**

Role of ASEAN Services & Policy Vision/Developing strategies and planning; Role of services/Services policy vision; Role of policy services and policy vision

ACTIVITY TITLE:

Role of Services in ASEAN study and Services Policy Vision study.

PURPOSE:

To produce two reports which raise awareness about the role and importance of the service sector in economic development. This is in response to the finding that ASEAN policy makers favour the manufacturing sector and visions of 'industrialisation', despite the reality that nearly every developed country has a service sector constituting over 70% of GDP.

The first 'Role of Services' report will tackle that favouritism in a broad ASEAN-wide manner, with international comparisons of benchmark indicators and a synthesis of international experience. It will be a high-level 'glossy' report to raise awareness about the relative policy neglect of the services sector relative to manufacturing. Leaders need to understand the message that 'to be developed requires a strong services economy' – and that means efficient cost-effective services.

The second country-specific Services Policy Vision report goes into detail about the service sectors in one AMS that has not undertaken such as exercise, using this as a learning exercise for all such AMS and incorporating the practical experiences of other AMS. This will lead to a series of sector-wide reform recommendations and strategies. The purpose of the project is to be a case study of how a services vision can be articulated to address the challenges raised in the first 'Role of Services' report.

Both reports would have a quantitative focus, trying to measure the costs of inefficient services, and developing cross-country indicators on performance as a basis for identifying areas for reform. As both reports link strongly there may be some merit in them being undertaken by the same team of consultants.

TARGET STAKEHOLDERS:

Role of Services report: ASEAN political and bureaucratic leaders; relevant administrators and policy analysts; business leaders, media.

AMS Services Policy Vision study: ASEAN bureaucratic leaders (political leaders in the AMS); relevant administrators and policy analysts, academics; business leaders and sectoral business groups, media.

BACKGROUND:

The freer movement of services between AMS is a key aspect of the AEC being a success. Capacity Building/Technical Assistance is needed to help achieve this success.

The Role of Services report is an initial necessary step to generate awareness and enthusiasm amongst ASEAN leaders to focus more on service sector liberalisation. Much progress has been made in trade-in-goods, but the opening up of service sectors lags. The gains from trade (i.e. economic growth and development) from a more serious effort to liberalise services are substantial as pointed out in the main report. It was clear from the fieldwork that these potential gains are not properly understood, or measured, or lobbied for by businesses. Thus political economy obstacles remain to reform many service sectors across ASEAN. This report will be an initial step to getting more momentum behind reform in such sectors. It will show how developed economies require a strong services sector. It will explain how inefficient and

protected or subsidised service sectors are a drag on economic efficiency and development. It will show how services in AMS compare to other countries across various indicators ('benchmarks' e.g. services trade share), and thereby reveal in a broad sense the quality and quantitative challenge that ASEAN faces to become a set of highly developed economies. Case studies will show how services liberalisation led to reduced business and consumer costs across the whole economy. The report will be a synthesis of existing literature and data, and not be too technical in its analysis. It must be an interesting and informative read for non-experts. It is expected that this report will go through many drafts and a lengthy review process before finalisation, as its ultimate output is a high quality 50-70 page publication with a short Executive summary and policy brief launched at a meeting of ASEAN political leaders.

Concurrent with the Role of Services report, the Consultant will also design and draft a Services Policy Vision (SPV) for one AMS as a piloting of this approach. We would recommend a large AMS that already has an extensive sectoral literature to build upon, for example Indonesia (e.g. TAMF reports), Vietnam, or Thailand. The ASEC may approach one or more of these countries to seek an expression of interest. The SPV is a comprehensive overview of the service sector in an economy. It would begin by mapping the present situation, reform process, and available data and literature for the relevant sectors. The cross-country indicators of the Role of Services report would be further refined and developed. Case studies covering priority sectors and a similar number of cross-cutting issues would reveal successes and failures in particular areas. There would be a frank analysis of political economy constraints and solutions. The purpose is to define the services sector as far as possible numerically (and in comparison to other countries where possible); identify and understand areas of revealed inefficiency (e.g. high unit costs); and to set targets for 2015 and perhaps beyond as well as outline the reforms required to meet those targets. The SPV is not intended to be a detailed review of various services sectors – those have been and continue to be done. The SPV brings all the service sectors together under one report, focusing on what can be measured, and looking at the broad goals and reforms needed to achieve international standards by 2015 and beyond.

OBJECTIVES/OUTCOMES: -

- Raise awareness amongst ASEAN leaders about the services sector in economic development, its size and role in developed economies, the importance of efficient services, the present policy bias against it, and what needs to be prioritised in the future; and
- Move from 'awareness raising' to practical planning by drafting a pilot Services Policy Vision document for one AMS. If this is favourably reviewed, it could be the basis for all AMSs to make Action Plans (their own SPV document) to address the challenges identified in the Role of Services report.

These reports can be combined to develop a new joint-commitment agenda and targets for services sector reform post-2015, not only assisting the outcome of the freer movement of services between AMS by 2015 as set out in the AEC but further into the future.

OUTPUTS/DELIVERABLES:

The consultant is required to produce the following outputs:

- A Role of Services draft report of 70-100 pages;
- Redrafting as required to produce a final report of 50-70 pages after wide distribution and commentary;
- Formal publication, and presentation of the Role of Services report at a launching; and
- A Services Policy Vision report for one AMS; Drafting, revisions after feedback, and final presentation.

SCOPE OF ACTIVITY/METHODOLOGY:

The Role of Services report is essentially a desk research assignment by two consultants (bringing complimentary expertise related to the objectives and outputs), and support may be needed for professional formatting. A draft report may be expected after two months, and the review, publication and launch process would require small inputs for maybe four more months.

The AMC Services Policy Vision document requires more detailed research and at least one-month in-country. Interviews with key stakeholders would accompany the survey of existing literature and data. As the SPV is a new type of policy analysis document, its structure and content should be developed iteratively in consultation with a small team of 3-4 Advisors (electronically and in one workshop). The SPV should not just be a series of sector reviews/summaries, but something that stretches over all the services sectors and is consistent with the idea of a quantified 'vision' for what to achieve (and ideas on how) by 2020. One international consultant would lead this research, assisted by 2 national consultants.

Of the two internationals, one would lead the Role of Services report and the other lead the AMC SPV. A research assistant would support both.

TIMEFRAME/DURATION:

Role of Services draft after three months; published and launched after eight months.

Draft AMC SPV after four months (workshop month two); finalised after seven months.

ANTICIPATED RESOURCES (for the 2 projects):

International trade in services expert #1: 4 months over eight months

International trade in services expert #2: 5 months over eight months

Research Assistant: 4 months

National experts: 2 persons for 3 months each (6 months).

Advisory Team: 4 persons at two weeks each (2 months).

Total 21 person months.

APPLICATION/QUALIFICATIONS:

- 1-page Letter of Intent
- Work plan with all costings, professional fees and expected outputs
- CVs
- Name and addresses of at least 2 referees (supervisors, clients)

Chapter X: Conclusion

Liberalisation of trade in services and associated domestic reforms is fundamental to the realisation of the AEC. The decision by leaders to form an AEC with free flow of services has put the emphasis very much on ensuring each AMS removes its trade restrictions affecting services and implement related reforms. However, this requires real ('on-the-ground') liberalisation, not simply 'on-paper' liberalisation in the form of commitments under the AFAS, a sideshow in services liberalisation. However, the diagnostic analysis based on in-country reports presented in this Report suggests this is not happening, or at least going very slowly especially when set against the start date for the AEC of 2015. Hence, key and effective technical assistance and capacity building is needed to advance 'on-the-ground' liberalisation of services and related reforms.

The in-country fieldwork undertaken in the SDNAS helped identify constraints and provided a list of potential technical assistance and capacity building projects to address them, both from a mainly cross-cutting but also a sectoral perspective.

Adopting as well an economic framework based on the fundamental benefits of unilateral liberalisation and a strategic structured approach, identified key areas ('umbrellas') needing technical assistance and capacity building activities, such as strengthening the evidence base, developing strategies and planning, and raising understanding and awareness. Key activity clusters within these were also identified such as policy analysis, services policy visions, and organisations for dialogues, respectively.

Individual priority projects within these clusters were determined using a cost-benefit analytical approach.

An important recommendation of the SDNAS is the need to re-balance much of the technical assistance and capacity building activities away from being directed at servicing the AFAS trade negotiations and focusing on 'on-paper' liberalisation, towards efforts to build transparency and fundamental support for services trade liberalisation and related reforms in AMS so as to achieve the necessary 'on-the-ground' changes to achieve the AEC. This is consistent with international experience that significant 'on-the-ground' services liberalisation and related reforms requires unilateral measures, and that trade negotiations have generally failed to deliver such changes.

The SDNAS developed and recommended a number of detailed technical assistance and capacity building project templates.

Appendix 1: Terms of Reference

1. Background

The Association of Southeast Asian Nations (ASEAN) was established in 1967 and consists of ten Member States: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. The entry into force of the ASEAN Charter in December 2008 signified ASEAN's movement to a rules-based organisation complete with clearly-defined goals and objectives. In 2003, ASEAN committed itself to the achievement of an ASEAN Community in 2020 comprising the three pillars of Political-Security, Economic and Socio-Cultural. This date has subsequently been accelerated to 2015. Comprehensive Blueprints for each of the Communities have been developed to guide efforts towards the achievement of the ASEAN Community. The ASEAN Economic Community (AEC) will encompass the following four dimensions: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.

The ASEAN single market and production base comprises five core elements: 1) free flow of goods; 2) free flow of services; 3) free flow of investment; 4) freer flow of capital; and 5) free flow of skilled labour. The single market and production base involves two components: twelve priority integration sectors and food, agriculture and forestry.

The free flow of trade in services is one of the important elements in realising the AEC. Services have grown rapidly as a share of each ASEAN Member States' (AMS) GDP and exports to between 40-70% of GDP. Most major key services, such as finance, communications and transport, are also important inputs to other sectors. Ensuring services are supplied competitively is essential to economic growth and development.

The Blueprint's objectives are for the "free flow of trade in services, where there will be substantially no restrictions to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations." The ASEAN Framework Agreement on Services (AFAS), signed in 1995, is the basis for successive negotiation rounds of liberalisation commitments by AMS as well as for negotiation of sector-specific commitments and Mutual Recognition Arrangements for professional qualifications.

The Blueprint sets ambitious goals regarding the achievement of the free flow of services. To fully achieve these will require promoting much greater awareness among stakeholders, including government officials and the private sector, of the significant wider economic gains to economies from such openness, adoption of an appropriate regulatory environment, having strong institutions, supportive infrastructure, and enhanced policy coordination and coherence. Substantial key and effective capacity building across a broad and diverse range of relevant areas will be needed if this goal is to be achieved.

To assist in identifying the specific needs regarding achievement of the Blueprint goals, the ASEAN Secretariat (ASEC), with funding from the ASEAN Australia Development Cooperation Program II (AADCP II) engaged a consultant to conduct a preliminary Design Exercise to examine the capacity building constraints to services liberalisation, based on field work in the three selected countries of Malaysia, Indonesia and Vietnam.

The consultant concluded that:

- AFAS commitments in liberalisation have been progressive and may not have reached unilateral liberalising levels in some instances;
- The extent of liberalisation in the trade of services varies from country to country and sector to sector;
- The main factors constraining service liberalisation are cross-cutting such as an overall commitment to liberalisation, the regulatory environment, institutional relationships, roles of the private sector and individual skills;
- There have been a number of complementary capacity building projects but these have generally been sector-specific and have not focused on the AEC with integrated capacity building efforts.

It recommended that a full Services Diagnostic and Needs Assessment Study be undertaken with the following key dimensions:

- Have as its main objective the scoping of capacity building needs in AMS and take into account existing capacity building activities at the national, regional and international levels;
- Employ an approach that encompasses three dimensions to the analysis of service liberalisation needs:
 - Country by country;
 - Key sectors;
 - Identified cross-cutting issues;
- Select a number of target sectors: the AEC priority sectors of air transport, e-ASEAN, healthcare and tourism as well as the additional sectors of internal trade (retail/wholesale/franchising), professional services and construction and related engineering services;
- Produce country by country and sectoral body workplans for future capacity building activities, with prioritised timelines.

Appendix 2: Interview Questionnaire for In-country Field Work

PART A: Oral interview

Liberalisation successes, failures and constraints

A1. How would you assess the state of services liberalisation, indicating the main successes, failure and constraints to further reforms?

A2. Do you agree that the cross-cutting and/or economy-wide issues/constraints listed in Q. B1 are the key ones that need to be tackled to advance services liberalisation, or are there others that you could list? Rank the top 5 issues/sub-issues. How, if at all, would your rankings change for each of the targeted sectors listed in Q. B3?

A3. Please provide details of your government's policy on services liberalisation, and of any priority areas mentioned in need of capacity building to advance such reforms that have been taken in the past, currently being undertaken or identified for future action.

A4. Do you think that regional services liberalisation, such as required to achieve the AEC, is beneficial to your country? What role do you think should be played by bilateral or regional liberalisation, and why?

A5. In light of your answer to Q.A4, do you think that unilateral or multilateral liberalisation is beneficial for your country, and why? Do you have any preference between these approaches, and why?

A6. Which of the three approaches is the main driver of services liberalisation in your country, and why? How do think these three approaches can best reinforce each other in advancing services liberalisation? Do you think it is necessary to adopt different approaches to providing and delivering technical assistance and capacity building to advance services liberalisation for the various approaches, or do you think that such activities are the same irrespective of approach?

A7. Do you think there is a lack of awareness about beneficial services trade liberalisation among policy makers, policy commentators and the private sector, and if so explain? How can this be best rectified?

Specific capacity building activities

A.8 What do you see as the most effective capacity building activities corresponding to the top 5 issues/constraints listed in Q. B1 and why, including the most appropriate delivery method e.g. workshops, policy dialogues, training course, study tours etc.

A9. What do you think could be done to encourage more effective and fruitful dialogue between the public and private sectors to advance services liberalisation? Do such mechanisms exist, and if so how effective are they? Please suggest any weaknesses and possible improvements, being as specific as possible?

A10. In your experience, what are the features of good technical assistance and capacity building projects in advancing services trade liberalisation (e.g. coverage, quantity, quality, targeting)?

Capacity building activities already on the books

A11. Please provide details of any ongoing or planned government and donor projects to build capacity for advancing services liberalisation, such as workshops, policy dialogues, training course, study tours etc.

Obstacles to AEC goals

A12. Are there technical and capacity obstacles to achieving the ASEAN Economic Community (AEC) goals, and if so, please list indicating priorities (in terms of the targeted sectors and specific cross-cutting and/or economy-wide issues/constraints)?

A13. Are there political, interest group and constitutional obstacles to achieving the AEC goals, and if so, please list indicating priorities (in terms of the targeted sectors and specific cross-cutting and/or economy-wide issues/constraints)?

A14. What are the main obstacles associated with State-owned entities (SOEs) in the provision of services and how would you see capacity building and technical assistance best helping reform in this area?

A15. What are the main obstacles associated with investment liberalisation and how would you see capacity building and technical assistance best helping such reform?

Part B: Written responses also required

B1. Do you agree that the following are the key cross-cutting and/or economy-wide issues/constraints that need to be tackled to advance services liberalisation? Please rank, starting with 1 (highest priority), including any other issues you think are important. For each issue, please specify (a, b, etc) any main sub-issues.

| Key cross cutting issues/constraints and/or economy-wide issues | Ranking |
|--|---------|
| 1. Improving competitiveness/productivity issues a. b. etc | |
| 2. New or improved Institutional/regulatory issues a. b. etc | |
| 3. Human resource development issues a. b. etc | |
| 4. Financing a. b. etc | |
| 5. Issues concerning supply-side constraints hindering the benefits from market access a. b. etc | |
| 6. Issues associated with transitional adjustment costs from liberalisation a. b. etc | |
| 7. Private sector efficiency a. | |

- b. etc
- 8. Improving statistics
 - a.
 - b. etc
- 9. Communicating to/from the public sector
 - a.
 - b. etc
- 10. Economic impact research
 - a.
 - b. etc
- 11. Policy and legal research
 - a.
 - b. etc
- 12. Other
 - a.
 - b. etc

B2. What would you see as the most effective corresponding capacity building activities and why, including the most appropriate delivery method e.g. workshops etc?

| Key cross cutting issues/constraints and/or economy-wide issues | Types/delivery of capacity building activities |
|--|--|
| 1. Improving competitiveness/productivity issues a. b. etc | |
| 2. New or improved Institutional/regulatory issues a. b. etc | |
| 3. Human resource development issues a. b. etc | |
| 4. Financing a. b. etc | |
| 5. Issues concerning supply-side constraints hindering the benefits from market access a. b. etc | |
| 6. Issues associated with transitional adjustment costs from liberalisation a. b. etc | |
| 7. Private sector efficiency a. b. etc | |
| 8. Improving statistics a. b. etc | |
| 9. Communicating to/from the public sector a. b. etc | |

- 10. Economic impact research
 - a.
 - b. etc
- 11. Policy and legal research
 - a.
 - b. etc
- 12. Otheretc
 - a.
 - b. etc

B3. How, if at all, would your rankings of cross-cutting/economy-wide issues/constraints given in Q.B1 change for each of the following sectors?

| Sector | New ranking (if different) |
|--|---|
| Logistics (wholesale & retail trade) | [Provide ranking using corresponding number from above table of cross-cutting/economy-wide issue, starting with the highest ranking (e.g. 1, 3, 2,5 etc)] |
| Healthcare (hospitals) | |
| Tourism | |
| Telecommunications (voice, mobile and landline) | |
| Accounting, Auditing, Architectural & Legal services | |

B4. Please identify and rank (starting with 1) any specific sectoral issues for each sector that you feel are insufficiently covered by the above cross-cutting/economy-wide issues/constraints, and need to be tackled to advance the sector’s services liberalisation?

| Sector | Sectoral Issues |
|--|-----------------|
| Logistics (wholesale & retail trade) | 1. 2. etc |
| Healthcare (hospitals) | 1. 2. etc |
| Tourism | 1. 2. etc |
| Telecommunications (voice, mobile & landline) | 1. 2. etc |
| Accounting, Auditing, Architectural & Legal services | 1. 2. etc |

B5. For each issue listed in Q.B3, what would you see as the most effective capacity building activity and why, including the most appropriate delivery method e.g. workshops etc?

| Sector | Types/delivery of capacity building activities |
|--|--|
| Logistics (wholesale & retail trade) | 1. 2. etc |
| Healthcare (hospitals) | 1. 2. etc |
| Tourism | 1. 2. etc |
| Telecommunications (voice, mobile & landline) | 1. 2. etc |
| Accounting, Auditing, Architectural & Legal services | 1. 2. etc |

Thank you for your cooperation and assistance.

