

ASEAN SERVICES REPORT 2017

THE EVOLVING LANDSCAPE



one vision
one identity
one community



ASEAN Services Report 2017: The Evolving Landscape

The ASEAN Secretariat
Jakarta

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

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List of Abbreviations and Acronyms

AANZFTA	ASEAN-Australia New Zealand Free Trade Area
ABIF	ASEAN Banking Integration Framework
ACIA	ASEAN Comprehensive Investment Agreement
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministers
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AFMGM	ASEAN Finance Ministers' and Central Bank Governors' Meeting
AFMM	ASEAN Finance Ministers' Meeting
AIA	ASEAN Investment Area
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AMS	ASEAN Member States
AQRF	ASEAN Qualifications Reference Framework
ASEAN	Association of South East Asian Nations
ASR	ASEAN Services Report
ATISA	ASEAN Trade in Services Agreement
ATM	ASEAN Transport Ministers
ATSN	Air Transport Sectoral Negotiations
ATWG	Air Transport Working Group
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOI	Board of Investment
CCI	Coordinating Committee on Investment
CCS	Coordinating Committee on Services
CEPT	Common Effective Preferential Tariff
CPC	Central Product Classification
DTF	Distance-to-Frontier
ECWP	Economic Cooperation Work programme
EDBI	Ease of Doing Business Index
EEU	Eurasian Economic Union
EU	European Union
EFTA	European Free Trade Association
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement to Trade in Services

GCC	Gulf Cooperation Council
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
ICT	Information and Communication Technology
LDC	Less Developed Country
MFN	Most Favoured Nation
M-ATM	ASEAN Tourism Ministers Meeting
MNP	Movement of Natural Persons
MRA	Mutual Recognition Arrangement
MSMEs	Micro, Small and Medium Enterprises
OECD	Organization for Economic Cooperation and Development
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
SEOM	Senior Economic Officials Meeting
TPP	Trans-Pacific Partnership
WC-FSL	Working Committee on ASEAN Financial Services Liberalisation under the AFAS
WEF	World Economic Forum
WTO	World Trade Organization

FOREWORD

Services is an increasingly important sector throughout the world, and ASEAN is of no exception. By 2016, the services sector had accounted for 53.1 percent of ASEAN's Gross Domestic Product (GDP), up from 50.0 percent in 2006. In terms of trade, ASEAN's export reached US\$ 326.8 billion in 2016 or almost 2.5 times the level just a decade earlier of US\$ 133.5 billion, while ASEAN's import reached US\$ 316.5 billion in 2016 or almost doubled within the same period from US\$ 158.9 billion. This development also indicates that ASEAN, as a region, has transformed from a net importer to a net exporter of services. The services sector is also a major recipient of Foreign Direct Investment (FDI) flows into the region. FDI in the services sector reached US\$ 72.1 billion in 2016 or 74.6 percent of total FDI, up from US\$ 41.2 billion or 66.4 percent a decade ago. At its peak, FDI in the services sector reached US\$ 112 billion in 2012.

ASEAN recognised the growing role of services, not just as a key economic sector by itself, but also as the critical link in both up- and down-stream of production networks and supply chain processes. The ASEAN Framework Agreement on Services (AFAS) was signed in 1995, just about a year after the entry into force of the General Agreement on Trade in Services (GATS) as the first multilateral agreement on services. Ever since, ASEAN Member States have made significant efforts in opening up and improving the efficiency and competitiveness of their services sectors. With the establishment of the ASEAN Economic Community (AEC) 2015 and the launch of the AEC Blueprint 2025, ASEAN remains committed to further integrating and improving the competitiveness of its services sector. ASEAN is now working on an ASEAN Trade in Services Agreement (ATISA) which will enhance and supersede the AFAS, taking into account and building upon the various developments of ASEAN's services policies and engagement in various free trade agreements as well as the emerging regional architecture.

This ASEAN Services Report (ASR) is a new initiative to highlight the development of the services sector in the region throughout the years, and more importantly, the efforts and evolving policies of ASEAN and its Member States, collectively and individually, to improve the competitiveness of their services sectors. As ASEAN celebrates its 50th anniversary in 2017, this Report comes out timely as a good and useful source of information for reference.



