

# AEC Alert: Challenges and Opportunities in Trade in Services

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# Introduction

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- 1. What is AEC?
- 2. Progress Status of ASEAN Trade in Services: What have been achieved and How to move forward?
- 3. Myanmar - Current State of Affairs

## ASEAN Economic Community (AEC)

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

## ASEAN Economic Community (AEC) (Cont:)

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- Adoption of the AEC Blueprint....13<sup>th</sup> ASEAN Summit in 2007, Singapore....
  - ASEAN economic integration was taken one step further with the aim of transforming ASEAN into (i) a single market and production base, (ii) a highly competitive economic region, (iii) a region of equitable economic development and (iv) a region fully integrated into the global economy (4 elements of AEC).
  - ASEAN shall implement the AEC by 2015.

## ASEAN Economic Community (AEC) (Cont:)

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- ❑ Single Market and Production Base  
5 core elements: free flow of goods, **free flow of services**, free flow of investment, freer flow of capital and free flow of skilled labor.
- ❑ Free flow of services: removing all restrictions on trade in services, accelerate liberalization of services sectors and scheduling services commitments.

## ASEAN Free Flow of Services

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- ❑ 127 sub-sectors under GATS W/120 List.
- ❑ To remove substantially all restrictions in 4 priority services sectors (e-ASEAN, healthcare, tourism and air transport services) by 2010.
- ❑ Logistics sector (as 5<sup>th</sup> priority sector) by 2013.
- ❑ Non-priority sectors by 2015.

## ASEAN Free Flow of Services (Cont.)

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- Target: scheduling of commitments in remaining 47 services sectors/sub-sectors to be liberalized in 2 packages by 2015.
- *None* for Modes 1 (*Cross-border Supply*) and 2 (*Consumption Abroad*).
- Allow *70% foreign equity participation* in Mode 3 (*Commercial Presence*): 4 priority services sectors (2010), logistics services (2013), non-priority services sectors (2015).

## ASEAN Free Flow of Services (Cont.)

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- ❑ For Mode 4 (*Movement of Natural Persons*), ASEAN Member States are finalizing the Agreement on MNP.
- ❑ Overall flexibilities of 15% ( pre-agreed).



## ASEAN Free Flow of Services (Cont.)

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- What ASEAN has achieved so far:
  - (i) Concluded **8** packages of commitments. Signed the Protocol to Implement the 8<sup>th</sup> Package of Commitments under ASEAN Framework Agreement on Services in 2010.
    - Coverage: **80** sectors/sub-sectors.
    - Financial services and air transport services packages signed separately.

## ASEAN Free Flow of Services (Cont.)

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(ii) Mutual Recognition Arrangements (MRAs):

to facilitate free movement of professionals, talents and skilled labour in major professional services. 7 MRAs concluded:  
2005...Engineering Services;  
2006...Architectural Services;  
2007...Surveying Qualifications; Nursing Services; 2008...Dental Practitioners; Medical Practitioners; 2009...Accountancy Services.

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## ASEAN Free Flow of Services (Cont.)

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- ❑ MRA enables professional service providers who are registered or certified in signatory Member States to be equally recognized by other signatory Member State...taking into account relevant domestic rules and regulations.
- ❑ ASEAN Minus X Formula can be applied in services negotiation....whoever ready may go first.

## ASEAN Free Flow of Services (Cont.)

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### (iii) ASEAN's Plus 1 FTAs:

- ❑ ASEAN-China Agreement on Trade in Services (2007)
- ❑ ASEAN-Korea Agreement on Trade in Services (2007)
- ❑ Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (2010)
- ❑ under negotiation: ASEAN-Japan Services text and ASEAN-India Services Agreement

## ASEAN Free Flow of Services (Cont.)

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- How to move forward:
  - 47 sectors/sub-sectors to be liberalized in 2 packages by 2015.
  - Remove substantially all restrictions in services trade.
  - Overall flexibilities of 15% ( pre-agreed).

# Challenges

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- ❑ Liberalization in services is not simple as compared to trade in goods.
  - ❑ 4 different modes of supply.
  - ❑ Services trade is intangible and inherently different from goods trade.
  - ❑ Different government regulator-agencies.
  - ❑ Some of them may not have regulatory framework in place yet.
  - ❑ Regional Comprehensive Economic Partnership...How to go forward?
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# Myanmar - Current State of Affairs

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- ❑ As of to date, committed 79 sectors.
- ❑ Business Services, Communication Services, Construction and Related Engineering Services, Distribution Services, Education Services, Environmental Services, Financial Services, Health-Related and Social Services, Tourism and Travel-Related Services, Recreational, Cultural and Sporting Services, Transport Services, Other Services.

# Myanmar - Current State of Affairs (Cont.)

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- ❑ Myanmar's Horizontal Commitments need to be adjusted according to the new domestic laws and regulations.
- ❑ Liberalization of remaining sectors by 2015:
  - meeting the dead line of 1 Jan 2015?
  - impact?
  - assessment?
  - internal coordination?
  - ASEAN's external relations?



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Thank you!