



## Challenges for Trade in Services Liberalization of ASEAN Economic Community

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### Editorial

Trade in services liberalization of ASEAN has been implemented under the General Agreements on Trade in Services (GATS) of WTO and ASEAN Framework of Agreements on Services (AFAS). There are three main objectives of AFAS. First, is to enhance cooperation in services among members in order to increase the efficiency and competitiveness as well as distribute production capacity and supplies of services both within and outside the region. Second, is to get rid of substantially restrictions of trade in services among members. Third, is to enhance further liberalize trade in services by expanding the depth and coverage of liberalization.

The areas of cooperation have been strengthened via establish infrastructure facilities, exchange information and formulate effective action plans. Discriminatory measures and market access regulations need to be eliminated. Mutual benefits recognition has to be concentrated. Dispute settlement mechanism is also other consideration issue to assure the success of trade in services liberalization of ASEAN. Specific commitments schedule should be modified to achieve compensatory adjustment to newer members (Laos, Vietnam, Cambodia and Myanmar).

Based on the GATS and AFAS, ASEAN members have to implement trade in services liberalization substantially in terms of number of sectors coverage under the reasonable timeframe. AFAS deals with market access commitments specify that ASEAN countries have to harmonize preferential treatment to one another on MFN basis. Nevertheless, the MFN exemption is possible under the GAT-plus. This scheme is regarded as an essential issue in each negotiation round of specific commitment policy package. The negotiation of specific sector commitments and exemption for trade in services liberalization is called bottom up process. The newer members are subjected to limitations of general obligations and commitments.

The ASEAN first round of trade in services liberalization commenced in 1996 and ended in 1998 for only initial seven primary sectors. These sectors are air transport, business services, construction, finance, marine transport, telecommunication and tourism. Moreover, ASEAN members agreed to extend the coverage of GATS-plus to include both all service sectors and modes of supply. The second round of negotiation started in 1999 and ended in 2001.

Trade in services liberalization has been more intensive focused and negotiated in bilateral, plurilateral and regional trade agreements due to the importance of services to enhance economic development and growth (Corbett, 2008). The AFAS is one of obvious examples. For ASEAN, the clear and effective targets, schedules and schemes of trade

in services liberalization have to be set up to achieve the goal of ASEAN Single Market Vision in 2020. Eleven sectors which four are services have been implemented for deeper integration. These four service sectors cover air transportation, electronic commerce; healthcare and tourism are subjected to substantially all restrictions removal by 2010. Furthermore, the fifth service sector of logistics is included in the list with flexibility in 2015.

According to the AFAS, ASEAN has also adopted common sub-sector and modified common sub-sector approach. Common sub-sector approach can be explained that a sub sector where four or more countries had made commitments in that sub-sector under GATS and/or previous AFAS package. Modified sub-sector approach is fundamentally the same as common sub-sector approach except of threshold is decreased to three or more countries instead of four. This approach has been implemented during 2002 until 2004. In addition, the mutual recognition agreement (MRA) is another essential to be developed as the trade in services liberalization facilitation and enhancement particularly to facilitating the professional services flow within the region.

The ASEAN Single Market Vision in 2020 can be considered as an essential step to enhance the success and benefits of trade in services liberalization for the ASEAN. The success of trade in services liberalization goal of ASEAN depends on the implementation schemes and measurement methods. Trade in services barriers, liberalization degree and regulation changes are necessary to examine and analyze. The services sector has been more important for developing economies of ASEAN because this sector contributes to more than 50 per cent of GDP during the past ten years and continue to the present. The liberalization of trade in services via conducive and attractive policies attracts investment, technology and increase higher income employment. The domestic service industries are not adversely affected from this initiative if government supports efficiently by implement appropriate capacity building to enhance the competitiveness to compete under the open export market access.

Other challenges for ASEAN trade in services liberalization can be explained as follows. First, are human resources and financial constraints that have to be more flexible and transparency. Second, is an effective coordination and adequate negotiation capacity to assure the mutual benefits for all ASEAN members. Third, is the complexity of sectors and sub-sectors to be liberalized. Therefore, it can be noted that many challenges are remaining to be efficiency solved in order to achieve the ultimate goal of trade in goods and services liberalization and the ultimate ASEAN Single Market target in 2020.