LE LUONG MINH
Secretary-General of ASEAN

INTRODUCTION

This year, 2017, marks the 50th anniversary of the birth of the **Association of Southeast Asian Nations (ASEAN)**. ASEAN has come a long way in the history of integrating its ten Member States in various aspects of living. Trade in services has been one of the increasingly important component of not only the economic development of **ASEAN Member States (AMS)**, but also of equally important component of ASEAN economic policy as well.

This is the first edition of **ASEAN Services Report (ASR)**, prepared by the **Services and Investment Division (SID)** of the ASEAN Secretariat with inputs from officials from the ASEAN **Coordinating Committee on Services (CCS)** as well as statistical data input from **ASEANStats**, aims to provide a general assessment of how trade in services have evolved in ASEAN throughout the years and how its Member States, collectively and individually, have made their effort to improve the competitiveness and attractiveness of their economy, particularly for the services sectors.

ASR complements existing publications by SID, specifically the **ASEAN Integration in Services**, which provides detailed regular updates on policy initiatives at ASEAN level which have been evolved over the years.

In retrospect, ASEAN does recognise the importance of services and starts its work early in this area. The **ASEAN Framework Agreement on Services (AFAS)** was signed by the **ASEAN Economic Ministers (AEM)** in December 1995, which was only almost a year since the **General Agreement on Trade in Services (GATS)**, the first-ever multilateral agreement on services, entered into force on 1 January 1995 along with the establishment of the **World Trade Organization (WTO)**. The signing of AFAS is also less than four years after ASEAN launched its initiative to work towards **ASEAN Free Trade Area (AFTA)** for trade in goods through the **Agreement on Common Effective Preferential Tariff Scheme for the AFTA (CEPT)** signed in January 1992.

Since its signing, AFAS has provided the official platform for ASEAN to undertake its effort to improve the openness and competitiveness of services sectors in ASEAN economy as well as the integration of its Member States in this area. Numerous initiatives have been initiated, including the plentiful agreements, protocols, arrangements and other legal documents that have been agreed and signed.

Chapter 1 highlights the various aspects of ASEAN's macroeconomic development with emphasis on the services sector. It shows how ASEAN's overall economic output and its services component have evolved over the years, and along with it ASEAN's economic competitiveness. It then shows how ASEAN's export and import in services have changed over the years as well as the significance of Foreign Direct Investment into grown sectors. Several aspects of mobility of labour in the region is also presented.

Chapter 2 provides a broad overview of how ASEAN's policies in services at regional level have evolved over the years, including some directives of what is being envisioned for the future.

Chapter 3 elaborates the multitude of policies and initiatives undertaken by individual ASEAN Member States in developing their economies, improving ease of doing business, and facilitating trade and investment in their countries, especially in the services sector.

Chapter 4 elaborates ASEAN's engagement with other non-ASEAN countries in the various Free Trade Agreements (FTAs) involving the services component, both for those FTAs engaged collectively by ASEAN as a group, as well as those FTAs engaged by each individual ASEAN Member States.



**Macroeconomic and Services
Development in ASEAN**

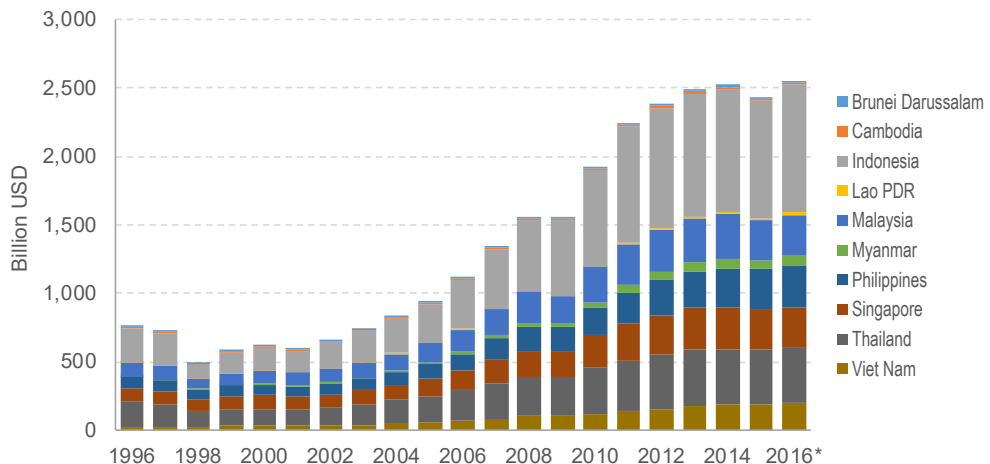
ASEAN is among the few regions in the world known for its continuing economic dynamism and growth. In general, its economy continues to grow steadily. Trade and investment flows continued to raise in the past decade, although somewhat affected by global economic uncertainties in the past two years. Services sector, in particular, is the most dynamic sector with the strongest development in terms of economic output as well as trade and investment. With economic development gap among its 10 Member States continue to be addressed, the gap has been gradually decreasing, and the prospect of ASEAN economies have been positive and promising over the years.