Appendix 3: Suggested Structure of In-Country Reports

Diagnostic Needs Assessment Study to Advance Services Liberalisation in [Name of Country] and ASEAN [Name of author/authors]

EXECUTIVE SUMMARY (2-3 pages)

PART A: CURRENT STATE OF PLAY OF SERVICES AND INVESTMENT

1. Services Sector (2 pages, excluding graphs, tables)

Trends in Services Growth and Composition

Trade in Services with ASEAN Countries/Rest of the World

2. Foreign Direct Investment (2-3 pages, excluding graphs, tables)

Trends in FDI and General Investment Policy

FDIs by Sector, Origin

3. Services Liberalisation and Approaches (12 pages, excluding graphs, tables)

Unilateral, Regional and Multilateral Services Policy

WTO and ASEAN Commitments in Services

Institutional Arrangements Affecting Services Liberalisation

Obstacles to Services Liberalisation, Including Political Economy Constraints (*Note: this should highlight any successful or failed case studies*)

Past Technical Assistance and Capacity Building Initiatives

Capacity Building and Technical Assistance Issues (*Note: this should highlight any successful or failed case studies*)

Suggested Delivery Modes for Providing Technical Assistance and Capacity Building

Part B: *HORIZONTAL ISSUES* (5 – 7 pages, excluding graphs, tables) (*Note: not all issues to be covered equally if some are considered insignificant*)

1. Human Resources

Issues

Recommendations

2. Technology

Issues

Recommendations

3. Competition

Issues

Recommendations

4. Financing

Issues

Recommendations

5. Private Sector – Government Dialogue

Issues

Recommendations

6. Others

Issues

Recommendations

PART C: *SECTORAL ISSUES* (5 – 7 pages, excluding graphs, tables)(*Note: not all sectors to be covered equally if some are considered insignificant*)

1. Internal Trade (Wholesale and Retail)

Issues

Recommendations

2. Tourism

Issues

Recommendations

3. Consulting/Legal Services

Issues

Recommendations

4. Telecom

Issues

Recommendations

5. Health

Issues

Recommendations

PART D: CONCLUSION AND RECOMMENDATION (4 pages, excluding graphs, tables)

1. Priority Areas of Capacity Building and Technical Assistance

2. Delivery Methods for Providing Technical Assistance and Capacity Building

APPENDIX I – Details of Stakeholders Interviewed

APPENDIX II – Interview Summaries

Appendix 4: Summary of Country Reports

This Appendix provides a summary of the country reports prepared by in-country consultants. Because of their size, they have not been incorporated in the SDNAS, but nevertheless are an important addition to it. .

1. Brunei

(i) Overview of the economy and services

Brunei Darussalam has a small but wealthy economy, which is growing at a slow and steady rate. It has remained stable with a low inflation rate (~1.5-2.5% annually). The GDP per capita is generally increasing; in 2009 it was \$48,194 (current international dollars) (ADB, 2010). Brunei Darussalam's economy has been dominated by the oil and gas industry for the past 80 years. Hydrocarbon resources account for over 90% of its export and more than 50% of its GDP (BEDB, 2010). In contrast, the services sector in Brunei Darussalam is still developing. In 2009, at current prices, the mining industry (hydrocarbons) (47.3%) contributed almost half of the country's GDP while the rest of the GDP consisted of non-mining industry (18.1%), services (33.7%) and agriculture, forestry and fishery (0.9%) (JPKE, 2010).

The dominance of the hydrocarbons sector has prompted the government to set diversification policies, namely through the long-term development plan *Wawasan Brunei 2035* and five-year national development plans. The aim is to shift more economic activity towards the non-oil and -gas sector, with a concomitant increase in the size of the private sector and the growth of knowledge-based industries, adding greater value.

Services sector

In the period 2007-2009 the industry sector (including hydrocarbons) declined slightly, while the services sector share of GDP has grown; in 2009, the services industry accounted for 45.8%, up from 42.1% in 2007. Within the services sector, each economic activity comprises about 2.5-3% of GDP (except private and government services, 4.5% and 11.7% respectively). Growth appears to be slow, with GDP contributions remaining stable, or even declining, in the period 2004-2008. Trade in services is relatively minor in Brunei Darussalam. The country imports far more than it exports, averaging 1,135 and 616 million USD respectively in the period 2001-2008. However, imports and exports of services are increasing and, significantly, the trade in services balance as percent of GDP, while still negative, is fast approaching positive numbers increasing from -10.2 to -3.7 in the same period (ADB, 2010). Within ASEAN, Brunei Darussalam's major trading partners are Singapore and Malaysia. Interviews (1-5) with the public and private sectors indicate that trade in services with these countries over other ASEAN Member States (AMS) dominates because of similar language, culture, education systems and business operations; thus, the movement of people and firms between the three countries is easier.

Foreign direct investment

Foreign direct investment (FDI) in Brunei Darussalam is generally low. However, the government is working to attract more FDI, particularly in the services sector. In 2001, Brunei Darussalam overhauled its investment laws and established the Brunei Economic Development Board (BEDB) to promote FDI. The BEDB adopted a new approach to attracting FDI, focusing on a few large projects, including a global mega port hub and downstream manufacturing industries using natural gas. FDI is permitted in all sectors except those involving local natural resources (notably agriculture and fisheries) and those relating to national food security, for

which minimum local participation of 30% is required²⁵. To encourage FDI, the country provides tax incentives, particularly under the pioneer status programme which exempts companies from corporate tax (normally 30% for non-petroleum companies) for up to a maximum of 11 years and from customs duty on imported inputs of plant, machinery, equipment and raw materials not available domestically (World Trade Net, 2008).

Within the services sector, FDI from 2004-2008 was concentrated on Financial Intermediation (59.1%) followed by Wholesale and Retail Trade (23.0%), Transport, Storage and Communication (9.1%) and Real Estate, Renting and Business Activity (7.6%). The remainder of economic activities within the services sector comprise less than 2% of FDI. In the same period, most FDI originated from the European Union (EU), followed by Japan and ASEAN.

(ii) Priority areas of capacity building and technical assistance

Brunei Darussalam has developed country status within ASEAN and therefore do not receive the opportunity to participate in many Capacity Building and Technical Assistance. The priority areas that emerged from the study for CB/TA are discussed below. Methods for delivery CB/TA to address these priority areas are discussed in the following section.

Human resources

Brunei Darussalam possesses a small, educated population. However, like many countries in ASEAN, Brunei Darussalam suffers from the ‘brain drain’. In addition, because of the large proportion of employment within the public sector, most university graduates aim for government jobs, self-selecting against technical jobs and thus, leaving some services sub-sectors lacking in qualified staff.

A barrier to increasing available human resources in these sectors is that Bruneians are ‘accustomed to a standard of living that is provided for by the state through oil revenue’ and government programming to develop human resources in vocational and technical training has proved ‘ineffective simply because the native population is not interested in the relevant occupations’ (Minnis 2000 in Zhang, 2003, p.13). This is particularly true in the tourism industry, and hospitality as a whole, because traditionally Bruneians have not worked in these sectors. It is only recently that Bruneians have started taking work in the tourism industry; however, the aspiration for a job within the public sector remains strong and employment within technical and vocational services is often temporary while the employees wait for their opportunity to work in government. As such, those hiring in such sectors, particularly tourism, do not count on Bruneian employees to stay in their positions for the long-term.

The solution to these human resources issues is to bring in foreign workers, one of the key elements in the liberalisation of the services sector. However, Brunei Darussalam is still quite protectionist with regards to foreign workers. In many cases, particularly within the private sector, ‘the hassle is not worth it’ and employers find loopholes in the system, such as applying for short-term ‘professional work passes’ that have fewer restrictions. At present, companies are able to apply for foreign workers; however, the process is quite complex and the Department of Labour allocates a nationality quota which dictates the countries from which employers can recruit for specific positions.

²⁵ It is important to note that as recently as 2010 the country’s foreign investment policies have been criticised for being “unclear, particularly with respect to limits on foreign equity participation and the identification of sectors in which foreign investment is restricted” (USTR 2010, p.2)

Another issue related to human resources is recognition of qualifications. Many of the issues were expected to be remedied through Mutual Recognition Agreements; however, there is still a bias within Brunei Darussalam for degrees from the United Kingdom, followed by Singapore and Malaysia. This is because of the shared British colonial legacy and knowledge of UK degrees over other qualifications. In recent years, it has become a trend for Bruneians to continue their studies in Australia; however, it can take up to a year for these degrees to be recognised in Brunei Darussalam and for an equivalency to be applied. At present, degrees from North America are few and far between, with many not recognised at all in the country.

Lastly, in many cases, government staffs are taking on multiple roles, especially in the public sector, without the training. At the same time, it was also said that it would not be possible to participate in all CB/TA activities because staff would not be around to actually implement any of the training they received. Thus, there is a fine balance that needs to be reached between necessary training and training saturation within government.

Competition

Brunei Darussalam reviews the regulatory framework governing individual sectors on an on-going basis, with a view to boosting overall economic competitiveness. The country is considering whether a comprehensive single regulatory body or sectoral regulations best fit Brunei Darussalam's economic structure and how properly to implement the competition rules from the grassroots level upwards (Nair 2006).

Interviews with the public and private sector highlighted reluctance for competition in Brunei Darussalam's economy. In particular, it was noted on multiple occasions that the Law Society of Brunei Darussalam is very reluctant to liberalise the legal sector in the country because they fear that their sector will become overrun with foreign firms. This fear has also been voiced in other sectors because of the smallness of Brunei Darussalam's economy. However, arguments for increased competition and subsequent better standards have been made in the telecommunications sector which has already experienced a small degree of competition. Before B-Mobile entered the market, DST had a monopoly on mobile service resulting in high prices; these prices dropped by about 50% with competition from B-Mobile. The sector regulator has worked to inject more competition into the market by introducing a new licensing structure that caters to SMEs that may in the future offer telecom services (Jeffreys 2010).

Statistics

One of the major challenges for policymakers and researchers is to find reliable and adequate data on services and investment. Indeed, all the reports by international institutions such as ADB, World Bank, IMF are based on data collected independently from the government. The Statistical system in Brunei Darussalam is considered decentralised; whereby each ministry and department produces their own statistics. These statistics are then collated by the bureau responsible for collecting data: the Department of Statistics in the Department of Economic Planning and Development.

The most pressing constraint to implement adequate data collection is the lack of trained personnel with technical knowledge on statistics. The Department of Statistics acknowledged that they employ the use of many proxy data and that many data remain unrecorded, particularly related to trade in services. Another issue is that because Brunei Darussalam is a developed country, they are often not eligible for technical assistance or capacity building. It could be

possible for department officials to ‘pay-their-way’ through government funding; however, in many cases this is not even an option.

(iii) Methods for providing technical assistance and capacity building

Based on the previous sections, it is clear that Brunei Darussalam’s services sector is secondary to its industry sector in the economy. Based on interviews conducted with the public and private sector and various reports on the country’s services liberalisation process, the most important issues for the development of the services sector include:

- Low public perception of employment in the services sector, particularly related to hospitality and tourism;
- The lack of human resources and reluctance to bring in foreign workers in strategic sectors (professional, tourism) as well as in all the other services sectors; and
- The lack and fear of competition in strategic services (telecommunications).

There are other important issues that could further improve the services sector, but are of secondary importance compared with those presented above. Such issues are:

- The need improve collection and presentation of official statistics;
- Need for impact assessment studies to show the benefits of services liberalisation to the Government and to relevant stakeholders; and
- Lack of CB/TA activities for Brunei Darussalam. In many cases, they are not invited to join because of their ‘developed country’ status.

Services cover many different sectors, from architecture to healthcare. For this reason it is difficult to suggest strategies that could tackle all of the main problems across all of the sectors. Hence, this report will focus on methods for providing CB/TA to enhance the services liberalisation process and ensure its efficiency. The following are proposed areas of focus for CB/TA activities and suggested methods.

Research and impact assessments

In many cases, it will be important for Brunei Darussalam to conduct research, particularly impact assessments and practical case studies, on policy changes regarding aspects of services liberalisation (e.g. the movement of people and firms). The issue most commonly raised regarded the movement of foreign workers and firms into Brunei Darussalam and the reluctance of Bruneians to ease the process for fear of losing jobs to foreign workers and/or increased competition with foreign firms. For Brunei Darussalam to be able to liberalise the services sector and further develop it, it will be necessary, at least in the short-term, to ease regulations on foreign workers. This is especially true for sectors which are not traditionally Bruneian, i.e. hospitality and tourism. The fear of competition must also be addressed. Concerns about flooding the small economy and market of Brunei Darussalam will need to be addressed, especially if the country is to establish and implement a new competition law by 2015. Thus, the research and/or impact assessments should focus on labour regulations and competition in other AMS, with particular focus on the country’s closest counterparts, Singapore and Malaysia. ‘Bruneians realise the importance of competition but always fear that Brunei is a small market that will be swamped’.

As well, it was recommended that practical case studies be conducted and turned into training/workshop events to show what services liberalisation is all about in role play situations. This has occurred before in a workshop in Singapore.

Training

As mentioned previously, Brunei Darussalam is not always eligible to participate in CB/TA activities because of its developed country status. However, it would be beneficial to the other AMS as well as Brunei Darussalam for the country to participate in such activities. This could be attained through allowing relevant representatives to join if they pay-their-way or ensuring the country's participation by having Brunei Darussalam host some of these events, as suggested by the Department of Statistics and Ministry of Communications for upcoming workshops. Additionally, it would be beneficial for all AMS and Brunei Darussalam in particular, to develop a database of consultants who can provide specific training to each AMS. For example, if Brunei Darussalam felt it was important to have further training in a specific area of statistics, it would be beneficial to have a central database of recommended consultants (e.g. based on ASEAN's previous experience providing workshops) which could be hired to provide in-country training at the department level. 'It is not the aid the Brunei Darussalam needs but the experts and new ideas that they bring.'

This would be especially helpful in addressing some of the human resources issues raised during interviews, i.e. lack of trained personnel, lack of personnel to send to training sessions and workshops and little opportunity for passing on of information attained from training sessions and workshops. Experts are usually available in G2G sessions; however, the country has difficulty finding and attracting them.

It was recommended that ASEAN plan and fund work placement opportunities in similar ministries of other AMS for on-the-job training and opportunities to learn-by-doing.

Raising awareness

The economy is dichotomous, with government focus divided between the hydrocarbons sector and all other sectors; thus, there is a definite need for awareness raising campaigns regarding the services industry and the importance of services to Brunei Darussalam's economy in the post-hydrocarbons future. The reliance of the population on hydrocarbons revenue and large public sector has led to low public perception of employment in the services industry as a whole, and hospitality and tourism in particular. The private sector needs to be developed and learn how to take full advantage of the country's FTAs. As well, the private sector is often reluctant to expand outside of Brunei Darussalam. In most cases, the private sector is unaware of the FTAs and do not understand how they can fully benefit the sector, and the lack of awareness of the services sector is due to a lack of understanding of the impact of services on the economy.

The result of the most recent FTAs with Korea and Japan has been establishment of two centres to help public understanding of them, and how to penetrate markets in the signatory countries; however, these appear to have had little effect.

2. Cambodia

(i) Overview of services sector

Throughout the 1990s, the agricultural sector accounted for the majority of the Cambodian economy. However, data from the ADB reveals that from a peak of 56.5% of GDP (at current market prices) in 1990, the share of agriculture in total output gradually shrunk as the country's

nascent manufacturing and services industries began to take off. Indeed, through the last decade of the previous century, Cambodia's agricultural sector grew in real terms at an average annual rate of 3.8%, while for manufacturing and services it was 11.7% and 6.5%, respectively.

The rapid growth witnessed in Cambodia's secondary and tertiary industries during this decade saw a significant shift in the structure of the country's GDP away from agriculture, with services overtaking agriculture to become the dominant sector for the first time in 2000. It should be noted here that while one might have expected manufacturing to account for the lion's share of GDP rather than services, given the extremely rapid growth of this sector, industry started from a very low base meaning that despite a decade of double-digit growth, it was still playing catch up to the other two sectors by the turn of the century, and indeed, continues to play catch up in spite of an acceleration in the growth of Cambodia's manufacturing sector between 2000-2008.

