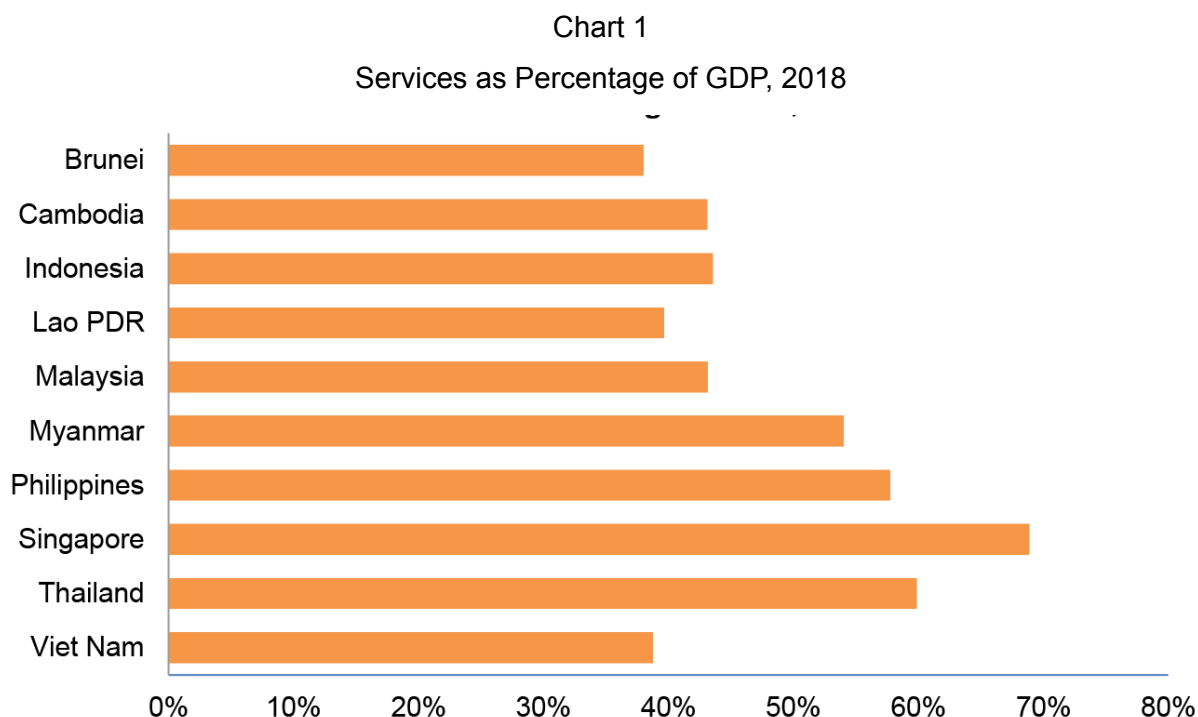


Trade in Services in ASEAN

Services is a sizable and continuously expanding component of GDP in ASEAN economies. As of 2018, services sector represents between 38% and 69% of ASEAN Member States' Gross Domestic Product (GDP).



(Source: ASEANStats, 2019)

Except for the decrease of trade during the 2008-2009 global economic crisis, ASEAN's services export grew steadily from US\$ 112.5 billion in 2005 to US\$ 404.9 billion in 2018, at an annual average growth rate of 10.7%; while ASEAN's services import also increased from US\$ 139.6 billion to US\$ 373.8 billion, at an annual average growth rate of 8.3%. Note also that since 2016, ASEAN has become a net exporter of services.