This Chapter looks into the details of development of various variables of ASEAN's macroeconomic development, with particular focus on its the services-related aspects.

1.1. ECONOMIC OUTPUT AND GROWTH

ASEAN, as a collective grouping of 10 Member States, is a region with sizeable and fast-growing economy. With a total Gross Domestic Product (GDP) estimated at US\$ 2.55 trillion for 2016, it is collectively the 6th largest economy in the world¹. This amounts to more than five-fold of the GDP output 8 years ago in 1998, when ASEAN was hit by the aftermath of 1997 Asian financial crisis.

Chart 1
Gross-Domestic Product (GDP) of ASEAN Member States at Current Price

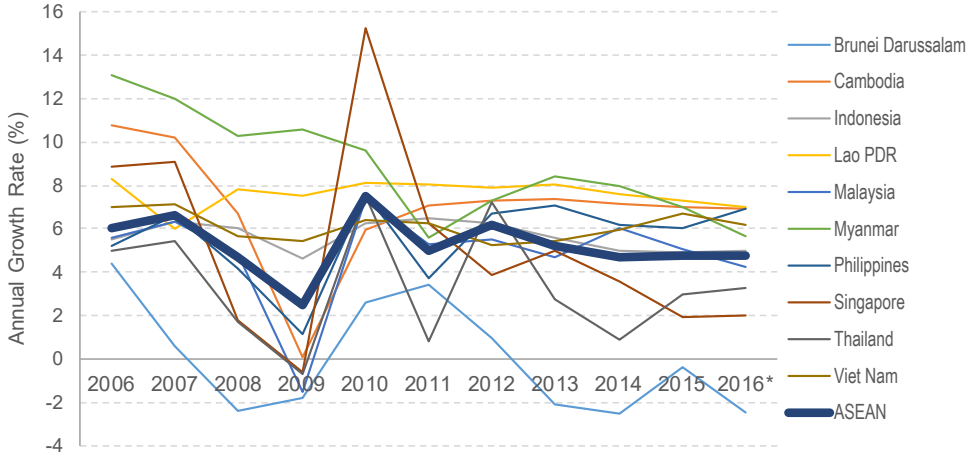


Source: ASEANStats

1 After USA, China, Japan, Germany, and UK based on July 2017 World Bank GDP ranking table. Total GDP amount in 2016 is based on ASEANStats estimate.

Except for a general drop in 2008 due to global economy downturn at that time, ASEAN exhibits positive and healthy economic growth rate over the years, generally within the range of 4% to 7% growth rate per year for the region as a whole.

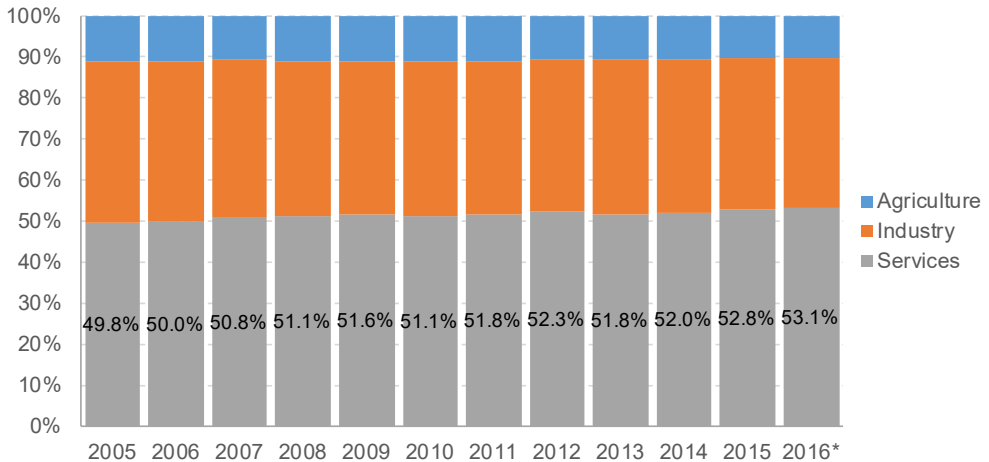
Chart 2
Annual Growth Rate of Gross-Domestic Product (GDP) of ASEAN