Manufacturing grew in real terms at an average rate of 14.6% per annum during this period, but growth in agriculture and services accelerated too, with the former posing average growth of 4.6% and the latter expanding by 9.9%. This allowed the services sector to increase its share of GDP (at current prices), to a zenith of 45.1% in 2008. Meanwhile, agriculture claimed a 32.5% share of GDP, while manufacturing took up the remaining 22.4%. It should be noted that since the onset of the global financial crisis, growth in manufacturing in Cambodia has slowed sharply, decelerating from 18.3% (in real terms) in 2006 to 8.4% in the following year and then again to 4.1% in 2008. This has seen the manufacturing sector's share in GDP shrink from 27.6% to 22.4%, with services being the major beneficiary as growth in the sector remained buoyant (averaging growth of 9.7% in real terms from 2006-2008).

In terms of value added GDP at constant (2000 US\$) prices, a similar story is recounted. Data from the World Bank shows that from a peak of 48.5% of GDP in 1994, the share of agriculture shrunk to an all-time low of 28.4% in 2008, although most recent data has revealed that this number rose back to 30.0% in 2009 as agriculture posted strong growth while the manufacturing and services sectors actually contracted as the country continued to suffer from the fallout of the global financial crisis. Meanwhile, the share of manufacturing rose from 14.3% in 1994 to 29.5% in 2008 – before shrinking to 28.7% in 2009 due to negative growth of 2.5% in that year – while the services sector increased from 37.2% of value added GDP to 42.1% over the same 1994-2008 time horizon, before dropping to 41.3% in 2009 after posting growth of 1.4%.

Trade in services

The liberalisation and opening up of Cambodia's economy to the outside world in the post-war era has seen trade expand at a phenomenal rate. Total trade in goods and services expanded remarkably during 1992-2008 from US\$816.2 million to a record US\$13.81 billion (current prices). Even though total trade shrank for the first time since 1996 in 2009 as the global financial crisis struck, trade volumes remained historically high at US\$11.91 billion.

Trade in services has performed even more impressively than total trade, with trade in services growing by a massive 2366% between 1992 and 2008, from US\$113.3 million to US\$2.68 billion (before falling by 6.9% in 2009 to US\$2.50 billion). Exports of services have expanded by a phenomenal 3310% over the same timeframe (from US\$47.9 million to US\$1.65 billion, before falling to US\$1.52 billion in 2009), growing at more than twice the pace of imports, which have increased by 1629% between 1992 and 2008.

On the back of this rapid growth, services have become an increasingly important component of Cambodia's total trade. Total trade in services has risen from 13.9% in 1992 to 20.9 in 2009 as a

percentage of total trade in goods and services, while services exports accounted for 26.8% of total exports in 2009, up from just 15.8% in 1992. Meanwhile, imports of services have increased from 12.7% of total imports in 1992 to 15.6% in 2009.

As a percentage of GDP, trade in services has witnessed a similarly astonishing rise, climbing from 9.3% to a peak of 29.5% in 2007, although this figure has since fallen to 26.8% as of 2009. Meanwhile, exports of services have risen from 3.5% of GDP in 1995 to 18.5% in 2007 (declining slightly to 16.5% in 2009), while imports of services climbed from 5.8% to 11.0% over the 1995-2007 period before slipping to 10.4% in 2009.

Cambodia ran a balance of services deficit until 1999, when a surplus of US\$2.2 million was recorded. Since then, the country's balance of services surplus ballooned to a record US\$632.1 million – equal to 7.6% of GDP – in 2007. The most recent data, however, reveals that Cambodia's balance of services surplus shrank in 2008, although nonetheless remained buoyant at US\$609.4 million (6.5% of GDP).

According to the Economic Institute of Cambodia (EIC), services exports are dominated by tourism activities, which represented around 72.9% of the total services income in 2009. Meanwhile, transportation is the dominant services import, with transportation payments representing about 52.9% of total service debits in 2009.

Foreign direct investment (FDI)

Foreign Direct Investment has long been playing a crucial role in Cambodia's economic development. However, the recent global financial crisis has seen the upward trend of FDI reversed. According to data compiled from the Council for the Development of Cambodia (CDC), although the number of investment projects approved in 2010 increased by 2% over the previous year to 102, the total stock of FDI decreased by 54.1% to US\$2.69 billion, from US\$5.86 billion in 2009 to US\$2.69 billion.

However, while investment in agriculture decreased by 6.0% in 2010 (from US\$589.9 million in 2009 to US\$554.4 million) and investment in industry fell by 1.3% (from US\$ 958.1 million to US\$945.5 million), investment in services soared by a massive 158.2% to US\$1.059 billion, from US\$410.2 million in 2009. However, not all services sub-sectors witnessed an increase in FDI in 2010, with the FDI stock dropping sharply in the tourism sector. Tourism received only US\$131.8 million of investment in 2010, marking a 96.6% decline compared to 2009.

Despite the rapid growth of FDI into Cambodia over the past decade, however, a number of disincentives to investing in the country remain. Cambodia has committed to liberalising its investment regime – and has made significant strides in doing so – and this has been in large part responsible for the impressive rise in FDI into Cambodia in recent years. Yet, as EuroCham (2010) highlights, the country's lack of an effective judicial and legal system, coupled with a poor environment for corporate governance, remains a major deterrent to foreign investors.

This is highlighted by Cambodia's weak rankings in the World Bank's 2009 Worldwide Governance Indicators (WGI) and its equally low position in the World Bank's Ease of Doing Business 2011 rankings. The WGI assess six dimensions of governance and provides percentile ranks, indicating the percentage of countries worldwide that rate below the country in question. Thus, higher values indicate better governance ratings. Cambodia is ranked most highly for Regulatory Quality, with a score of 39. However, this is the only dimension in which it scores above 30, scoring 26 for Government Effectiveness, 25 for Political Stability and Absence of

Violence and 24 for Government Effectiveness. For Rule of Law, meanwhile, Cambodia scores a miserable 16, but Control of Corruption is by far the weakest area of governance in the kingdom, with Cambodia achieving a dismal score of just 9.

Cambodia fares little better in the World Bank's Ease of Doing Business rankings, with the kingdom placing 147 out of 183 countries, leaving the country ahead of only the Philippines and Laos in ASEAN. While Cambodia ranks relatively highly in terms of Paying Taxes (57), Protecting Investors (74) and Getting Credit (89), it does not figure in the top half of countries ranked for any of the other six sub-categories. Indeed, for Closing a Business, Cambodia is ranked rock bottom at 183.

If the country is to continue attracting foreign investment, it is imperative that further progress be made in improving the country's business environment. To be sure, the country's weak business environment is consistently cited as an impediment across the services sector as a whole.

In addition to this, however, additional steps can also be taken to ensure Cambodia continues to receive high levels of much-needed FDI. International trade significantly impacts on FDI inflows into the country, and 'a further liberalisation of Cambodia's international trade will attract more inward FDI' (Cuyvers et al 2008). They also note that 'the home country rates of economic growth are a main driving force of inward FDI flows into Cambodia', and while it is highlighted that its 'ability to attract inward FDI is, to some extent, beyond its control and depends on the growth of the world economy and specific home countries, nonetheless recommend devoting efforts to create 'pull factors' (e.g. improving institutions, infrastructure and legal systems, and removing administrative barriers) could result in 'dynamic positive effects' of inward FDI and economic growth, and stimulate technology transfer'.

(ii) Priority areas and methods of capacity building and technical assistance

Given that Cambodia's service sector is already highly liberalised, the technical assistance and capacity building initiatives should be focused on ensuring that the advantages of liberalising trade in services are well understood, so that Cambodia is able to maximise the benefits of liberalisation and therefore allow the process to continue to move forward.

A key element of this is educating small- and medium-sized enterprises (SMEs). While it was noted during interviews that large companies in Cambodia appeared to be aware of the process of and costs and benefits associated with regional integration and, more broadly, globalisation, the same could not be said for the country's SMEs. Therefore, it is important that SMEs are informed on these issues so that they can contribute more fully to the growth and development of the country's services sector. It is recommended that a series of seminars, workshops and position papers on various services related issues are conducted, coordinated by either the Ministry of Commerce or the Chamber of Commerce. Foreign consultants should also be involved in coordinating the activities, as well as giving assistance and training on services. It is important that these initiatives give sufficient focus on the long-term benefits of liberalisation in trade in services, since concerns were raised during interviews that the current thinking surrounding liberalisation in trade in services is too short term.

It was also emphasised by the Ministry of Commerce that there is a distinct lack of understanding amongst the private sector concerning mutual recognition agreements (MRAs) in place across the services sector. Assistance should therefore be given in educating the private sector about mutual recognition agreements. More specifically, workshops and seminars should

be conducted via the Ministry of Commerce to raise awareness of both what MRAs mean, and how the requirements for them can be met.

In addition, it is also recommended that a similar initiative be offered for educating officials. While policymakers directly involved in services policy were fully aware of the costs and benefits and the process of liberalising trade in services, this was not the case for all government officials (e.g. the Ministry of Health). Given that these people will play an intrinsic role in driving the liberalisation process forward, it is vital that they receive appropriate training on services. Once again, it is recommended that this should encompass seminars, workshops and position papers, coordinated and conducted by the Ministry of Commerce, the Chamber of Commerce and foreign consultants. A key part of this initiative should be raising awareness of weaknesses within the service sector – such as the overall business environment – and highlighting how these constrain the services sector and how they may be overcome.

Another method of educating officials is to organise study tours to other ASEAN member states in order to exchange ideas on how to successfully implement policies to promote the liberalisation of trade in services. For example, the Chamber of Commerce was keen to learn from Vietnamese policymakers about how they have been able to achieve such a high success rate in ensuring that new businesses do not close down prematurely.

Further, assistance with training of trainers is considered an equally effective way of ensuring that both the private and public sector are made aware of the key issues surrounding the liberalisation of trade in services. By offering seminars by foreign consultants and study tours and exchanges to those responsible for training and educating the next generation of Cambodians to work in and around the services sector, a greater understanding should be handed down, and the quality of service providers and policymakers should be enhanced. Indeed, the Ministry of Commerce lamented that it was difficult to find services experts in Cambodia, since they were typically not highly qualified enough. By improving the skill level of educators in the services sector, this particular problem could be addressed.

Beyond directly educating key stakeholders involved in the services industry, it is recommended that technical assistance and capacity building be offered in the form of studies, undertaken to broaden the understanding of the costs and benefits of liberalisation. Economic impact studies were cited as being crucial in promoting liberalisation among policymakers by the Ministry of Commerce, since such assessments can quantify the costs and benefits of policy changes, thus helping to make arguments in support of liberalisation more persuasive. For example, it was suggested during interviews that there remains little appetite for liberalising mode 4 in Cambodia, and so a study on the impact of liberalising the movement of natural persons could raise awareness of the benefits of doing so. Additionally, a study on the differences between the requirements of foreign and local workers could serve a similar purpose, highlighting the costs of not engaging in further liberalisation.

That said, the quality and timeliness of statistics remains a significant hurdle to conducting any such studies. Although these have improved in recent years, thanks in large part to financial and technical assistance variously provided by the ADB, UNDP, SIDA and JICA, data on services and investment are still largely unreliable and inadequate. As such, providing support to the National Institute of Statistics (NIS) to collect data on services is an area where TA and CB are of great importance. ASEAN should work closely with the NIS and relevant government officials in the following areas:

- Data collection;
- Data diagnosis;
- Improving the statistical system;
- Providing technical training to improve human resources; and
- Providing grants to sponsor the participation of NIS and relevant government officials to attend the OECD seminar on trade statistics in Paris.

While these initiatives address cross-cutting, sector-wide issues, a number of more specific TA and CB activities have been identified from interviews. For example, the Ministry of Labour and Vocational Training identified that it would benefit from technical assistance in establishing a national social security system. A proposal has been sent to ASEAN, but the eventual implementation of a national social security system is an area in which additional help could be offered. In addition, it was suggested that the Ministry of Labour and Vocational Training would also benefit from receiving help expanding occupational health and safety beyond cities and training in labour relations. Meanwhile, the Board of Engineers requested assistance in establishing an institution of engineers for the private sector in order to improve architectural services. This should include helping to establish a framework to identify qualified engineers via interviews, examinations, etc, and educating the private sector of its merits.

3. Indonesia

(i) Overview of the economy

The services sector grew on average by 7.1 percent in the 2001-2010 period. Services sector also accounted for 40 percent of GDP in the same period. However, care is required with such statistics as the services data is far from sufficient and too aggregated. Bearing this in mind, the aggregate services data revealed that transportation and communication sector is leading the growth in the services sector. It grew at an average of 12.9 percent in the 2001-2010 period. Meanwhile, Indonesian migrant workers' remittances grew by US\$1.05 billion in 2001 to US\$6.6 billion in 2006. The remittances mainly came from Indonesian workers in Malaysia and Saudi Arabia, with a share of total remittances in flow in 2009 from the two countries approximately 69 percent. Malaysia, Singapore and Brunei Darussalam are other ASEAN countries that also contributed to Indonesian migrant workers' remittances. The remittance from Singapore increased almost doubled in term of value and nearly triple in term of its contribution in total Indonesian migrants workers' remittance. Currently, there are 4.32 million Indonesians working abroad in 2010, with more than 75 percent of them working as domestic helpers, in the manufacturing sector, plantations, construction or retail.

Despite the promising developments, some hurdles still remain. Even though economic policy uncertainty, macroeconomic instability, tax rates, and corruption at the national level have gradually eased, some persistent problems, such as poor quality of infrastructure, labour issues, bureaucratic red tape, and onerous regulations for business remain as a huge problem to the private sector. Local investment agencies vary in their capacity and decentralisation of power has produced unequal policy application. The restriction on foreign equity is still apparent, although the passing of the 2007 Investment Laws and the provision of the Negative Investment List has provided better transparency and streamlining. However, the List has either added new level of restrictions, or increased restrictions for many services sectors.

Indonesia's service liberalisation approach is through investment, rather than regional and multilateral negotiation or regulatory reform process. The main focus is on developing a negative list of investment to guide the liberalisation; the so-called 'backdoor policy'. To avoid any

backlash and gain support from the private sector, the government did not state clearly that it intended to liberalise services, only that it intended attracting investment to build the services sector.

Indonesia's negotiation strategy in services followed the so called a 'multi-track' strategy, i.e. multilateral, regional, and bilateral. This approach can be observed from Indonesia commitments in WTO, FTAs, ASEAN and APEC agreements. Indonesia's commitments in AFAS are marginally better than those under GATS. In addition to GATS, Indonesia has signed seven MRAs in ASEAN. However, progress of reform in the services sector remains slow. Several sectors in the services are practically closed to foreign competition, particularly in legal services and healthcare. Meanwhile, Indonesia's success story in the telecommunication sector is hampered by the unpredictability of the regulatory regime. A way to push the reform effort forward is through capacity building and technical assistance.

Government officials still need substantial knowledge on trade in services. They need to be informed of the current situation in the services negotiation, whether it is bilateral, regional or multilateral. In addition to that, the government needs an upgrading the quality and the quantity of the persons who are working in the services sector negotiation. While each sector in the services has its own unique problems, there are several common issues, such as the low awareness of AEC in the private sector, local regulation that inhibits the private sector, and the lack of understanding of the benefits and opportunities from liberalisation.

(ii) Priority areas of capacity building and technical assistance

The first priority in capacity building and technical assistance is raising the awareness of the private sector, line ministries, parliament members, and local governments on AEC in 2015. Raising awareness is important in trying to develop enthusiasm from these parties on the potential gains provided by AEC. Secondly, given the size and the complex nature of services in Indonesia, it would be best to focus the attention to what is already in the pipeline and is a common interest in Indonesia. Thirdly, the contents of capacity building and technical activities should be considered. Capacity building and technical assistance programs should focus on practical issues and tools of analysis in policy making. It is also crucial to provide assistance on regulatory impact analysis, particularly important to analyse whether the regulations foster competition or impede it. Another area to focus on is data collection and analysis. Good quality and reliable data is crucial in formulating analysis on the services sector. Most of the capacity building and technical assistance is directed towards central government officials. These activities should also involve parliament members and officials from the local government because they are also involved in setting the regulatory environment in Indonesia.

The methods of delivery can be in the form research, training and workshops, public outreach programs, and trilateral dialogue. Research is required on the costs and benefits of liberalisation, including regulatory impact assessment. Thus, the research activity should focus on domestic regulatory reform and export competitiveness. On export competitiveness, the research should also identify trade and joint venture opportunities within the ASEAN region. Training and workshops should be targeted to government officials, both at the national and regional level. The training and workshops would increase the analytical capability, regulatory capability, and supervisory capability of government officials, which would lead to a better and more predictable regulatory environment. Public outreach programs are vital in increasing the awareness of all stakeholders on the importance of AEC in 2015 and also the benefits from services liberalisation. The public outreach program is intended to convince the stakeholders that the benefits of liberalisation far outweigh the risks. Trilateral dialogues are required with

participants from parliament members/government officials, private sector and also the end users of services. The purpose of these dialogues is to discuss the issues that impede the services sector from going forward, including possible strategies to solve those impediments.

4. Lao PDR

(i) Overview of the economy and services

Lao PDR is a small and sparsely populated landlocked country and remains one of South East Asia's poorest countries. However in recent years the economy has started to grow at encouraging rates, with GDP almost doubling from 2000 to 2009. Lao PDR still relies heavily on agriculture, although this reliance has decreased while other sectors have become increasingly important, notably hydropower, mining, and tourism which allow Lao PDR to utilise its natural resource base. Annual GDP growth has averaged 7.9% (exceeding the target by 0.4%) in the 6th Five year National Socio-Economic Development Plan (NSEDP) (2006-2010); GDP per capita was US\$ 1,087 USD in 2010.