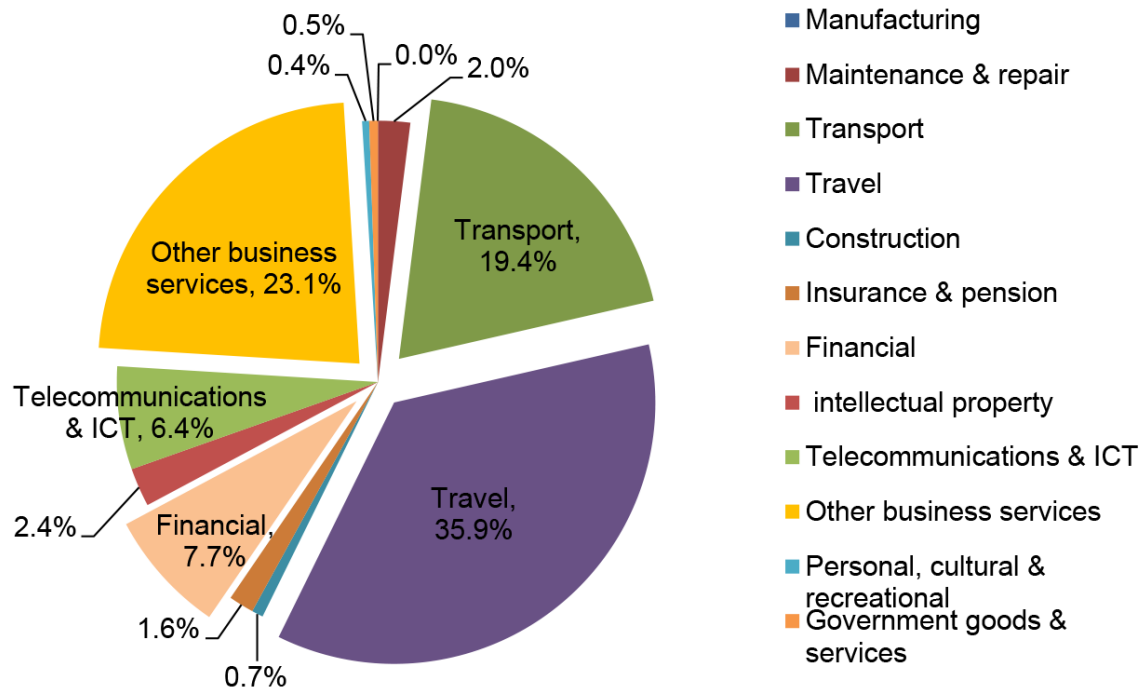
Chart 2
ASEAN's Export and Import of Services



(Source: ASEANStats, 2019)

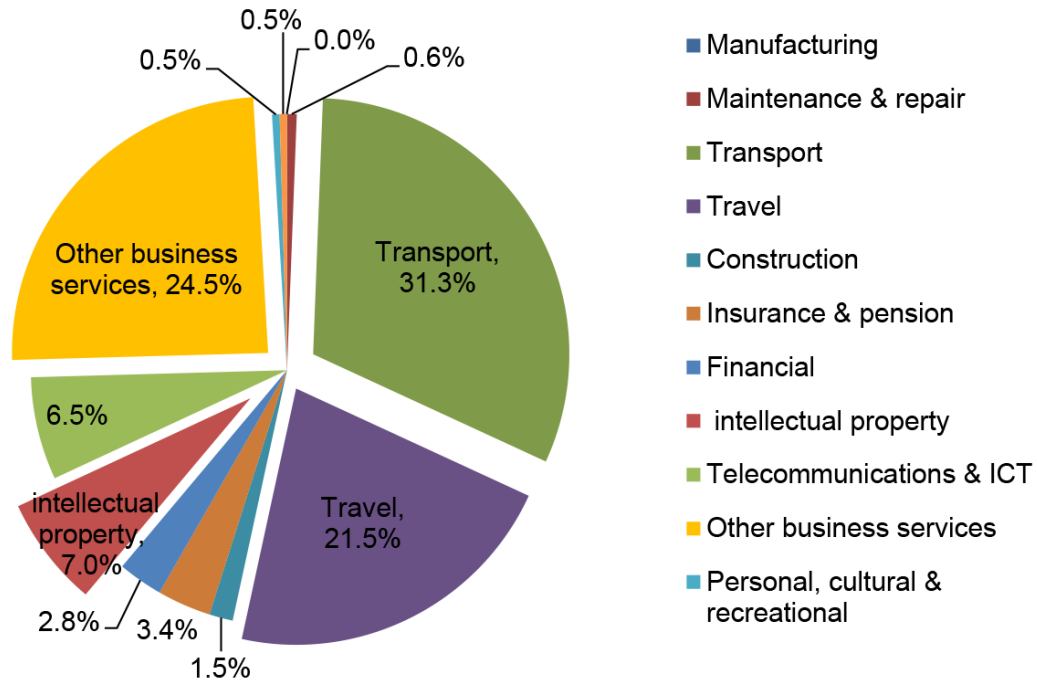
Travel, transport, and other business services dominate the export and import of services of ASEAN in general. ASEAN's export is dominated by travel services, while ASEAN's import is dominated by transport services. In the distant fourth place, ASEAN's export is also contributed by financial services, while ASEAN's import comes from charges for the use of intellectual property. These services sectors are classified based on the IMF Balance of Payments Manual, 6th Edition.