Source: ASEANStats

While the economic development level, hence economic structure, among the ten AMS remain divergent albeit continuously converging, services sector is generally the most significant and continuously increasing sector in ASEAN economies, as compared to agriculture and industrial sectors. Services account for half and above of GDP as a region for the last decade, and reached 53.1% in 2016.

Chart 3
Components of Gross-Domestic Product (GDP) of ASEAN

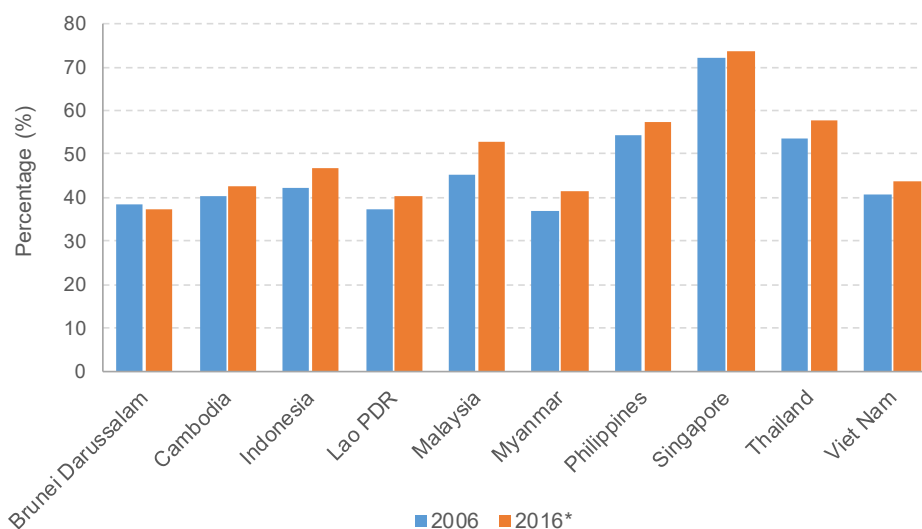


Source: ASEANStats

Within the last decade from 2006 to 2016, the proportion of services sector in the GDP of individual AMS generally increased by around 2 to 4 percentage points,

with highest change recorded for Malaysia with 7.6 percentage point increase, followed by Myanmar and Indonesia with 4.65 and 4.5 percentage point increase, respectively. Services component of GDP in AMS are at present within the 37% – 74% range.

Chart 4
Services Component of Gross-Domestic Product (GDP) of ASEAN Member States



Source: ASEANStats²

1.2. ECONOMIC COMPETITIVENESS

ASEAN's improving macro-economy has been all but coincidental. There have been significant developments in the region's institutional landscape and economic competitiveness over the years, especially those that took place in the past five years. Macroeconomic development is to an extent a broad reflection of an economy's attractiveness to do business, trade and invest, both domestically and internationally. Increasing trade and investments intensifies the dynamism and output of the economy, commonly measured by Gross Domestic Product (GDP). Indeed, attractiveness of business environment is an essential pre-condition for positive economic development.

Institutional development and economic competitiveness have become increasingly more important to the region as ASEAN economies are becoming more services-oriented. The growing ubiquity of services in the global economy, particularly in up- and down-stream of production networks and supply-chain, would have a more significant role in and impact on trade in services and investment in services sector regionally within and globally beyond ASEAN.

² For 2006, data is not available for Myanmar, hence 2008 data is used instead. For 2016, data is not available for Lao PDR, hence 2015 data is used instead.

Despite the disparate rankings across the region, *ASEAN Member States (AMS)* have improved their business environment in the recent years. Most AMS have improved their rankings on the *Ease of Doing Business Index³ (EDBI)*. From 2016 to 2017, the recent years where EDBI Ranking is available for all AMS, the median ranking of AMS on EDBI has been improved from 98 to 86.5.