The labour force in Lao PDR is estimated to be around 3.69 million people, with an unemployment rate of 2.5% in 2009. Workers are overwhelmingly employed in agriculture, with over 80% of the population employed in this sector in 2007 and the vast majority of people living in rural areas (ADB, 2009). As a result of Lao PDR tending to trade in low-value added commodities, the workforce remains unskilled. This makes labour cheap, but not to the extent where it can successfully compete with large suppliers such as China, India and neighbouring Vietnam (National Statistics Centre, 2007).

Services sector

In 2004 the service industry as whole grew by 7.3% (ADB, 2005) and this trend has continued with 1.9% of the predicted increase in GDP attributable to trade and services (World Bank, 2010). The upward trend has been caused by increases in retail, banking services, telecommunications, transport and tourism. As the services sector continues to grow it is contributing an increasing proportion of the total value of output in the economy and thus is becoming a more important sector in terms of contribution to value added. Services reached 27.6% of GDP in the 6th NSEDP, and is expected to rise to 38% in the 7th NSEDP (2011-15).

Lao PDR has trade relations with over 50 countries worldwide (National Statistics Centre, 2007), and trade is growing. The World Bank predicted that during the course of 2010, exports in Laos would increase by more than 30% up to \$1.9 billion (World Bank, 2010). A large majority of this trade consists of goods such as electricity, minerals, agriculture, garments and wood, but the services however still account for a significant proportion. Tourism, for instance, in which number of overseas visitors rose by well over 40% during 2001-2006, increased further by 10% within a year from the first quarter of 2009, due mostly to regional tourists (World Bank, 2010).²⁶ Imports have also increased, being estimated to reach \$1.504 billion by 2010 (Index Mundi, 2009). Lao PDR's main imports are goods rather than services, with machinery and equipment, vehicles, fuel, consumer goods being the most important.

²⁶ Incoming tourists have grown at 15.8% annually, or about 1.77 million visitors, and generated annual income of US\$ 261.3 million (equivalent to 5.2% of GDP).

Foreign direct investment (FDI)

FDI is crucial in the services sector, not least because investment will allow skills to be transferred to the rest of the economy over time. Recent investment reforms have helped attract foreign investment. For example, investment in hotels and restaurants has grown from US\$ 245,000 (only two companies/enterprises) in 2001 to US\$ 240.6 million (89 companies/enterprises) in 2010, in banking from US\$ 5.1 million (seven banks) to US\$ 177.1 million (24 banks), and in telecommunication from US\$ 12.9 million (one company) to US\$ 156.2 million (5 companies). Total inward foreign investment rose from US\$ 51.4 million in 2001 to US\$ 13.7 billion in 2010.

However, despite these significant improvements in the investment climate, substantial barriers to foreign investment in Lao PDR remain, especially from widespread informal practices. Further issues in business and finance stem from an underdeveloped legal system which lacks transparency, predictability or well defined regulations, laws and statutes. This means that investors cannot predict the outcome of business transactions or contracts, and are therefore more likely to invest elsewhere due to the perceived 'risky' nature of Laos (Office of the United States Trade Representative 2009).

Despite the many associated issues, investment in services is increasing in most sectors, although it has taken time for this to occur. FDI initially started to increase slowly in the early 1990's, and with the amendment of Lao PDR's investment law in 1994 increased in real terms, correlating with a worldwide increase in FDI. The Global Financial Crisis has affected FDI in Lao PDR and many other developing countries, but it is expected that globally this trend will start to reverse and in the next couple of years FDI will increase. The World Bank predicted that by the end of 2010 FDI would have increased by 5.7% and the amount will return to \$790 million (World Bank, 2010).

The majority of FDI used to be aimed at mining and hydropower, and although still important, FDI has gone increasingly to other areas, including services. The majority goes to tourism, with just over US\$70 million being invested in hotels and restaurants. Telecoms, banking and consultancy also benefit from FDI (US International Business Publications, 2009). The main contributors being Thailand, China, Vietnam, Australia, India, Japan and Korea, with investment from Europe having decreased in recent years. Until recently Thailand remained Lao PDR's primary investor; a position it had held since 1988, but in 2008 its position was overtaken by both China and Vietnam (GTZ 2010).

(ii) Priority areas of capacity building and technical assistance

Lao PDR is still at a low level of development and so the services sector is not playing a pivotal role in the economy of the country. Nonetheless, in order to further upgrade the level of business, it is important that services take their role as engine of the economy and support all the other sectors of the economy. Lao PDR is a landlocked country, with poor infrastructure and a small population compared to both its neighbours and the size of its territory. Nevertheless, Lao is endowed with natural resources and with beautiful sceneries that already attract services consumers in mining, hydropower and tourism. According to the interviews conducted and the reports prepared by other donors, it seems that the most important issues for the development of the services sector are:

Human resources

One of the major problems for Lao PDR is its human capital which is lacking in terms of both quantity and quality. For example, much of Lao's work force is employed in agriculture or as unskilled labour. In order to be granted membership in the ASEAN Community, Lao's labour force must be adapted and reemployed in more diverse and trade orientated sectors. However, this may be a long process, as the work force needs to be trained to a sufficient level, and there must be adequate institutional arrangements and commitments to liberalisation (Leebouapao, 2010). A basic indicator of human capacity as a factor of production is the literacy rate, which is still far below that which would be observed for a country with an adequately developed and skilled labour force.

The lack of skilled human resources is particularly acute in the provinces and in backbone services sectors, such as banking and finance, accounting, legal services, general business and management services. A Skilled and better-trained workforce is also needed in tourism and hotel services, banking, and also vocational trainings, although projects are being implemented by some donors.

Infrastructure

Lao PDR needs basic services infrastructures to attract investment in services. The most important infrastructures are telecom, finance and transport/logistic. The telecommunications sector in Lao PDR is large and ever expanding. The market is currently split between five service providers, and the government holds a stake in each one. Despite growth and technological advances in the sector, Lao PDR still lags substantially behind many neighbouring countries with regard to a number of indicators, even though the provision of basic infrastructure has improved, including the types of roads, electricity grids, irrigation systems, and airports.²⁷ Most phone lines are concentrated in and around the capital, Vientiane, and other urban areas, while the provision for the rural population remains inadequate.²⁸

Financing greatly hinders the development of Lao PDR's economy and the services sector in particular, with only 25% of firms reportedly having access to finance. The major problems are the lack of basic bank literacy among the public and the strict lending policies of banks that render it impossible to get financing. The financial sector is still very underdeveloped and therefore cannot adequately fulfil their role in intermediation. It is also dominated by state-owned firms. There are issues with the banking sector in terms of access, and the total number of bank accounts actually appears to be reducing (IFC 2007). The number of ATMs has increased tenfold, but generally access is very poor even after allowing for low per capita income. Evidence also suggests that banks have been conservative lenders.

The transport system in Lao PDR is thin and spread out, and many people do not have access to roads. The road-freight market however has been privatised and has experienced a resulting increase in competition, with government-owned operators run autonomously on commercial principles. The public passenger transportation system has also largely been privatised, although the bus system is still run by Vientiane Municipal Transport (WB 2006). With regard to air-transport, one government-owned airline operates (Lao Aviation) which carries 0.2% of freight and 2% of passenger transport). Even by poor country standards, Lao PDR makes limited use of air transport, both in terms of freight and passengers (World Bank 2009).

²⁷ Roads have been extended in the past five years from 33,803 kms to 39,568 kms.

²⁸ However, mobile phone service are widely available in Lao PDR according to Government officials.

Regulatory framework

The Lao PDR legal system is still at its infant stage of development and lacks a comprehensive and coordinated legal regime. Each Ministry is responsible for promulgating regulations within its sphere of competence, with little formal legal coordination among regulators, which ultimately results in overlap and conflicts of laws. The poor regulatory system, a heavy bureaucracy and a murky system of adjudication of licenses act as a disincentive to foreign investors, to a de facto barrier to entry and to a discrimination against foreign service-providers. Transparency is a key issue, and one important step in the direction of a more transparent system would be offered by the accession of Lao PDR to the WTO, which requires all Members to establish and maintain a GATS enquiry point to answer all the possible questions on services regulations.

Another issue for the Government is the lack of knowledge among second and middle level officials on basic services policy and negotiating techniques. Government officials do not have sufficient capacity to handle complex negotiations such as those required to enter into the WTO. Furthermore, government officials should be trained on how to negotiate investment chapters in bilateral and regional FTAs, on the legal and economic implications of those instruments and on how to implement the commitments.

Lao PDR suffers serious regulatory problems in important services sectors, such as telecoms, financial services, that still suffer from a weak legal framework and lack of competition.

Regional integration

Lao PDR's regional integration is currently low, but Lao PDR services providers can be integrated with neighbouring countries through improving the transportation system and trade facilitation. This would have an immediate effect not only on goods trade but also on services sectors such as distribution, import-export, and tourism. Although Lao PDR is a land-locked country, it is hoped that it can benefit from the advantage of being a 'land-linked country', as it is located at the centre of Greater Mekong Sub-region and thus can facilitate transit trade. Lao PDR very recently became a signatory of the UN Agreement for Landlocked Countries.

Regional integration requires harmonisation of standards and regulation with neighbouring services providers and an improved transport system. Lao PDR also needs to attract skilled foreign personnel to Lao services sector. This is of particular importance in sector such as legal services, accounting, consulting, architecture, health care. This can be done by Mutual Recognition Arrangements (MRAs), which are the more recent development in ASEAN services integration. MRAs will enable the recognition of the qualifications of professional services suppliers by all the signatory member countries. This will facilitate the movement of professional services providers in ASEAN region and it will allow Lao to receive foreign professionals in strategic sectors (Leebouapao 2010).

Statistics

One of the major challenges for policymaker and researchers is to find reliable and adequate data on services and investment. Indeed, all the reports by international institution such as ADB, World Bank, IMF are based on data collected independently from the government. The most pressing constraint to implementing adequate data collection is the lack of trained personnel with technical knowledge on statistic. Another issue is the methodology with which services data are collected. Statistics and employment by occupation are rarely published or reported. Another issue is the difficulty to collect data in the provinces.

(iii) Methods for providing technical assistance and capacity building

The previous sections have highlighted how Lao PDR's services sector is still in its infant stage of development and is not the central focus of economic planning. Based on interviews conducted with the public and private sector and various reports on the country's services liberalisation process, the most important issues for the development of the services sector include:

- The lack of skilled human resources in services, especially strategic sectors (finance, business, legal, healthcare and tourism);
- The lack or the underdevelopment of basic services infrastructures, despite some improvements, to enable further services growth (transport, finance, telecom) and the poor condition of public services (education and healthcare);
- Difficult investment climate and regulations, and underdeveloped legal/judiciary system;
- Little integration of services sectors with the rest of the Mekong Sub-region countries and with ASEAN;
- Poor knowledge at the government/relevant stakeholder level on issues of international trade/WTO and on issues of services trade; and
- Poor statistics in services/investment.

Services cover many different sectors, from architecture to healthcare. For this reason, it is difficult to suggest strategies that could tackle all of the main problems across all of the sectors. Hence, this report will focus on methods for providing CB/TA to enhance the services liberalisation process and ensure its efficiency. The following are proposed areas of focus for CB/TA activities and suggested methods.

(iv) Technical assistance on trade reforms

Policy (legal, economic) support to negotiate services at ASEAN/WTO and post-WTO accession

The Government needs assistance in basic services policy and law. There currently no TA project focused on services. Projects of such kind can employ foreign consultants to work directly with the government and should be located within the government building in order to facilitate on-the-job training. The project should provide background studies on services, policy/legal memorandum, impact assessment studies, and advices on implementation of the commitments. Training and workshops should be organised for government officials on services policy and how to implement services commitments. It is advisable that the project provides for negotiators to attend all the meetings in Geneva, and in ASEAN countries, including for the exchange of officials within and outside the region.

Assistance in accessing aid-for-trade packages in services

The consultant should work within the government office and train selected officials in applying and negotiate AFT packages, so to maximise the impact of the assistance.

Modernisation of the regulatory framework of strategic services sectors

The project should be tailored for each sector, and the beneficiary should be the specific ministry involved. They should provide feasibility studies, draft laws, impact assessments and any legal and policy support in upgrading the regulatory system of strategic services industries (banking, securities, insurance, telecom, transport, logistic, distribution, energy).

Strengthening integration in the Mekong Sub-region

The project should focus on the policy side as well on the business side. On the policy/legal side the project should assist the government in the negotiation of services and investment within ASEAN and at the bilateral level. The consultants should provide draft law and regulations on each services sector involved, impact assessment studies on the equivalency of regulations between countries, policy suggestions. The project should also strengthen the capacity of the services/investment negotiating team for ASEAN or Asian issues. On the business side consultant should implement feasibility studies, business development strategies, and business impact assessment studies.

Legal support to improve investment climate and regulations

The project should be based in the Ministry of Planning and Investment and should help ease the bureaucracy to get permits and licenses. The project should work at the administrative and at the legal level. On the legal side foreign consultants should advise on drafting of laws and investment concession agreements, the coordination of investment laws, and on improving legal investment procedures. On the administrative side the project should help improve the internal mechanisms to issue licenses/permits, collect taxes, and streamline bureaucracy. Training on anticorruption is also needed.

Support to the General Statistical Office to collect data on services

The project should sponsor the participation of GSO and relevant Government officials to the OECD seminar on trade statistics in Paris and to provide training workshops on the benchmark census. In 2010 the activity aimed at improving the capacity of GSO officials on ITS methodology and to support GSO in organising surveys on trade in services and investment.

Training for Chamber of Commerce and universities on services regulations and on the role of services in the economy

A focus on the business side of services and the courses should ultimately raise the awareness on the benefits of an efficient services sector, on best practices of services development, on how to attract hi-quality services etc. In order to increase the expertise of lecturers/researchers or of relevant officials of chamber of commerce could be conducted joint studies and researches.

Support to universities in establishing business courses and support for students via scholarships to study abroad

Lao education system does not offer any basic business courses on management, strategy, accounting, marketing, English, etc. The support should come in form of grants, funds and joint programmes.

Ease the shift of workers into services

This project should be implemented with the UN (ILO) and should aim at redistributing Lao workforce (especially young) for an increase shift of skilled labour into services industries. The project should fund vocational schools, trainings and workshops, research grants to universities and public schools etc.

5. Malaysia

(i) Overview of the economy

Malaysia is an open economy where its trade is almost doubled its GDP (US\$219 billion, 2010). The services sector accounts for 58% of Malaysia's GDP, and accounts for 20% of its total trade. The government has identified several of the services sub-sectors as new engines of growth in its latest development policies.

Services sector

Overall, the performance of the services sector has been very encouraging. The tourism sub-sector is the largest exporter of services, accounting for 54% of services export. The distributive trade sub-sector is the largest of the services sub-sector, accounting for 13% of GDP, where 80 of the 91 hypermarkets are owned by foreigners. Malaysia is promoting medical and health tourism, where exports grew by 21% in 2009. As for ICT, much of the project investments are undertaken by foreigners. As for business and professional services, the record has been mixed. In other sectors, not covered in this study i.e. Air Transport, Education and Construction, Malaysia has had a good record of export of services. Cumulative FDI flows into the services sector increased from 15% in the 1990-1999 period to 37% in the 2000-2009 period.

In so far as services liberalisation is concerned, Malaysia has undertaken several measures. Unilaterally, it has announced the liberalisation of 27 service sub-sectors. Regionally, AFAS is a priority area for Malaysia. Still actively engaged with WTO-GATS, Malaysia has submitted its offers for the latest round of negotiations. Services have been included in several FTAs, and Malaysia is in discussions to enter the TPP. Nonetheless, preference is given to AFAS compared to the others in the form of higher foreign equity, for example.

(ii) Priority areas for capacity building and technical assistance

Recognising the complexities involved, a Cabinet Committee on Services Liberalisation (CCSL) has been set and a Services Sector Capacity Development Fund (SSCDF) launched to accelerate the pace of liberalisation. A National Committee on Investments in the Services Sector (NCIS) has also been set up to coordinate investments into Malaysia. A Professional Services Development Corporation (PSDC) was set up about 10 years ago to build the capacity of the professional services workforce for the export markets. In terms of policies, the New Economic Model (NEM) seeks to reprioritise its economic transformation that is in line with the changing international context.

Institutions were surveyed to assess the status, issues and problems, and potential areas for capacity building to advance services liberalisation. Several key issues were identified relevant to Malaysia: regulatory reform, competitiveness, human resource, and finance.

Institutional reforms

With regards to regulatory reform, the main issues are the laws and regulations that are obstacles to liberalisation, institutional rigidities in removing them, the need to ensure effective management of competition and efficiency is still in place, and develop an integrated, coordinated approach to the reforms.

Competitiveness

With regards to competitiveness, the key issue is to be able to provide assistance in designing or revamping policies that ensure a level playing field in the various sectors. Local professional

services firms are apprehensive about the foreigners' access to the Malaysian market and have sought the government's help to protect local firms and professionals. Those that have ventured overseas highlighted the issue of hidden costs in entering foreign markets and that protecting the local market is still the safer route. Of course, one is constantly reminded that the majority of firms are SMEs that are unable to compete as they are small and poorly capitalised, and did not have the technology or resources of potentially large corporations that would benefit once local markets open up. This group is large and their issues are pervasive.