ASEAN's Services Export by Sectors
(2018 Data out of Total Export of US\$ 404.9 billion)



(Source: ASEANStats, 2019)

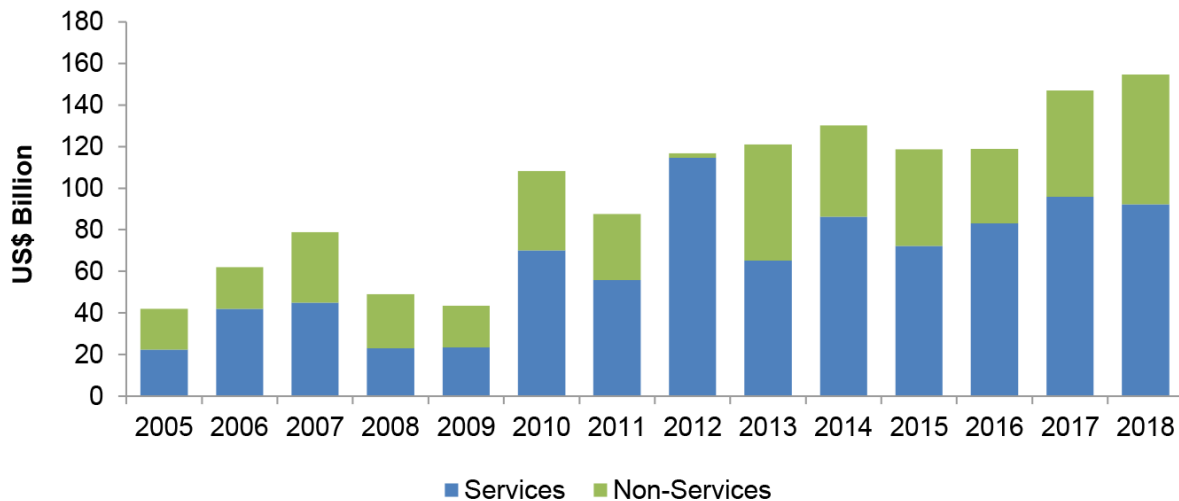
Chart 4
ASEAN's Import Export by Sectors
(2018 Data out of Total Import of US\$ 373.8 billion)



(Source: ASEANStats, 2019)

Services sectors have also been traditionally the largest recipient of Foreign Direct Investments (FDI) into the region. With few exceptions, throughout the last 15 years, services sectors have attracted about 60 or higher percentage of total FDI flow into ASEAN.

Chart 5
FDI Inflow to ASEAN by Sector



(Source: ASEANStats, 2019)

ASEAN Framework Agreement on Services

Recognising the growing importance of trade in services, ASEAN Member States officially launched their joint effort to work towards free flow of trade in services within the region through the ASEAN Framework Agreement on Services (AFAS), which was signed on 15 December 1995 by ASEAN Economic Ministers (AEM) during the 5th ASEAN Summit in Bangkok, Thailand.

AFAS provides broad guidelines for ASEAN Member Countries to progressively improve Market Access, and ensures equal National Treatment for services suppliers in ASEAN. All AFAS rules are consistent with international rules for trade in services provided by the General Agreement on Trade in Services (GATS) of the World Trade Organisation (WTO). AFAS aims at substantially eliminating restrictions to trade in services among ASEAN Member States to improve the efficiency and competitiveness of ASEAN services suppliers. Liberalisation of services trade under AFAS is also directed to achieve commitments beyond Member States' commitments under the GATS.

Since the signing of AFAS, officials of ASEAN Member States have been working to achieve the objective of AFAS to create a freer trade in services within the region. This was implemented through rounds of negotiations, each resulting in packages of commitments, which stipulates the commitments of each ASEAN Member State in various services sector/sub-sector and mode of supply.

The works on services integration in ASEAN are undertaken under the purview of ASEAN Economic Ministers (AEM). Following the decision of AEM at an Informal Meeting held on 28 June 1999 in Auckland, New Zealand, ASEAN Finance Ministers (AFMM) and ASEAN Transport Ministers (ATM) subsequently took the lead in the liberalisation of financial services and air transport services, respectively. Subsequently, following the signing of the Protocol to Amend the Framework Agreement on the ASEAN Investment Area on 14 September 2001 in Ha Noi, Viet Nam, the works on services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying were transferred to the investment track under the purview of ASEAN Investment Area (AIA) Council. This transfer is made in order to ensure coherence its works related to investment in the manufacturing, agriculture, fishery, forestry, and mining and quarrying sectors.