Table 1
World Bank's Ease of Doing Business: Global Rank

ASEAN Member State	2016 Rank	2017 Rank
Brunei Darussalam	97	72
Cambodia	128	131
Indonesia	106	91
Lao PDR	136	139
Malaysia	22	23
Myanmar	171	170
The Philippines	99	99
Singapore	3	2
Thailand	46	46
Viet Nam	91	82
ASEAN Median	98	86.5

Source: World Bank's Ease of Doing Business Publications

Notwithstanding the changes in global ranking, a more important policy consideration is the actual improvement of the ease of doing business itself. The World Bank EDBI rank is based on the measurement of the so-called *Distance-to-Frontier (DTF)*, which measures how far a country performs from the best practice of enabling ease of doing business⁴. Except for a slight overall decline in 2015, the DTF score of AMS have been improving over the years regardless of the global rank.

Table 2
World Bank's Distance-to-Frontier (DTF) Index

ASEAN Member State	2010	2013	2014	2015	2016	2017
Brunei Darussalam	60.81	62.60	65.10	57.39	60.28	65.51
Cambodia	50.12	52.17	52.15	52.91	54.54	54.79
Indonesia	56.84	58.72	57.32	56.68	58.51	61.52
Lao PDR	46.44	49.65	50.27	50.79	52.44	53.29
Malaysia	74.61	79.44	81.20	78.64	78.18	78.11
Myanmar	N/A	42.28	43.14	39.42	44.01	44.56
The Philippines	54.29	55.92	59.86	59.89	59.53	60.40

³ A widely used indicator to assess business environment is the *Ease of Doing Business* ranking developed and maintained by the World Bank. It is a one of the earliest works on country-focused business environment assessment using a standardised methodology applied to all countries.

⁴ *Distance to Frontier (DTF)* score measures the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample. DTF is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier.

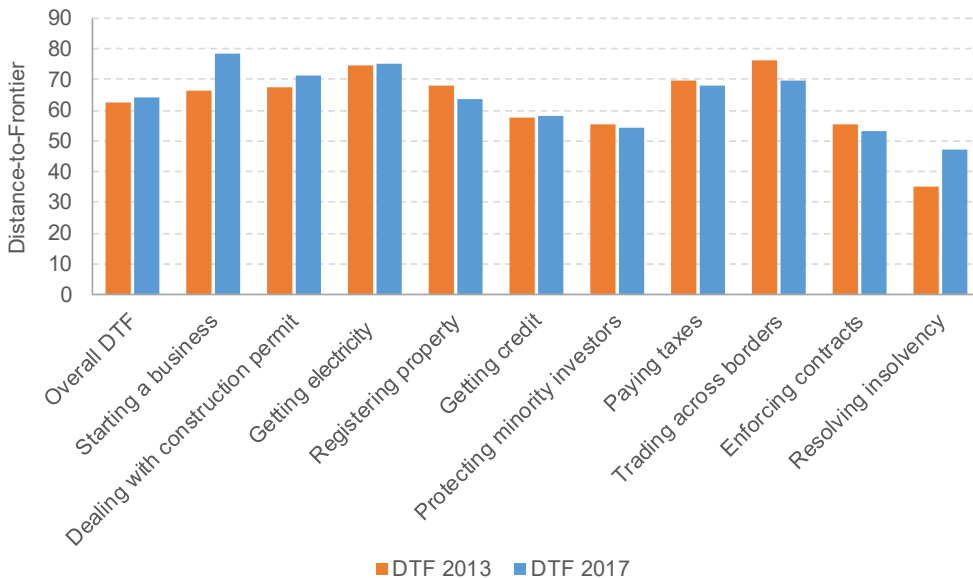
ASEAN Member State	2010	2013	2014	2015	2016	2017
Singapore	89.77	90.38	91.24	85.08	84.50	85.05
Thailand	73.03	75.20	75.99	72.20	71.65	72.53
Viet Nam	58.14	59.48	59.87	58.82	61.11	63.83
ASEAN Median	58.14	59.10	59.87	58.11	59.91	62.68
ASEAN Average	62.67	62.58	63.61	61.18	62.48	63.96

Source: World Bank's Ease of Doing Business Publications

The table above shows that the top three AMS with the highest improvement in DTF score are (i) The Philippines, whose overall DTF increased by 4.48 point between 2013 and 2017, (ii) Viet Nam by 4.35 point, and (iii) Lao PDR by 3.64 point.