Human resources

On the issue of human resource, the key issues are: building government's capacity to understand the impacts of liberalisation on local firms and for the economy, the costs and benefits of regulatory changes, to analyse the multiplier effects and how they might ripple through the economy, examine potential export of services, etc. For instance, the central agencies could target at the macro-economic aspects, while the ministry/agency level to focus sectoral aspects, and areas of social conflict with development policies, etc. Strengthening institutions in a coordinated manner to advance the case of liberalisation is also important. Finally, human resource development at firm level is also important and the focus of capacity building could be to raise awareness but also to be able to enhance understanding by sharing case studies and examples of industries and firms that have benefitted from liberalisation.

Finance

Finance would be critical in several areas. Financing of capacity building programmes is certainly important in the areas mentioned above. Also important is perhaps a Fund for developing private sector partnerships across the AMS, i.e. to reduce the cost of doing business, and build corporate ventures especially among the SMEs. Governments have a responsibility to help both their own institutions as well as their local firms but cross-border business tie-ups could help build regional and perhaps stronger corporations that could survive global competition.

Two public goods issues surfaced in Malaysia: (a) statistics, research and experience about potential impacts are needed as governments or institutions advocate for services liberalisation, and they can also be advised on key actions to take; (b) the issue of technology and innovation: it is a critical and crucial means to improving the capability to compete and in offering new services and products. An assessment of technology roadmaps is needed to show how the competition is moving and how firms can take advantage of new and improved technologies. Developing this body of knowledge and sharing it in the public domain would help gain support for the liberalisation process.

With regards to recommendations for Malaysia on meeting its declared objectives in AFAS by 2015, the current emphasis of prioritising actions to review the regulatory provisions within the services sector should be continued if not accelerated. However, we also suggest a capacity building programme for government so that they are able to consider services liberalisation in a wider perspective, particularly to help develop the sectors so that they become more competitive and are able to compete better. To do this, an institution should be given the task with sufficient resources to enable it to do its work (if not PSDC, then INTAN). Raising the awareness of firms and governments is another priority area. Finally, the emphasis given to stakeholder consultation and discussion should be continued, and in adopting a more inclusive approach on this regard.

With regards to recommendations, particularly with respect to ASEAN level initiatives, three have been identified. First, a Fund to facilitate private sector partnerships is recommended, especially among similar size firms, SMEs for instance that could benefit from an enlarged regional market and to compete against multinational companies from other countries. Second, a Resource Centre is proposed to conduct research on impact of liberalisation, collect statistics and more importantly to provide information to firms so that they have the requisite information to invest in member countries or in the case of governments, how they went about in their sectoral transformation process or to provide documentation for successful cases in services liberalisation. All these actions would advance the case for services liberalisation. OECD or the research component is a model for such a resource centre. Third, a dedicated programme on capacity building to assist AMS with services liberalisation is needed. Malaysia's requirements for advancing services liberalisation needs a specific programme that is suited with the issues and problems. Detailed elements of this are discussed in the final chapter of this report.

6. Myanmar

(i) Overview of the economy and services

Economic growth for Myanmar depends on improving the climate for private sector development, progression towards financial reform such as exchange rate unification, and vastly strengthening and liberalising the services sector where politically possible. Myanmar's Fourth Short-Term Five-Year Plan (FY2006/2007–FY2010/2011) aims to target a growth rate of 12% per year, and focuses on agriculture and the extraction of natural resources heavily as the main revenue maker (ADB Country Profile 2007). The upcoming Master Plan can however be expected to also show more focus on services as a growth sector, in order to achieve the same sort of swift and steady economic growth as other successfully services-reliant ASEAN member states.

In terms of trade, China and Thailand both support trade in the country to a large extent. Although trade figures are on the whole reasonably healthy, these are dominated almost entirely by trade in goods, and could be much higher in both goods and services.

Services sector

In the past ten years the trade in services balance as a percentage of GDP has averaged 0% (ADB Key Indicators 2010). In fact Myanmar is the only country whose services industry has dropped in terms of GDP over the last thirty years. We are however able to identify a gradual and slow growth in most service sectors, with the exception of financial institutions for obvious political and institutional reasons. This appears to be at odds with the previous data displaying Myanmar's flagging services industry, but the high proportion of these services which are controlled by state-owned companies (in the case of Communications for example, at least until recently) masks the amount of trade going on in certain service sectors.

While the transportation and communication sector contributions have expanded to many times their size, financial institutions have experienced only a modest increase. There are a number of reasons for this stagnation; foreign currency restrictions, credit limitations and dual exchange rates are all holding back the financial sector's development. The communication sector is still entirely state-owned (except in terms of communications hardware, which has been liberalised), which protects its growth pattern to a large extent – but it is transportation which has seen the largest increase, partly because its relative openness allows it the opportunity to grow faster than other sectors.

Myanmar's increasing reliance on the services sector, has risen dramatically from 1999, when it provided only 3% real value added, to a high of 16% in 2007. Although there has been a marked drop off in recent years with the effects of the global economic crisis and Cyclone Nargis, yet what services contributes to value added still remains a significant part of Myanmar's GDP, and will certainly expand further.

There was a demonstrable change in the value of the exportation of services between 2006 and 2007, particularly in comparison with Cambodia. This would indicate that Myanmar is trading vigorously and increasingly with other AMS in terms of services, and indeed since the inception of 1988's open door policy, Myanmar's trade pattern has drastically regionalised, strengthening trade relations with its neighbouring countries (particularly China and Thailand).

Foreign direct investment (FDI)

FDI inflow patterns over the past decade indicate a cautiously growing confidence in Myanmar as an arena for foreign investment.

In the past financial year (April-June 2010), Myanmar has approved several major foreign-invested projects, the large majority being in the oil and gas sectors by Hong Kong and China-based investors. FDI approvals totalled almost US\$10.5bn, compared with approvals of just US\$2.2bn in the previous four years combined. (EIU 2010, p.14) Actual FDI inflows are however typically well below the level of approved FDI contracts, generally as a result of circuitous contractual arrangements and difficulties with foreign currency arrangements, among other reasons. Furthermore, there have been very few substantial foreign investments in the services sectors excepting a few large investments in the hotel industry, as most services sectors are not fully liberalised in terms of foreign investment.

(ii) Priority areas of capacity building and technical assistance

Human resources

The problem of 'brain drain' and a lack of training at the appropriate level are the main human resources obstacles to the improvement of Myanmar's services sector.

At present Myanmar's reliance on trade in goods and resources for revenue and the country's onus on agriculture relies on cheap labour. Nonetheless, if Myanmar wants to make the switch to a modern knowledge-based and service-based economy it needs to upgrade the quality of its workforce.

Technology

Technology infrastructure is in need of massive upgrades, and Myanmar is still one of the lowest countries in the world in terms of internet usage. These technological issues, as well as the nature of the telecommunications sector as one of Myanmar's most sensitive sectors, all present difficulties in terms of research and communication that are vital for services liberalisation across the board.

Financial

The financial sector is a large obstacle to the country's aims of liberalising trade in services. As a whole, the private sector has insufficient credit to grow, particularly after revisions to regulations after the 2002-2003 banking crisis, and state-owned banks have a large foothold in the banking

system (Reiffel 2010, p.4). There is a general lack of confidence in the banking system, and the complicated financial sector has in many areas held back the expansion of trade in services in Myanmar.

Private sector-government dialogue

The private sector is not formally contacted as part of the socioeconomic planning process for five year plans and Master Plans in Myanmar. There are however a strong network of Associations and bodies such as the UMFCCI whose role is to organise and rationalise the private sector, and to be a means of communication with the government. While these bodies are often fully aware of their needs and priorities, our findings show that both the private and public sectors are often restricted in their actions because of a lack of formal research and training facilities that would help bridge the gap between the two. A general lack of transparency in policy planning results in unclear implementation and sluggish reform, an area for attention in Myanmar's continuing push towards liberalisation.

Implementation and enforcement of policies, rules and plans is the most challenging of tasks facing the Government. As in many countries, agencies lack the necessary structures, skills and experience to do so effectively.

Political economy constraints

It is clear that the private sector is driving economic growth in some sectors, most notably agriculture (*UMFCCI 2011*). However on closer inspection we can see that particularly in certain service sectors (i.e. telecommunications), privatisation and foreign investment are still not an option, and whole sectors are entirely protected, even if under a veil of privatisation measures. This is a result of deep rooted political economy constraints that it will take the newly elected government several years to address.

Myanmar's institutional set-up means that, as in most AMS, many and diverse line ministries and agencies manage the services sector. In addition to governmental agencies, organisations such as the UMFCCI seek to rationalise and support trade activities. Each service sector reports to several ministries (the tourism sector for example is managed by the Ministries of Tourism, Foreign Affairs, Home Affairs and Immigration), and each ministry naturally has different ideas about the management and development of the services sector it is responsible.

Statistics

The complete lack of data on services before 2008, and the absence of any harmonised data collection system either within government or through an external agency is surely one of the biggest challenges Myanmar faces in terms of building up a picture of its service sectors and where they are going. Furthermore, donor or NGO data gathered is generally not for public dissemination, and although as far as possible government data sticks to UN standard classifications and attempts to collate data submitted by each individual ministry, this is often disparate and patchy as a result of the size of the country, the number of sources from which data is obtained, and its lack of supporting infrastructure. As the statistical system is decentralised, each department or ministry collects data, often not in harmony. This causes obvious problems, despite efforts to collect all data according to UN guidelines.

(iii) Methods for providing technical assistance and capacity building

Given Myanmar's difficult and shifting political situation, the obvious starting point in terms of recommendations for this country is in the support of domestic reform processes through the strengthening of non-state representative organisations. This strategy is at odds with some interviewee responses, who point out that 'the private sector is the driver of economic growth in Myanmar. Therefore, capacity building both within the government and the private sector is the key to Myanmar's future economic prosperity', and also that 'it is preferable if research is done by and internal national institute, especially in sensitive sectors, so the truth can be told' (*UMFCCI interview*). For this reason technical assistance should focus on non-state representative organisations that will be able to create advocacy and lobbying platforms for governmental and institutional reform.

Comprehensive mapping of all associations

The services sector could benefit most basically from detailed and comprehensive mapping of all associations, in order to rationalise their connections with each other, with consumers and producers, and with the government at every level. The UMFCCI would be in the best position to undertake this task. Research activities to thoroughly scope out the services sector and add some sectoral detail should act as a preliminary step to diagnosing what specific projects are needed, and as well as a preliminary general services sector study, there should be some specific sector analysis to highlight specific short- and long-term needs. It can be hoped that the upcoming 2011 UNDP development policy papers in 14 sectors will shed some light on the services sector, yet these will certainly not cover all relevant sub-sectors in appropriate detail. These 'maps' would in turn inform a qualitative assessment of relevant linkages between services and could be used as jumping off points for value chain studies, which would be of specific use in contributing to the creation an e-ASEAN Master Plan.

ASEAN/WTO commitment awareness programme

Several interviewees complained of being unaware of what commitments have actually been made by Myanmar in terms of services in WTO as well as ASEAN, and to what extent they are being met. Indeed the private sector was considered by one interviewee as 'largely unaware' of ASEAN commitments, an obvious difficulty if Myanmar is to successfully follow necessary unilateral reforms. This problem is partly related to the inefficient transmission of knowledge and information between private and public sectors. Physically, government and private sector communication has the potential for disconnection, as Nay Pyi Taw is 300 kilometres down the super highway to the centre of commerce, Yangon. Sluggish and over-complicated communication channels mean that the public and private sectors are not working in accord, and a revision of the bureaucratic process behind governance and business could do with some revisions to avoid the misunderstandings of the issue that sometimes arise on both sides.

An ex-ASEAN interviewee therefore posited that awareness programmes (indeed, all capacity building workshops and training sessions) should include both private sector actors and high-ranked government officials. Currently much capacity building in these sectors is mutually exclusive; if they were brought together then these CB activities could then be used as less easily ignorable basis for reports and other lobbying tools to be presented to the government.

Impact assessment studies on services liberalisation

This was highlighted in several interviews as the first step towards improving services liberalisation in Myanmar. Studies undertaken by associations or institutes such as the Yangon

Institute of Economics to assess the costs and benefits of liberalisation on relevant services sectors, or a research project measuring the precise costs to business of inefficient services, could be the first step in lobbying relevant government actors for change. Myanmar particularly needs focused technical assistance in this area, as there are currently no formal research institutes in the country.

There are however certain informal research groups in Yangon, one run by the UMFCCI and another in the Yangon Institute of Economics, who cooperate closely with ERIA (Economic Research Institute for ASEAN and East Asia) to produce ASEAN-centric research papers. There is also a solitary ‘think tank’ of sorts functioning in Myanmar - Egress - but on the whole the members of these organisations do not have the time or resources to produce the rigorous analysis needed. Support therefore in rationalising and strengthening these institutions, or in actively supporting and up-scaling organisations such as ERIA and IDE-JETRO’s (Institute of Developing Economies–Japan External Trade Organisation) research activities could be helpful.

Although impact studies would prove useful, they are nigh on impossible to conduct with the current statistical hurdles Myanmar faces. In discussion with one official from the Ministry of Communication, he pointed out that although a post-EIM 2015 Master Plan is in preparation, it has ‘already been given up – too difficult, it can’t be done because it is very difficult’.

Pure impact assessments require large amounts of pre-existing data and replicable models, even before the difficulties surrounding existing policy restrictions are encountered once an impact study is received. A possible solution could be conducting more qualitative studies assessing linkages between services; and any of these options should provide a focus for donor support. A respondent from the Central Statistical Organisation asked specifically for on-the-job training for his staff in collecting services data in order to address the statistical hurdles to impact assessments.

Concrete committees

An important obstacle to liberalisation, which cropped up several times during research, is the confusion and lag created by the complicated cross-over of ministerial responsibility for respective sectors. There are, for example, currently four ministries dealing with the tourism sector (namely, the Ministries of Tourism, Foreign Affairs, Home Affairs and Immigration), which means obvious frictions and delays. A possible solution suggested by members of the Travel Association could lie in supporting and sustaining the creation of a ‘Myanmar Tourism Promotion Board’, whose object would be the consolidation and harmonisation of input from all four ministries to aid smoother processes and communication. This could in turn be replicated in other sectors. In the same way, the construction of a Myanmar Consumers Association would provide agency and a means of information dissemination which consumers and traders are currently lacking.

Standardised recognition of accreditation

There are very few sectors that support a standardised recognition of accreditation, and Mutual Recognition Agreements do not generally function in any practical sense in Myanmar, so narrowing the gap between training, certification and accreditation would be useful. One means of doing this could be via the associations; the Engineering Association, for example, has started its own accreditation initiatives which its members hope could be nationalised in the future. This scheme needs technical and financial support, and is theoretically replicable in other sectors.

(iv) Conclusion

Myanmar's services sector is in obvious difficulties. It is the only sector in the region which is in fact declining - services accounted for 40.8% of GDP in 1980, which figure dropped to 36.7% of GDP in 2007. This figure forewarns of the continued economic stagnation Myanmar will suffer unless it receives focused technical assistance that is individualised to the country's specific needs.

This assistance should aim to address two areas. Firstly it should provide practical and efficient capacity building that can work within the political and economic strictures currently present. Secondly, it should supply technical assistance for research and studies which could enable associations and other organisations to lobby for institutional change.

When considering what capacity building activities would be appropriate in the context of Myanmar's languishing services sectors, we must always be fully aware of how very different the political and institutional environment is in comparison with its fellow ASEAN member states. The institutions (i.e. Associations, UMFCCI etc) that would normally offer service providers agency, research and capacity do not have the same clout as those in other countries. Channels of communication between the government and private sector are muddled and over-complicated, and could do with some revision and rationalisation.

The procedures and legislation that would normally encourage confidence and investment in the services sector by foreign and private actors are largely absent in Myanmar, potential investors and traders instead having to battle against convoluted business procedures and huge obstacles to trade such as the deeply obstructive foreign currency legislations resulting from the economic sanctions imposed by the west, as well as a multitude of others.

For these reasons, it is important that ASEAN and donor funding and capacity building activities give Myanmar specific, individualised and focused attention, over and above its CLMV and regional neighbours. Country partnerships and technical assistance from foreign experts should be encouraged wherever possible in order to lift Myanmar from its flagging economic situation.

Although 'ASEAN's potential to help Myanmar's post-election government accelerate the pace of economic integration with its regional partners should not be discounted' (Rieffel 2010, p.9), at the same time it must be remembered that Myanmar is a special case in terms of ASEAN member states, and should be treated as such.

7. Singapore

A European Commission-sponsored study concluded that the total potential gain to the Community as a whole from the completion of the single unified market would be approximately ECU (European Currency Unit) 200 billion (expressed in 1988 prices)(Cecchini 1988). This ECU 200 billion would add approximately 5 percent to the Community's gross domestic product.²⁹ A similar study done recently by Petri et al (2010) found that the benefits for the proposed ASEAN Economic Community (AEC) could raise the economic welfare of ASEAN by 5.3 percent, equivalent to raising real income by US\$69.4 billion.³⁰

²⁹See Cecchini (1988) "The Costs of Non-Europe" Brussels, European Commission.

³⁰ See The Economics of the ASEAN Economic Community' by Petri et al (2010) http://www.american.edu/sis/aseanstudiescenter/upload/Brandeis_WP13.pdf (Accessed: 19 Apr 2011)

Since the 1990s, Singapore has taken a more positive and proactive approach towards ASEAN, including being one of the most vocal leaders in ASEAN, in promoting merchandise and services trade liberalisation within ASEAN and working towards the AEC 2015 goal. Singapore stands ready to consider providing more funding for technical assistance programs to the other ASEAN members as well as training in specific courses as requested by ASEANSEC or other ASEAN members under the Initiative for ASEAN Integration (IAI).