ASEAN Economic Community (AEC) Blueprint

A significant milestone in the history of services liberalisation in ASEAN, as also in other economic areas in ASEAN, is the adoption of the ASEAN Economic Community (AEC) Blueprint by ASEAN Leaders at the 13th ASEAN Summit on 20 November 2007 in Singapore. Through the AEC Blueprint, ASEAN formalised and stepped up its effort to further liberalise towards the goal of free flow of services, according to the bi-annual targets and thresholds laid out under this AEC Blueprint as well as additional parameters set forth by the Ministers.

Following the launch of ASEAN Community in 2015, ASEAN Leaders adopted the ASEAN Economic Community Blueprint 2025 during the 27th ASEAN Summit on 22 November 2015 in Kuala Lumpur Malaysia. In the area of trade in services, the ASEAN Economic Community Blueprint 2025 affirmed ASEAN's intent to further broaden and deepen services integration, ASEAN's integration into the global supply chains in both goods and services, and enhance ASEAN Member States' competitiveness in services. It also stipulated that ASEAN's next

agenda is to negotiate and implement the ASEAN Trade in Services Agreement (ATISA) as the legal instrument for further integration of services sectors in the region.

All of these contribute to progressively deeper level and wider coverage of ASEAN Member States' commitment to substantially eliminate restrictions to trade in services among them.

The ASEAN Trade in Services Agreement (ATISA) has now been concluded and its signing is expected to be completed soon upon completion of the domestic approval of the remaining Member State to sign the agreement.

What Has Been Achieved?

ASEAN has concluded ten packages of commitments under the AFAS signed by the AEM through five rounds of negotiations since 1 January 1996. These packages provide for details of commitments of each ASEAN Member State in various services sectors and subsectors.

In addition, there has also been seven additional packages of commitments in financial services under the AFAS signed by the AFMM (the second, third, fourth, fifth, sixth, seventh and eighth Packages of Commitments of Financial Services under the AFAS) and eight additional packages of commitments in air transport under the AFAS signed by the ATM (the fourth, fifth, sixth, seventh, eighth, ninth, tenth, and eleventh Packages of Commitments on Air Transport Services under the AFAS).

Movement of Natural Persons (MNP)

In November 2012, ASEAN Economic Ministers (AEM) signed the ASEAN Agreement on Movement of Natural Persons (MNP) in Phnom Penh, Cambodia. The schedules of commitment under the MNP Agreement supersede Mode 4 commitments of the earlier AFAS packages. The MNP Agreement enters into force on 14 June 2016 following completion of its ratification by all AMS. Pursuant to Article 7 of this Agreement, initial discussions to review and update the schedules of commitments under this Agreement has started.

Mutual Recognition Arrangements

Mutual Recognition Arrangements (MRAs) forms another important area of ASEAN cooperation on trade in services. MRAs are enabling tools to allow mutual recognition of qualifications of professional services suppliers by signatory ASEAN Member States to facilitate mobility of professional services providers in the region.

At present, ASEAN has concluded MRAs in 7 (seven) professional services signed by the ASEAN Economic Ministers (AEM):

- MRA on Engineering Services signed on 9 December 2005 in Kuala Lumpur, Malaysia;
- MRA on Nursing Services signed on 8 December 2006 in Cebu, the Philippines;
 - Cambodia PNRA Revision
 - Malaysia PNRA Revision
- MRA on Architectural Services and Framework Arrangement for the Mutual Recognition of Surveying Qualifications both signed on 19 November 2007 in Singapore.
- MRA on Medical Practitioners signed on 26 February 2009 in Cha-am, Thailand.
 - Thailand PMRA Revision
- MRA on Dental Practitioners signed on 26 February 2009 in Cha-am, Thailand.
 - Philippines PDRA Revision
 - Thailand PDRA Revision
- MRA on Accountancy Services signed on 13 November 2014 in Nay Pyi Taw, Myanmar.

ASEAN Member States are actively implementing these MRAs, which are now in various stages of progress. Further details on the three MRAs related to the healthcare sector (i.e. nursing, medical practitioners and dental practitioners) can be found in the Healthcare Services page.

ASEAN Qualifications Reference Framework (AQRF)

Another ASEAN initiative to facilitate mobility of people is the ASEAN Qualification Reference Framework (AQRF). AQRF is a common reference framework to compare qualifications throughout all education and training sectors across all AMS. With AQRF, countries could reference their national-level qualifications framework or system to this ASEAN-level framework. In this way, AQRF supports and enhances each country's National Qualification Framework (NQF) as well as promotes transparency and higher quality qualifications systems. Further information is available on the AQRF page [here](#).

(Source: asean.org)