The Ease of Doing Business Index provides further details on the various policy components making up the measurement. Chart 5 below shows the various components that make up the overall change of ASEAN DTF average from 2013 to 2017⁵. Components that contribute to these overall increase are in (i) starting a business (by 11.98 point), (ii) dealing with construction permit (3.89 point), (iii) getting electricity (0.19 point), (iv) getting credit (0.50 point), and (v) resolving insolvency (12.31 point).

Chart 5
Progress of ASEAN's Distance-to-Frontier, 2013-2017



Source: ASEAN Secretariat analysis based on WB Ease of Doing Business dataset

Complementing the World Bank's *Ease of Doing Business Index*, another important known index for measuring and analysing nations' economic competitiveness is the *Global Competitiveness Index (GCI)* published by World Economic Forum (WEF). GCI attempts to quantify the impact of a number of key factors on a nation's

⁵ 2013 is the baseline year, as it is the year when all 10 AMS are included in the index.

competitiveness, with particular focus on macroeconomic environment, quality of institutions, and the state of technology and supporting infrastructure⁶.

Similar with the patterns of the EDBI, the rankings across ASEAN in global economic competitiveness remain disparate, but AMS have progressively strengthened their economic competitiveness over the years. ASEAN as a region saw an improvement in GCI by 0.29 point from 4.22 in 2006-2007 to 4.55 in score 2016-2017⁷. The top three AMS who have improved most within this period are (i) Cambodia by 0.54 point, (ii) The Philippines by 0.38 point, and (iii) Indonesia by 0.34 point.

Table 3
Global Competitiveness Index (GCI) and Rank of ASEAN Member States

ASEAN Member State	2006-2007		2016-2017	
	GCI	Global Rank	GCI	Global Rank
Brunei Darussalam	N/A	N/A	4.35	58
Cambodia	3.44	105	3.98	89
Indonesia	4.18	54	4.52	41
Lao PDR	N/A	N/A	3.93	83
Malaysia	5.15	19	5.16	18
Myanmar	N/A	N/A	N/A	N/A
The Philippines	3.98	75	4.36	57
Singapore	5.46	8	5.68	2
Thailand	4.76	28	4.64	34
Viet Nam	4.09	64	4.31	60
ASEAN Average	4.25		4.55	

Note: GCI is on a 1 to 7 scale: higher score means higher degree of competitiveness

Source: World Economic Forum (WEF)'s Global Competitiveness Index (GCI)

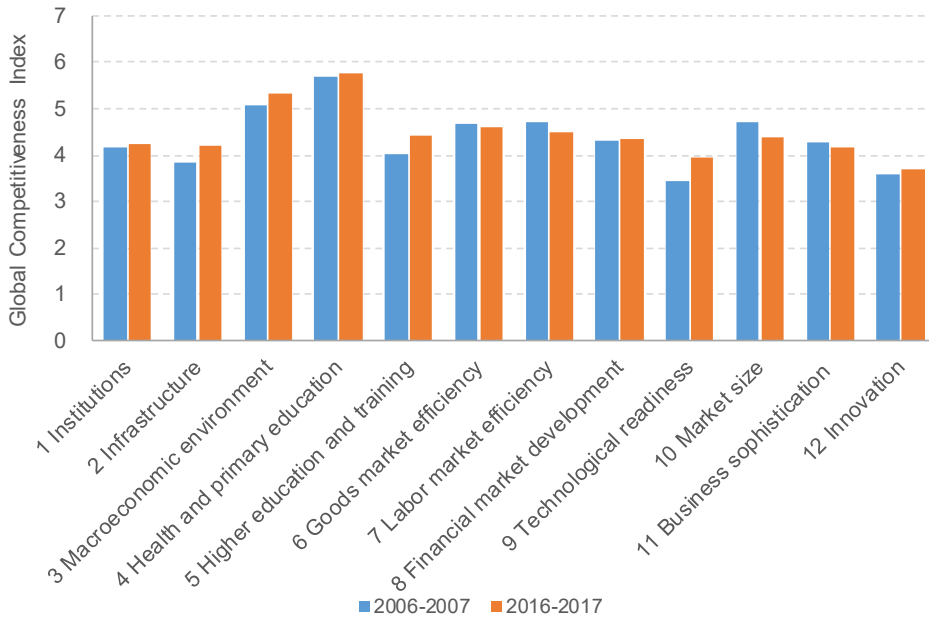
An analysis across the 12 pillars of competitiveness in the GCI analysis, averaged for all AMS, provide further insight on how the various components of competitiveness have developed in ASEAN.