Singapore adopts a multi-faceted approach in trade liberalisation: multi-lateral, regional, bilateral and unilateral. For instance, Singapore participates actively in WTO committees and the Doha Round of multilateral negotiations. Singapore is also actively negotiating the Trans-Pacific Partnership (TPP) agreement; the TPP consists of nine countries namely Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, United States and Vietnam.

This research study finds that as far as the Singaporean government is concerned, Singapore has contributed a tremendous amount of effort and resources to try to make the AEC 2015 successful; Singapore is likely to be the only country that is able to meet all its AEC targets and promises either on time or early. The country stands ready to further assist fellow ASEAN members in areas that are feasible for future technical assistance. As far as businesses are concerned, the vast majority of businesses interviewed have little or no collective interests in ASEAN or the AEC 2015 concepts as a whole. More specific capacity building activities could be targeted at businesses to convince them on the benefits of the AEC 2015.

The feedback from the business associations, individual professional businesses and government agencies surveyed in this study pinpointed that (intra-ASEAN, outside of Singapore), there exist high and often irregular transaction costs that affect services trade; these high transaction costs almost always arise from the many uncertain policy measures, uncertain administration of the rule of law and other ad hoc and irregular regulations, which cannot be improved unless being acted upon with determination from the respective ASEAN members. Specific capacity building activities could also be targeted at these countries on rule of law related issues. Such irregular transaction costs evolve because the basic wages of public officials are often low, enticing these officials to seek alternative sources of additional income through unlawful or corrupt means. In spite of the common complaint from businesses based in Singapore (both domestic and foreign) that business costs in general have risen over the years in the country, Singapore is still a very attractive and competitive business location due to the fact that there is certainty in the administration of the rule of law; there is little corruption and other hidden transaction costs are basically non-existent; businesses and trade regulations are easy to follow; and the quality and the way of life for work and family are very good, in comparison to other ASEAN countries. Fellow ASEAN countries could understudy Singapore's situation and adopt useful lessons relevant for them.

(i) Priority areas for capacity building and technical assistance

More marketing activities could be targeted at ASEAN businesses to convince them on the benefits of the AEC 2015, including convincing businesses in Singapore. More roadshows/programmes would help convince people and businesses to 'Think-ASEAN'.

High and irregular transaction costs affect services trade; these costs often arise from uncertain policy measures, uncertain administration of the rule of law and other ad hoc and irregular regulations. Capacity building activities could be targeted on agencies dealing with the rule of law areas.

Public servants in ASEAN ought to have their salary structure linked to job performance and subjected to a fixed basic pay component plus a variable performance component plus a variable economic growth component structure to motivate people to work harder and honestly. Irregular transaction costs are prevalent in many ASEAN countries because the basic wages of public officials are often low, enticing some officials to seek alternative sources of additional income through unlawful or corrupt means. The basic pay component could be at a level acceptable for minimum subsistence and the other two variable components revised and set annually in accordance to the work performance and economic growth of the country. Singapore could be asked to help provide specific technical capacity guidance on this.

ASEAN members should consider allowing freer inward movement of skilled people in search of work and investment. Mode 4 movement ought to be made easier for professional service providers wanting to work intra-ASEAN (as voiced by businesses in Singapore).

Government strongly support internationalisation of worthy firms, including promising SMEs

Promising ASEAN companies with good potential should be assisted to expand overseas relatively early in their growth cycle. The Singapore Government's three key strategies to promote investments, merchandise trade and trade services growth are: (a) making Singapore a regional business hub; (b) re-positioning existing industry clusters and grow emerging ones; and (c) pursuing productivity-led growth. These three strategies if done successfully can help stir growth opportunities in ASEAN. Other ASEAN countries could be given specific capacity training in learning how to achieve these three strategies. Numerous regional business hubs could be set up within ASEAN.

Singapore takes a three-prong approach, firstly multilateral, followed by bilateral and finally unilateral going all out on its own if the two former approaches fail. Other ASEAN members could consider adopting a similar approach though unilateral liberalisation has been shown to deliver over two-thirds of the benefits of trade liberalisation. More capacity training in this area could be helpful.

ASEANSEC (Information)

There is not enough knowledge in the business sector to act on initiatives for economic integration. Issues pertain to access, understanding and socialisation. The ASEAN Secretariat is requested to provide a user-friendly, up-to-date and navigable website. A business portal on the website, with languages and format useful for businesses. Studies undertaken by the ASEAN Secretariat on various topics of regional economic integration should also be provided on the website.

ASEANSEC (Implementation)

This is linked to the information challenges, as businesses cannot make decisions without the necessary and sufficient information to act upon. Additionally, businesses need to have a stronger role in the process, so as to prevent slippages in implementation. Making balance scorecards available to business stakeholders would be useful. To assist businesses assess implementation issues, an ASEAN Business Policy Implementation Centre – independent of governmental processes – should be established

ASEANSEC (Competition)

Currently the ASEAN Member States are in competition with one another for a share of the global market. This has implications for how ASEAN sequences its investment and trade liberalisation schedules. ASEANSEC will need to clarify how integration of the 12 priority sectors is being undertaken.

Singaporean businesses are also concerned on the type of mechanisms in place for areas for which there are no existing dispute settlement mechanisms; how ASEANSEC would help resolve unresolved disputes - Establishment of an ASEANSEC Investment/Commercial Court/Capacity building on dispute settlement mechanism needs to be in place intra-ASEAN.

8. The Philippines

(i) Services sector

The Philippine economy's output structure is characterised by a relatively large services sector. Currently, its average value added share stands at around 48 percent with wholesale and retail trade constituting the bulk of the total. Services have also become the largest provider of employment in recent years contributing about 48% on the average. Average services exports grew by 25% from 2006-2010 with computer and information and other business services becoming our new important export sources. The country is also the fourth largest remitting country in the world with remittances reaching US\$ 18.7 billion in 2010. In terms of FDI inflows, however, the country has lagged behind its neighbours.

Beginning in the late 1980s, the Philippines has pursued unilateral services liberalisation. The first wave of reforms started with the opening of the power generation sector. In 2001, the Electric Power Industry Reform Act (EPIRA) restructured the industry by allowing competition in generation and supply and regulating transmission and distribution. Another wave of reforms occurred in the early 1990s with the liberalisation of the telecommunications industry. Shipping and air transport were also liberalised along with water, financial and retail trade. In general, these reforms were crucial in introducing competition in these key sectors and in disciplining incumbent monopolies. Deeper reforms are still needed particularly in creating appropriate regulatory framework, strengthening institutions, building supportive infrastructure and enhancing overall policy coordination and coherence.

Through the ASEAN Framework on The Trade in Services (AFAS), the Philippines has committed to liberalise various sectors including air transport, maritime transport, construction, financial services and telecommunications. The country has also signed 7 Mutual Recognition Agreements (MRA) in engineering, nursing, architecture, land surveying, medical, dental practice, and accountancy. However, due to Constitutional restrictions, limitations on market access and national treatment are still imposed and foreign-service providers continue to be subject to limits on equity participation, participation in the Board of Directors, acquisition of land and practice of professions. Due to these fundamental legal constraints in the Philippine Constitution, the progress of services liberalisation has been modest compared to trade in goods.

(ii) Obstacles to services liberalisation – horizontal and sectoral constraints

The survey highlighted the Constitutional and legal constraints to the liberalisation of services in the Philippines. Article XII, Sections 2,3, 10, 11 and 18 are the primary provisions affecting Mode 3 (foreign investments) in particular. In terms of Mode 4, the Labor Market Test as stipulated in Article 40 of the Labor Code is a prerequisite for legitimate alien employment in the country. The other key constraints and issues identified include:

Competitiveness/productivity

The private sector's perennial complaint is the high cost of doing business in the country, inadequate infrastructure and governance problems as affecting their competitiveness, efficiency and productivity. To improve the country's overall investment climate, the government needs to immediately focus not only on inadequate infrastructure but also on the country's low institutional quality, corruption and inefficient bureaucracy that continue to constrain doing business in the country.

Institutional/regulatory issues

The coordinating system for trade in service is inefficient and characterised by institutional failures such as turf mentality among government agencies, lack of appreciation and capacity for trade research that should inform negotiating positions; unclear delineation of authority; and lack of suitable mechanisms for consultation and feedback on negotiation progress and impact. (Pasadilla 2006) One private sector leader sums it up: 'government has not done enough to align positions of various sectors along the national interest'. The threat of regulatory capture extends not only to the functions of regulatory agencies in the executive branch but also to those exercising legislative and judicial functions such as the promulgation of laws and judicial decisions that expand the scope of government.

Communication to/from public sector

Another major constraint is the lack of awareness and appreciation of the key stakeholders of the benefits that these reforms will bring. Among the bureaucracies involved in the process of liberalisation, awareness is very low and for many private groups and organisation there is almost 'zero knowledge of AFAS, MRAs and MNP' as one government official described it. The private sector seems to have a negative perception that ASEAN can effectively implement all the agreements it had forged. As stated by a private sector leader and former government official 'ASEAN itself is the biggest violator - they release pompous statements but usually are short in action; the members' tendency is to take care of their own backyard'. There is also insufficient mechanism for the government to engage not only the private sector but also civil society groups.

Economic impact

Findings from the interviews point out the lack of a comprehensive trade in services liberalisation strategy. The main difficulty in crafting such a comprehensive plan is the diversity of sectors involved and the convening of a variety of stakeholders not only among government but also within the private and civil society sectors. For more precise information and empirical based policy-making, there should also be reliable and available statistics and studies on the services sector. Unfortunately, this is another constraint for the country. Aside from this, analytical studies on the services sector especially on sub-sectors are relatively scant.

Human resources

It has also been observed that key agencies like NEDA and DTI need to recruit more staff members who are capable and competent as the various responsibilities in the process of trade in services liberalisation increase - from negotiations, technical studies, coordination, advocacy and

information dissemination. They have been constrained by the recent rationalisation program of government which prohibit agencies to hire new people. It has also been difficult to maintain good people in government because of their relatively low compensation and vulnerability to being pirated by the private sector and donor organisations.

Financing

Respondents also highlighted the importance of providing resources for various activities deemed important in the process of trade in services liberalisation. These include funding for capacity building, coordination and networking and grants for conducting studies and generating consistent and readily available statistics for the government and the private sector. Most important is financing for ‘safety nets’ i.e. to support alternatives for potential losers in the transition towards liberalisation. For long run considerations, financing for research and development (R&D) may also be needed to promote innovation as private sector funds are usually insufficient in this area. Unfortunately, much works still needs to be done to reach adequate financing for these activities.

Sectoral issues and constraints

For Wholesale and Retail Trade, foreign ownership is still restricted for small enterprises. It was also only recently that the Supreme Court (SC) upheld the constitutionality of the Retail Trade Liberalisation Act of 2000 or Republic Act No. 8762, a decade after it was questioned by lawmakers as supposedly being anti-Filipino. In terms of Tourism, the opening up of air transport is still a key concern even if though President Benigno Aquino III signed two Executive Orders that will liberalise air transport services in areas outside Metro-Manila as the implementing rules are still being drafted. In terms of Medical Tourism, a key ingredient for the success of this sector is openness towards medical professionals in the target markets to practice in the Philippines. In Legal Services, the Philippines only allow citizens who are residents and who acquired legal education in the country to practice the legal profession. For Healthcare in general, there has been rapid migration of doctors and nurse in recent years and fears of the local healthcare system collapsing. There are also fears in terms of the development of a 2-level health system which may crowd out local patients & divert resources to service foreigners as the health care system is opened up.

(iii) The need for capacity building and technical assistance

It is evident from the above that there are clear gaps in the capacity of national agencies and regulators to effectively implement the country’s services liberalisation commitments. The different agencies do not have the financial resources and the technical capability to conduct in-house research to prepare comprehensive strategies, cost-benefit studies and adjustment policies on liberalisation. Apart from institution-building, capacity strengthening is needed in trade research and strategy formulation; information, awareness and advocacy campaigns; as well as in basic services trade courses designed for regulators and lawmakers as well as for civil society groups. The table below lists the various capacity building and technical assistance needed to facilitate trade in services liberalisation in the country.

Capacity building and technical assistance needs

- An over-all trade in services strategy as part of a more comprehensive trade strategy;
- Roadmaps for the various sectors and sub-sectors;
- Enhancing current coordination mechanisms among government agencies and between

government agencies and the private/civil society sectors especially in terms of consultations toward the negotiation processes and stances;

- In depth studies on the costs and benefits of liberalisation on the sectors and sub-sectors;
- Information dissemination, education campaigns and awareness raising for key stakeholders in every sector and sub-sector;
- More systematic data collection and management for the services sector;
- Building constituencies that will promote liberalisation reforms in the various sectors and sub-sectors;
- The need to further strengthen and enlighten regulatory agencies;
- Advocacy campaigns highlighting the benefits that will ensue for the country upon liberalisation;
- Assistance for adjustments during transition towards liberalisation;
- Improvements in the competitiveness and efficiency of the private sector;
- Capacity building and training programs for negotiators; and
- Market linkages and technology transfer for the private sector

(iv) Conclusions and recommendations

Trade in services is an important component of the country's development path. Developing an efficient services sector is also crucial given its inherent linkages with manufacturing and agriculture. The development of a competitive services sector would entail, among other necessary conditions, the removal of policy barriers. Singapore's ASEAN commitments to services liberalisation in 2015 could serve as an external pressure that could facilitate the implementation of necessary reforms to strengthen the sector.

Aligned to the approaches of regional and multilateral liberalisation in services is a sustained process of domestic unilateral policy reforms and regulatory changes aimed at expansion and innovation of key services. To achieve this however, government must effectively partner with the private and civil society sectors to formulate an over-all strategy for developing Philippine services and to address the numerous constraints to help realise the substantial benefits and opportunities possible from liberalisation. At the ASEAN level, AMS and the Secretariat must work together to ensure among the community serious acceptance of achieving the AEC.

Priority areas of capacity building and technical assistance:

- Crafting a comprehensive services sector development strategy Enhancing the coordinating mechanism among government agencies in implementing services sector strategy;
- Enhancing the collection of statistics and conduct of researches and studies on the services sector; strengthening a consortium of research institutions and think tank researching on the services sector e.g. possibly through the Philippine APEC Study Centre Network (PASCN);
- Building a mechanism for continuous engagement between government and the private and civil society sectors e.g. reviving the Philippine Services Coalition;
- Helping build capacity and competitiveness of the private sector;
- An ASEAN level information dissemination campaign to make stakeholders aware of ASEAN agreements and secretariat activities in monitoring agreements and in assisting AMS in the process of liberalisation and integration Delivery Modes for Capacity Building and Technical Assistance;
- A coordinated mechanism for selection of capacity building programs and beneficiaries If possible, government agencies involved in trade-related issues and matters should establish a special mechanism to coordinate capacity building;
- Determine actual needs of various agencies and their key personnel;

- Ascertain delivery mode - available workshops, policy dialogues, e-learning or training programs;
- Coordinate with donors interested in providing capacity building programs;
- Select and match key personnel to these programs; and
- If programs are not available, it may tap training and academic institutions to design customised programs in partnership with donors.

More effective needs analysis and post-capacity building monitoring and evaluation

Proper needs analysis should be undertaken for each key agency. Thus, the program should be clearly targeted and capacity building program adequately evaluated by the participants or institution concerned.

A responsible agency: sense of ownership and ability to sustain efforts for capacity building

For capacity building programs to be sustainable specific agencies must take responsibility for continuous implementation. Programs must be initiated by the agency receiving the technical assistance and there should be a sense of ownership for the project.

Importance of research cum policy dialogues and fora

More in-depth research using quality data is needed on services liberalisation. Policy proposals must be thoroughly examined and dissected in various fora attended by key stakeholders.

Enhancing and/or building institutions

Sometimes enhancing/building an institution or a coordinating mechanism is needed rather than providing specific capacity building programs. For example, financial support to enhance a research institution (grants for research studies) could be preferable than providing specific training programs for individuals. Also, support to institutionalise a dialogue mechanism such as the Philippine Services Coalition may provide an important platform for advocacy, networking and even future capacity building programs.

Non-conventional forms e.g. E-learning, advisory services, mentoring, market linkage and Technology Transfers

E-learning uses the internet to deliver training programs. Advisory services would cover concept note, memos, policy options but with regard to mentoring, a resource person/expert would guide & coach. Meanwhile, assistance to the private sector in terms of developing actual market linkages technology transfer and providing market studies and information may develop new trade possibilities.

9. Thailand

(i) Services sector

Thailand's service industries has been becoming as a main driving force for the country's innovative economy since her economy has long depended on agricultural and manufacturing exportations compare to other countries within the region. However, due to recent global

downturn economy and political unrest in Thailand, industry which is the main sources of income for the country is the goods exportation, manufacturing and tourism sector that have been affected the most by the crisis. For the services sector, it is evident that the industry has slowdown due to the decreases of tourists in the third quarter of 2008 and continued to do so until the second quarter of 2010. Though, presently, the service sector consisting of tourism, education, health, telecommunications construction, real estate, transports, energy and financial services have a more important role in recovering the Thai economy as a result of the Thai government's endeavour measures to improve its economy. Income from tourism alone accounts for around 6 per cent of GDP and has a market share of 1.4 per cent of tourists worldwide. In the meantime, other services sectors are increasing in contribution of Thailand's economy.

(ii) Foreign direct investment (FDI)

Thailand's gross FDI inflows has peaked reaching almost US\$ 9 billion in 2001, but has begun to increase thereafter. This is due to several economic factors (i.e. political unrest, domestic laws and regulations etc.) affecting FDI outflows that made Thailand experiencing a stagnant in net outflows in 2002. However, in past few years, Thailand has experiencing an increase of the FDI from Singapore, due to its high public sector savings and an outward looking strategy. According to the Bank of Thailand (BOT), Singapore was the biggest source of FDI in 2002, at \$1.186 billion, while Japan is accounted for \$660 million, followed by U.S. and the European Union (EU). The reason why Singapore has become the biggest FDI for Thailand is due to its investment that usually concentrated on Thailand's resources and services such as finance, petroleum, and real estate in the form of loans to affiliated companies, while Japan on the other hand has focused mainly in shareholding in manufacturing companies.

As Thailand are seen as a recipient of foreign direct investment where its FDI inflows tend to be more than FDI outflows, the country's FDI however, usually depends on various factors including unanticipated circumstances (i.e. political unrest, economy crisis); and investment to certain service industries that dependent on multinational companies especially in sectors that involves considerable amount of investment. Based on these factors, it is thus evident that FDI in sectors such as financial institutions or holding companies for example are dependent on the foreign views of business opportunities in Thailand. For instance, after the financial crisis, foreign financial institutions have been buying discounted Thai assets including Thai financial institutions and other financial capital related and several other financial services (i.e. banks, securities companies etc.). This could be coincides with what was mentioned above regarding foreign investors channel of opportunities in Thailand, since activities such as acquisitions or acquiring majority of shares in financial companies are evident. On the other hand, investments in services trade have shown a positive sign in recent years. Trade in 2002 for example have increased by \$480 million, where service related FDI was mainly due to the increase of investment in Thailand's retail service sector. This is due to Thai government's endeavour to improve its economy, investments in services trade to have effective trade policies to lessened restrictions on foreign investment in the service sectors (i.e. including national treatment for foreign service suppliers).

(iii) Key issues in services liberalisation

In order to support the further continuation of this trend, the Thai government has been supporting the policy of trade liberalisation by implemented various investment regimes, domestic laws and regulations in order to create market access for foreign investors. The government also signed various FTA agreements with trading partners in order to enhance domestic and international trade that partly contributed to Thailand's economy. Nevertheless, it has become apparent that Thailand still facing many obstacles in advancing towards services

trade liberalisation. For example, an issue of the attitude of local Thai stakeholder in protection of Thai culture and tradition, competitiveness concerns, and dislike of foreigner occupy of natural resources and Thai heritage brand business has become one of the major opposition to liberalisation under the free trade agreement that the Thai government must take in to its consideration and tackle the problems. It is arguing based on the historical fact that Thailand has never been colonised by western countries, it is also obvious that such perception will hinder the progress of liberalisation for the country since certain groups of high profile or multinational companies take advantage of Thailand's laws and regulations as a loop hole to established their business and dominated the market. In some cases many foreign investors make use of 'nominee', this is where Thai individuals or a Thai company agrees to hold shares on behalf of the foreign shareholder who remain the true beneficiary. As a consequence, the influx of such business will no doubt create less opportunity for service providers to effectively compete both domestically and internationally. This could be related to Thailand's elite system in Thailand as it remains as an obstacle for the government to spread good governance for businesses within the country.

(iv) Priority areas for capacity building

As a priority, Thai domestic laws and regulations must be immediately amended and reviewed to create greater efficiency for the country to progress towards regional integration. Although, some of the laws have been reviewed and updated, they have in a way become more restrictive on foreign investment despite the fact that in the past, Thailand never had such laws restricting foreign investment. Constitutional law such as 'Article 190' for example has created a loop hole for Thailand negotiating process, since it regulates that negotiating officials will not be able to negotiate unless approval has been granted by the parliament, in which makes the responsible agencies unable to proceed with the process since this might breach the constitutional law. As a result, certain high profile and multinational companies who opposed liberalisation tend to use this loop hole as a tool to slow or hinder the progress of market liberalisation in Thailand. It is advised that ASEAN Secretariat (ASEC) must play a vital role in considering developing a work plan in coordination with ASEAN member countries to serve as a guideline so that problems such as ineffective laws and regulations, and non-transparent practices could be solved through series of meetings and brainstorming processes. However, for greater efficiencies, AMS must also be honest to address their problems to ASEC within the CCS and ASEAN Economic Minister meetings so that supporting measures or solutions could be made. Although such approach can be seen as difficult to implement; but, if ASEAN countries want to have economic prosperity within the region then these approaches should be considered.

Additionally, it is discovered that the government's capacity building activities and technical assistance are not yet effective enough for the public to have full understandings and preparations to ready themselves for the liberalised market in 2015. Many have emphasised that although the government are trying to frequently introduced seminar and public hearing activities in the past few years, it has become apparent that participants, especially SME business owners, have found it too complicated to understand and digest the technical terms that are used within such activities. It could be argued that such difficulties arises is due to the lack of media (such as news, newspaper, television programmes etc.) that focuses on the concept of regional integration. Another issue, which has also been discovered during the interview, concerns the issue of the lack of in-depth researches, training programmes, and effective education curriculum to increase Thai stakeholders' awareness regarding the impact and benefits of services trade liberalisation. Such issues have thus hindered the progress of liberalisation for Thailand as a whole, since it is evident during the interview that Thai stakeholders (including SMEs) and graduates are still lacking in their language skills, and basic knowledge of market liberalisation.

Overall, it is suggested that in order for Thailand to advance towards the concept of services trade liberalisation, human resource development should be focuses in order to develop present and future service providers. This could be achieved by having more focuses on the inter-ministries coordination between related ministries in order to create effective education curriculum, training programmes, workshops that could be offered to the public. Another area where improvement can take place is the structural reform of service sectors, so that these sectors could become the country's main source of income. By improving competitive of service industry via structural reform, it will therefore expand the production base and marketing of the industry regionally based on its distinctiveness and specialised expertise. This will allow the improvement of quality and standard of businesses and services in which will become more trustworthy and acceptable and meet the needs of global market. Furthermore, it is suggested that in order for capacity building activities to become more efficient, the government could arranged workshops that invites specialists from successful member states to share their experiences and success stories on trade liberalisation to the Thai public. This will likely to eliminate the public's negative perceptions that their businesses will be out compete and lose its cultural identity as the result regional integration. However, it is also the government responsibilities to take actions to tackle the emergent problems in order to create greater efficiencies and prosperities for its economy in the future. However, if the government and stakeholders still insists to have the same attitude then it is very likely that liberalisation will create major negative impacts for Thailand since both public and government officials are not yet fully understand the concept of regional integration in years to come. Therefore, government related agencies must therefore try their hardest to empower stakeholders to acquired the knowledge and 'know how' to prepare themselves for competition within and outside the ASEAN region once the market has been fully liberalised.

10. Vietnam

(i) Services sector

Vietnam's services sector is a growing force behind Vietnam's economic development. Services now constitute 40% of Vietnam's overall GDP, rendering their continued development an essential part of Vietnam's wider economic policy. Although services do contribute a significant amount to the country's economy, relatively Vietnam's service sector is lagging behind and can be expected to increase dramatically in importance with the country's further development. Overall, most of Vietnam services trade (both importation and exportation) with the world takes place in ICT and business services, followed by financial services. The sector where most imports take place is ICT and business services. Vietnamese services trade with ASEAN countries is very limited in comparison to trade with the US and the EU. Although the importation of services from the US and EU constitutes around 30% of total trade with these regions, yet the corresponding export of services to these partners is much lower (sitting at around 4% for services exportation to the US, for example).

(ii) Foreign direct investment

In terms of which service sector has attracted the most FDI in recent years, the hospitality and catering sector generally draws the most attention from foreign investors. In 2008, for example, over US\$8.7 billion of new granting and capital increase went to this sector. Investment in the real estate sector has been growing strongly over the past two years, and real estate business ranks second, with US \$5.9 billion invested in 2008. Other prominent service sectors in terms of FDI include logistics and distribution, and communication services.

(iii) ASEAN and WTO commitments in services

Vietnam's WTO and ASEAN Commitments in Services, in line with wider WTO commitments, broadly pledge to open select industries for foreign investors. The country has largely committed to removing trading rights discriminations among foreign and domestic enterprises and individuals; and regarding the opening up of such services as telecommunications, banking and securities, Vietnam has made commitments similar to those in the Vietnam-U.S. bilateral trade agreement (BTA). These commitments detail such conditions as foreign companies being allowed to employ foreign management, providing the number of Vietnamese managers remains at 20%. Other conditions include Vietnam in some cases reserving the right to limit foreign ownership of service companies operating in the country - in the telecommunications sector for example limits range between 49% or 65%, depending on the service. In a few sectors (such as accountancy), 100% foreign ownership is permitted foreign ownership, either immediately or as part of a gradual process.

(iv) Current trade projects

Vietnam is hosting a number of trade related project, sponsored by multilateral donors (ADB) as well by bilateral donors (EU, USAID, AusAID, JICA, DFID, SECO). Most of the projects are targeting specific trade issues, such as agriculture trade, SPS/TBT, import or export promotion, and none is focuses specifically on services trade. Nevertheless, there are few projects focusing on general trade policy assistance to the government (EU-MUTRAP III, USAID – Star Project, DFID/AusAID – Beyond WTO), and within these projects services policy is usually one of the various components. In addition to trade related projects, there are a number of sector specific project focused on the development of the regulatory regime or on the overall development of the sector. In this respect, few notable examples are the work of World Bank and IMF on financial services, or the work of ADB, ADB and JICA on infrastructure.

(v) Priority areas of capacity building and technical assistance

All the interviews indicated the lack of a skilled labour force as one of the most pressing issues for Vietnam's services sector; indeed, Vietnam's skilled labour force is only a little over 10% of the overall workforce. At present Vietnam's competitiveness relies on cheap labour and resource intensive industries, such as manufacturing. Nonetheless, if Vietnam wants to switch progressively to a modern knowledge-based economy it needs to upgrade the quality of its workforce. In order to do so there are two main tools: improving the quality of tertiary education and the creation of vocational schools.

From the consultation with the government and with the representative of the private sector it emerged that one of the most pressing issue for policymakers is the lack of regulatory and business impact assessment studies that would explain the benefits of liberalisation /increased competition in services industries and the regulatory reforms necessary to achieve that result. The government highlighted that in some sectors the lack of policy and economic studies de facto impede a clear discussion on the benefits of liberalisation. Indeed, in order to dismantle monopolies and to restructure the delivery of public services the Government needs clear indications on the costs and benefits of increased competition and liberalisation.

Human resources

Legal support to improve investment climate and regulations

The project should be based in either the Ministry of Investment or the Ministry of Justice. The project should help the government in easing the bureaucracy to get permits and licenses. The

project should work at the administrative and at the legal level. On the legal side the foreign consultant should advise the Ministry in drafting laws, in coordinate investment laws, and in improving all the legal procedures affecting investment. On the administrative side the project should help the Government in improving the internal mechanisms to get licenses / permits, in collecting taxes, streamline bureaucracy. The project should focus also in training government officials and judges on anticorruption. There are already some projects in Vietnam focusing on legal and administrative reforms. This project should focus on only on the investment side.

Infrastructure

Bad services infrastructures have been indicated as one of the most pressing problems inhibiting Vietnam's competitiveness. Indeed, Vietnam still has a lot to do in order to improve the transport system, the logistic sector, the financial sector, the telecom sector and distribution.

The problems in each of those sectors are different, but one horizontal issues is the persistent participation of State owned enterprises in all the sectors and the lack of competitiveness of crucial services industries. In some sectors, the state has a quasi-monopoly (telecom and maritime services) or a consistent oligopolistic market share (banking, logistic, air-transport, and rail-transport). In banking the State controls 60% of the market and it liberalised 50% of the market to foreign investors. The heavy participation of the State has been indicated during the interviews as reducing the possibility for SMEs to get proper financing (especially in the provinces), and a heavy barrier for Vietnamese private banks to enter in the market. Similarly, foreign investor indicated that the prohibition to trade in foreign currency is a clear inhibitor to investment in Vietnam. In maritime transport and logistic the invasive regulatory intervention of the State, the participation of SOEs in the market (around 60% or more), and an inconsistent logistic and maritime policy (in Vietnam all the ports are far away from the sea and are bad connected to the main cities) render difficult to liberalise the market and attract investment. The persistent participation of the State inhibit the positive effect of foreign competition in terms of improved quality of services, better technology, more internationalisation, more skill transfer, and willingness to innovate.

Vietnam still suffers from some regulatory problems, both specific to the services sectors as well as general to the investment climate. One of the major problems undermining the validity of AFAS and GATS commitments is the bad or wrong implementation of GATS and AFAS obligations by domestic laws. The bad implementation of services commitments is the result of an intricate legal system, cumbersome bureaucracy (which, according to the GCR 2010/2011 seems not to bother domestic firms) and policy discretion in interpreting the commitments.

Support to the General Statistical Office to collect data on services

There are already some projects focused on improving data collection and statistics. There was one project financed by the EU that particularly focused on services data, while other project concerned services only incidentally. Nonetheless, there is still huge need of technical assistance in this field. The project should be based in General Statistical Office of Vietnam (GSO) and in the ministry of Planning and Investment (MPI) and it should engage in various sub-activities: 1) data collection, 2) data diagnosis, 3) improvement of the statistical system, 4) grants to sponsor the participation of GSO and relevant Government officials to the OECD seminar on trade statistics in Paris and to provide training workshops.

Assisting the Vietnam Chamber of Commerce (VCCI) and the private sector on import and export promotion and regulation for services

In most cases the Vietnamese service providers are not export ready. Vietnamese service producers tend to be weak at marketing of their offer and lack experience and qualified management. Specific action plan should be developed in that area by a set of government agencies, management training institutions and state trading enterprises. Technical assistance (ITC, UNDP, bilateral projects) may play a role in that process by offering trainer's training, coaching of pilot projects and facilitating networking in global markets. The success of a services export strategy depends on other strategies government regulation, trade promotion and state trading which may be a complement to the strategy in terms of support priorities and resource allocation. The project should operate on various levels.

Assisting the VCCI in setting up a Coalition of Services Industries and establish a permanent mechanism of dialogue on services within VCCI and also with regard to the Government

The VCCI does not have yet build a coalition of services industries, which are underrepresented in negotiations within the chamber and also with regard to the government. The project should help VCCI in integrating services providers into the overall mechanism of dialogue already established. Furthermore, the project should work with the private sector in establishing a separate and independent association of services industries.

Lack of coordination between sectors

Private sector–Government dialogue is still a hot issue in Vietnam, whose political tradition does not envisage any structured mechanism that would involve the private sector in the formulation of domestic and international policy. Furthermore, Vietnam still lacks the necessary degree of transparency required for any effective dialogue. From the interviews it appeared that Vietnam adopts a different approach in process leading up to the formulation of its trade policy. On one side, the Government requests often opinion to State-owned enterprises, which seem to have a preferential access to the Government and which in some cases participate in negotiations. On the other side, the Government seems to be little interested in involving the representative of the private sector in the formulation of its industrial and trade policy.

Technical assistance could play a major role in improving the private sector-Government dialogue. From the interview it appeared clear the focus of the whole technical assistance should shift from the Government to the private sector. In this respect, when tackling the issue of private participation in the formulation of economic policy the Vietnam Chamber of Commerce and Industry should be the primary target of intervention. The intervention should consist in training on trade policy, assistance in the formulation of position papers and regulatory/business impact assessments. Another area of intervention would consist in assisting the government and the representative of the private sector in designing and developing a permanent and institutionalised mechanism of consultation.

Another problem linked with trade policy formulation is the lack of coordination between ministries. In Vietnam, there are many line ministries and agencies in charge of managing services sector. In addition to governmental agencies, provincial level people's committees were also authorised to administer local services industries in conformity with the national legal system. Each ministry or agency is responsible for managing and regulating a specific services sector or some services sectors. For example, the Ministry of Construction is responsible for construction services; the Ministry of Transportation is responsible for transport services. There is no ministry or agency in charge of coordinating all services sectors in Vietnam. It leads to the situation that each specific services sector shall be managed and developed in the way the

managing ministry think it is suitable. There is no or little coordination between ministries or agencies concerned. It is recommended that one ministry should be assigned by the Government to take lead in and in charge of coordinating all services sectors and it should be the Ministry of Investment and Planning.

Methods for providing technical assistance and capacity building

Impact assessment studies on services liberalisation

The Government highlighted as the first priority to receive assistance in the form of impact assessment studies. The aim is to provide the government with studies on the costs and benefits of the liberalisation of the various services sectors. The studies should assess the economic impact of the protection/liberalisation of the services sector on other sectors of the economy (i.e. the impact of the opening of telecom sector on manufacturing; costs of protection of logistic sector on Vietnam economy, etc...). Other studies should help and give guidance to the government on how the impact of privatisation of SOEs and the costs that SOEs have on Vietnam's economy. The project could be independent or could be affiliated to a wider project. The beneficiaries should be MOIT, MPI and relevant ministries.

Raising awareness

Raising awareness among the private sector on the importance of services and helping the private sector in formulating proposals on services policy

The services sector in Vietnam is underrepresented and there is little knowledge of services trade and the importance of services in the economy. The project should focus on raising awareness on how services operate in the economy and what is the policy on services. The campaign will last various years and will be conducted through seminars, workshops and position papers on various services related issues. The participants will be private enterprises, with a coordinating role of the VCCI. The project will be based within the VCCI and foreign consultants should be permanently based there in order to coordinate the activities and giving assistance and training on services policy.

Appendix 5: Workshop Details

1. First Regional Workshop, Hanoi (Melia Hotel), 15 December 2010

Chairman: Malcolm Bosworth (Co-Lead Consultant, ANU Enterprise)

Agenda

- 8.15 Chairman's Welcome and introductions
- 8.30 Opening remarks, Mr Tan Tai Hiong, ASEC Secretariat
- 8.40 Opening remarks, Mr Joel Friedman, AADCP
- 8.50 Opening remarks, CSS Vietnam representative (tbc)
- 9.00 Chairman's opening comments on the Study, workshop objectives & deliverables
- 9.20 Key aspects of the Study, Dr Ray Trewin (Co-Lead Consultant, Crawford School, ANU)
- 9.40 Survey/questionnaire design, Dr Adam McCarty (project collaborator, Mekong Economics)
- 10.00 Morning tea
- 10.30 Mr Vo Tri Thanh (CIEM), ASEAN constraints to services trade
- 11.00 Ms Jane Drake-Brockman, services liberalisation in ASEAN (regional consultant, Hong Kong, on services and Founder of the Australian Services Roundtable)
- 11.30 Mr David Parsons, services liberalisation in ASEAN, especially in Indonesia (highlighting specific capacity building approaches undertaken with Kadin Indonesia)
- 12.00 Open discussion
- 12.45 Lunch
- 2.00 Finalising project design, including study logistics, selection of stakeholders, timetables
- 3.30 Afternoon tea
- 4.00 Finalising interview questionnaire
- 5.20 Wrap up
- 5.30 Close

Participants

Lead consultant: Mr Malcolm Bosworth

Collaborative consultant: Dr Adam McCarty

In-country consultants: except Thailand (non-contracted at this stage)

Regional invited experts: Mr Vo Tri Thanh, Central Institute for Economic Management, Director of Department for International Economic Integration Studies. Hanoi

Mr Vu QuocHuy, Centre for Economic and Development Studies, Hanoi National Economics University

Ms Jane Drake-Brockman (Director, JDB Solutions, Hong Kong)

Mr David Parsons (Kadin, Jakarta), by phone hook up

ASEAN Secretariat: Mr Tan Tai Hiong from the Services and Investment Division, ASEAN Economic Community (AEC) Department

2. Second Regional Workshop, Bangkok (Chada Hotel), 2-3 May 2011

Chairman: Malcolm Bosworth (Co-Lead Consultant, ANU Enterprise)

Agenda

Sunday 1 May

am/pm Arrival of participants

pm Leaders meet (Malcolm Bosworth, Ray Trewin & Adam McCarty)

1900 Arrival dinner – all participants invited, meet in Hotel Foyer at 7 pm

Monday 2 May

0845-0855 Chairman's welcome & workshop's goals (Malcolm Bosworth)

0855-0900 Analytical framework (Ray Trewin)

- 0900-0930 AADCP II support for ASEC to achieve AEC Blueprint (Joel Friedman)
 0930-1030 In-country presentation and discussion (two)*
 1030-1100 *Morning tea*
 1100-1230 In-country presentations and discussion (three)*
 1230-1330 *Lunch*
 1330-1500 In-country presentations and discussion (three)*
 1500-1530 *Afternoon tea*
 1530-1630 In-country presentations and discussion (two)*
 1630-1700 CCS perspective (Mr Ronnarong, Thai CCS rep in his personal capacity)
Tuesday 3 May
 0830-0915 General capacity building needs and priorities – issues or sectors, approaches to liberalisation (Jane Drake-Brockman)
 0915-0945 Indonesian experience: constraints to liberalisation and approaches to providing capacity building and technical assistance in services liberalisation (Paul Bartlett, AIPEG)
 0945-1030 Open discussion on both presentations
 1030-1100 *Morning tea*
 1100-1130 Input of in-country reports into draft report (Adam McCarty)
 1130-1200 Open discussion on moving forward
 1200-1230 Wrap up (Malcolm Bosworth, Ray Trewin & Adam McCarty)
 1230-1330 *Lunch*
 1330-1630 Leaders meet (Malcolm Bosworth, Ray Trewin & Adam McCarty)

*Presentations of 20 minutes (maximum 8 ppt slides) and 10 minutes discussion. In-country consultants are reminded of the previous requests I have made on how to focus their presentations, and also of the 4 questions on liberalisation of services in AMS to be addressed: (a) constraints (b) general capacity building needs (c) capacity building priorities and (d) specific approaches to providing capacity building and technical assistance.

Participants

- Lead consultants:* Mr Malcolm Bosworth and Dr Ray Trewin
Collaborative consultant: Dr Adam McCarty
In-country consultants: All
Regional invited experts: Ms Jane Drake-Brockman (Director, JDB Solutions, Hong Kong)
 Mr Paul Bartlett, Lead Adviser, Indonesia Ministry of Trade Sub Facility, AIPEG
 Mr Ronnarong, Lead Thai CCS representative
AADCP II: Mr. Joel Friedman, Program Coordinator
ASEAN Secretariat: Mr Tan Tai Hiong from the Services and Investment Division, ASEAN Economic Community (AEC) Department

Appendix 6: Interview respondents and affiliations

1. Brunei

| Government Agency/ Organisation | Participants |
|---|---|
| Ministry of Foreign Affairs and Trade (Department of International Trade / Economic Cooperation) | Syazwana Harun Azmin Shariffudin Rozaimée Abdullah |
| Ministry of Development (Department of Building Control and Construction/Public Works) | Rosalind Khan Khalid Sirat Sabri Abd. Hamid Zulaine Zahiri Li Mei Hua |
| Ministry of Foreign Affairs and Trade (Department of International) | Azmin Shariffudin Mazlizah Mahalee |
| Department of Economic Planning and Development (Department of Statistics) | Hjh Mariah binti Haji Yahya Awg Gemok bin Haji Ghani Pg Yura Halimatussa'adah Perkasa Siti Maisarah Haji Majid Azmin Shariffudin |
| International Chamber of Commerce Ministry of Industry and Primary Resources (Department of Trade) | Shazali Sulaiman Faten Shahrani Syazwana Harun Azmin Shariffudin |
| Ministry of Communications | Zuraidah Hussain Dayang Noralizabinti Haji Junaidi Dayang Marsalina Watibinti Haji Omarali Fazilah Hj MdYassin Hj Khairul Zaman Haji Abdul Jalil Azmin Shariffudin |
| Brunei Association of Hotels | Peter Feran, Azmin Shariffudin |

2. Cambodia

List not available.

3. Indonesia

| Position and Organisation |
|---|
| Economist, international donor institution specialising in logistics development & logistics regulation |
| Owner of a tour and travel agency, and member of the tour and travel agency association |
| High level executive, international hotel chain |
| Doctor and a high ranking medical association official |
| High-ranking officer, hospital association |
| Official, telecommunications regulatory body |
| Officer, non-profit organisation in the telecommunication sector |
| Executive, a big-three GSM providers |
| Foreign legal consultant, domestic law firm |
| Indonesian lawyer, domestic law firm |
| Official overseeing accounting services, Ministry of Finance |
| Partner, a big-four accounting firm |
| High-ranking officer, architect association |
| Owner of a small architecture firm |
| Official specialising in services trade |
| Official, Ministry of Finance |
| Two analysts, Chamber of Commerce |
| Head, Directory of Services Negotiations, Ministry of Trade |
| Economist, research institute specialising in ASEAN and East Asia |

Owner and CEO, domestic logistic company
 High-level officer, association of Indonesian retailers
 High-level officer, Indonesian Chamber of Commerce focusing on trade, distribution and logistics
 Director, entrepreneurship program, association of Indonesia's businessmen
 Economist, international donor institution

4. Lao PDR

| Government Agency/ Organisation | Participants |
|--|--|
| Ministry of Planning and Investment Lao Nation Chamber of Commerce and Industry | Vannasay Phonchanheuang, Manothong Vongsay, Khanthavong Dalavong, |
| World Bank | Richard Record |
| ANZ Bank | Bounheng Souphida, |
| UNDP | Latsany Phakdisoth, |
| ADB | Phantouleth Louangraj, |
| DFDL Mekong: Legal and Tax Advisers | William D Greenlee Jr, |
| Ministry of Commerce-WTO Division | n/a |
| Bank of the Lao PDR | Phengsy Phengmoung, |

5. Malaysia

| Government Agency/ Organisation | Participant |
|---|--|
| Accountant General's Department | Pn. Rosenida Abd Rahman, Ms. Sharifah Saidatul Fazilah Syed |
| Attorney General's Chambers (AGC) | Pn. Nurfitra Mohamed Alias |
| Board of Valuers, Appraisers and Estate Agents Malaysia | Tn. Haji Sr Kamaruzaman bin Jamil |
| Chartered Tax Institute of Malaysia (CTIM) | Mr. Lim KokSeng |
| Economic Planning Unit (EPU) (Services Industry) | Mr. Yogeswaran |
| Malay Chamber of Commerce (DPMM) | Mr. Aziz Jafary |
| Malaysian Association of Private Colleges and Universities (MAPCU) | Mr. Ko Kim Hooi |
| Malaysian Institute of Accountants (MIA) | Mr. Khairul Azmi Rezo |
| Ministry of Domestic Trade, Cooperatives & Consumerism (MDTCC) | Mr. Foo Tew Nam / Ms. Masturabinti Marsam |
| Ministry of Finance, Malaysia(MoF) (Economics and International Division) | Mr. Imri Dolhadi Bin Ab Wahab |
| Ministry of Health Malaysia (MoH) (Policy & International Relations Division) | Ms. Farah Kareena Hadenan |
| Ministry of Higher Education (MoHE) (International Division) | Ms. Amelia Lee Sze Chui |
| Ministry of International Trade and Industry (MITI) | Ms. Mardiana Yusof |
| Ministry of International Trade and Industry (MITI) | Dato Ooi Say Chuan |
| Ministry of Science, Technology and Innovation Malaysia (MOSTI) (International Division) | Ms. Sheela Samivellu |
| Ministry of Tourism, Malaysia (MOTOUR) (Policy, Planning and International Affair Division) | Mr. Muhamad Reza A. Sudirman |

6. Myanmar

| Government Agency/ Organisation | Participant |
|--|---|
| Union of Myanmar Federation of Chambers of Commerce and Industry | Win Aung, Chairman - Dagon Group (also UMFCCI Vice President) Zaw Min Win, Vice-President Dr. MyoThet, Joint Secretary General Nyein Aung, Executive Committee Member Hla Hla Yee/Honey Tha, Joint Secretary (Founder) - Myanmar International Freight Forwarders Association (also MMI Logistics MD) Aye Lwin, Managing Director – Minn Wun Industries Co. Ltd Dr. Maung Aung, Economist - Economic Studies & Research Institute |

| Government Agency/ Organisation | Participant |
|--|--|
| Myanmar Engineering Society | U Han Zaw - Immediate Past President U Ko Ko Gyi - General Secretary U Ohn Myint – Joint General Secretary Col. Thong Win- Central EC member Khin Maung Sai –Central EC member |
| Myanmar International Freight Forwarders Association | Hla Hla Yee – Managing Director, MMI Logistics |
| Ministries of National Planning & Economic Development, Hotels & Tourism, Post & Telecoms, Transport, Construction, Health, Commerce & Trade | U OoTun laing – Director, CSO Dr Wah Wah Maung – Director, Foreign Dept Economic Relations Tin Aye Han – Assistant Director, Directorate of Investment & Company Administration Hla Myint - Assistant Director, Ministry of Tourism Hlaing Oo - Deputy Director, Ministry of Tourism Htay Win - Deputy Chief Engineer, Ministry of Communications, Posts & Telegraphs Kyaw Oo - Assistant Director, Ministry of Communications, Posts & Telegraphs |
| Central Statistic Organisation | U San Myint, Deputy Director General, Oo Tun Hlaing, Director |
| Directorate of Investment & Company Administration | Mya Thuza – Deputy Director General, Investment & Business Registration |
| Union of Myanmar Hoteliers Association & Travel Association | U Htay Myint - Joint Secretary U Kyi Thein Ko - Secretary Su Su Tin - Executive Committee Member (also Exotissimo MD) Thet Lwin Toh - Vice Chairman (also Myanmar Voyages MD) U Khin Maung Aye - Vice Chairman, Hoteliers Association Rita Myint - Treasurer (also Taw Win Travel MD), Tourism Promotion Board Naung Naung Han - Managing Director, Radiant Tours Aung Din - Chairman & CEO, Nature Lovers International |
| Yangon Institute of Economics & e-ASEAN | U Kyaw Min Htun - Pro-Rector Professor Dr KanZaw - Rector Dr Sandar O - Professor & Head, Dept of Management Studies MBA Programme Dr Lay Kyi - Professor & Head, Statistics Department U Thien Oo – e-ASEAN & President, Myanmar Computer Federation |
| MMRD Research Services | Aung Min - Associate Director, U Moe Kyaw - Managing Director |
| UNICEF, | Yoshimi Nishino – Chief, Social Policy, Monitoring & Evaluation |
| UNDP | ShafiqueRahman – Senior Policy Advisor |

7. Singapore

| Government Agency/ Organisation |
|--|
| Pacific Economic Cooperation Council Secretariat (PECC) Asia Pacific Economic Cooperation Secretariat (APEC) Singapore Ministry of Trade & Industry (MTI) Institute of Southeast Asian Studies (ISEAS) Australian Chamber of Commerce (AustCham) Singapore International Chamber of Commerce (SICC) Singapore Indian Chamber of Commerce & Industry (SICCI) Singapore Ministry of Health (MOH) Singapore Business Federation Verulam Buildings (British-based law firm) Singapore Ministry of Information, Communications & the Arts (MICA) Infocomm Authority of Singapore (IDA) Singapore Chinese Chamber of Commerce & Industry (SCCCI) Singapore Hotel Association (SHA) Law Society of Singapore Singapore Ministry of Foreign Affairs (MFA) Civil Aviation Authority of Singapore (CAAS) |

| Government Agency/ Organisation |
|--|
| Philip Liew CPA & Public Accountants Singapore Private Limited Dean, Faculty of Law, National University of Singapore (NUS) Appleton Luff International Lawyers Private Limited International Enterprise Singapore (IE Singapore) Lee Kuan Yew School of Public Policy (LKYSPP), a graduate School within National University of Singapore Foo Kon Tan Grant Thornton LLP De Souza Lim & Goh LLP Singapore Tourism Board Singapore International Arbitration Centre (SIAC) Shearman & Sterling LLP Deloitte & Touche LLP The Arbitration Chambers Goh Phai Cheng LLC |

8. The Philippines

| Government Agency/ Organisation | Participant |
|---|--|
| Tariff Commission National Economic & Development Authority (NEDA) | Atty. Edgardo Abon, Marilou Mendoza, Commissioner Margarita Songco, Deputy Director General, |
| Trade & Investment Utilities & Services, (NEDA) | Brenda Mendoza, Director |
| Philippine Institute for Development Studies, (PIDS) | Erlinda Medalla, Senior Fellow, Gilberto Llanto, Senior Fellow, |
| University of Asia and the Pacific (UA&P) | Cherry Lyn Rodolfo, Professor, School of Economics, Ceferino Rodolfo, Professor, School of Management, |
| Foreign Service Institute, Department of Foreign Affairs (FSI-DFA) Philippine Confederation of Exporters Philippine Chamber of Commerce & Industry Edsel Custodio, former Philippine Ambassador to the WTO, Geneva Jose Victor Chan Gonzaga, former CDA, Geneva Office RP-EU Trade Related Technical Assistance (TRTA) | Laura del Rosario, Ambassador and Director, Juan Miguel Padua, Deputy Director, Sergio Ortiz-Luis, President, Ryan Patrick Evangelista, Vice President |
| George Manzano, Professor, UA&P and former National Competitiveness Council (NCC) Philippine Association of Supermarkets Inc. Department of Trade and Industry Bureau of Local Employment, (DOLE) Professional Regulation Commission (PRC) | Commissioner, Tariff Commission Cesar Bautista, Co-Chair, Carlos Cabochan, President, Ramon Vicente T. Kabigting, Assistant Secretary, Jose Sandoval, Division Chief, Teresita Manzala, |

9. Thailand

| Government Agency/Organisation | Participants |
|--|---|
| Siam City Cement Public Company Limited | Mr Anan Pattanathanes, supply chain manager |
| Thai Transportation & Logistics Association (TTLA) | Mr Chumpol Saichuea, secretary. |
| Thailand Nursing and Midwifery Council Freight Links Express (Thailand) Co. Ltd Ministry of Transport n/a | Dr Sirion Sindhur, committee member Mr Vichai Chongtanapipat, Director Dr Chula Sukamanop, Inspector General Dr Prapa ongphaet |
| Department of CAT Telecom | Pichit Keawmakoon, Vice President of Regulatory Affairs, Sirote Ratanamahatana, Corporate Policy Manager |
| Private health sector | Dr Sawat Thagerngdetch |

10. Vietnam

| No. | Government Agency/Organisation | Participants |
|-----|---|---|
| 1 | DFID/AusAid - Beyond WTO Project | Mr Raymond Mallon |
| 2 | Baker & Mackenzie | Mr James Locket |
| 3 | USAID Star Project | Mr Andrew Stephens |
| 4 | EU – MUTRAP III | Prof Claudio Dordi |
| 5 | Ministry of Industry and Trade, Services and ASEAN Division | Mr Le Trieu Dzung Mr Nguyen Anh Tuan |
| 6 | International Trade Centre | Mr Alain Chevalier |
| 7 | Legal Department, Vietnam Chamber of Commerce and Industry | Ms Nguyen Thi Thu Trang |

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