The analysis of the various GCI pillars above shows that by 2016-2017, the top three pillars of ASEAN competitiveness are the 4th pillar (Health and Primary Education) with average score of 5.75, followed by the 3rd pillar (Macroeconomic Environment) with average score of 5.31, and the 6th pillar (Goods Market Efficiency) with average score of 4.58. In terms of improvement over this latest 10-year period, the chart above indicated that the most significant improvement is made in the 9th pillar (Technology Readiness) which improves by 0.52 point from 3.42 in 2006-2007 to 3.95 in 2016-2017. This is followed by the 5th pillar (Higher Education and Training) with an increase by 0.40 point, and the 2nd pillar (Infrastructure) which increased by 0.38 point.

⁶ GCI measures 12 pillars of competitiveness, taking into account countries' stages of economic development, and measures efficiency enhancers, innovation and sophistication factors. GCI is on a 1 to 7 scale: higher average score means higher degree of competitiveness.

⁷ The GCI for ASEAN is an average of the values of the 10 AMS. The average value of ASEAN is based on available data, hence for 2006-2007 excludes Brunei Darussalam, Lao PDR and Myanmar; while for 2016-2017 it does not include Myanmar.

Chart 6
Developments of the 12 Pillars of Global Competitiveness Index (GCI)
(ASEAN Average, 2006-2007 vs. 2016-2017)



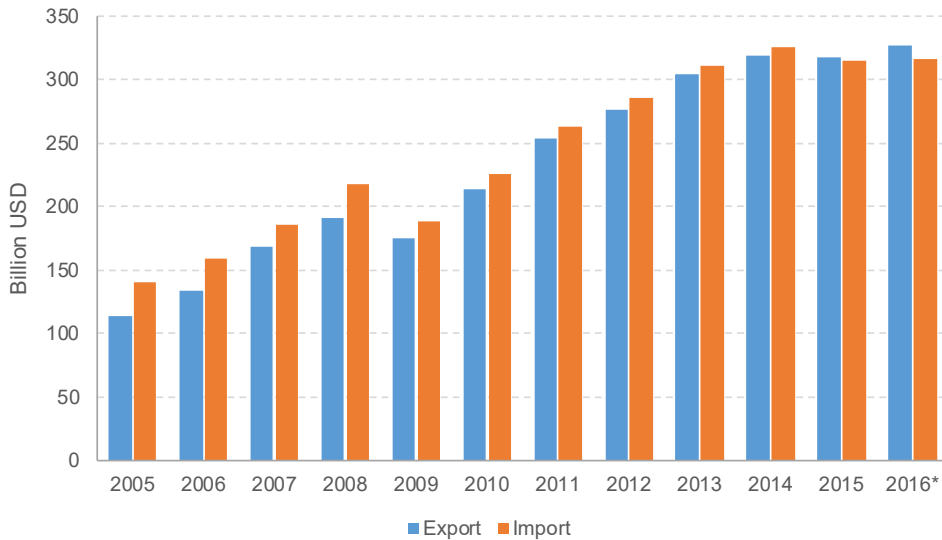
Source: ASEAN Secretariat analysis based on WEF GCI dataset

These progresses made reflect the outcome of the multitude of efforts by AMS to achieve better socio-economic development, improve their human capacity, and strengthen their economic efficiency in facing an increasingly more competitive global economic development and in participating in regional value chains.

1.3. TRADE IN SERVICES STATISTICS

Even more impressive than the development pattern of the overall economic output (GDP), ASEAN's export and import of services grew significantly over the last decade, albeit with a slight decline in 2009 due to global financial crisis in 2008. ASEAN's overall export and import of services in 2016 are currently estimated at US\$326.8 billion and US\$316.6 billion, respectively. This export level is about two-and-half times the volume from just a decade ago, recorded at US\$ 133.5 billion, while the import level is about twice the volume of a decade ago, recorded at US\$ 158.9 billion. Such development also transform the region, as a whole, from net importer of services to net exporter of services, within the past decade.

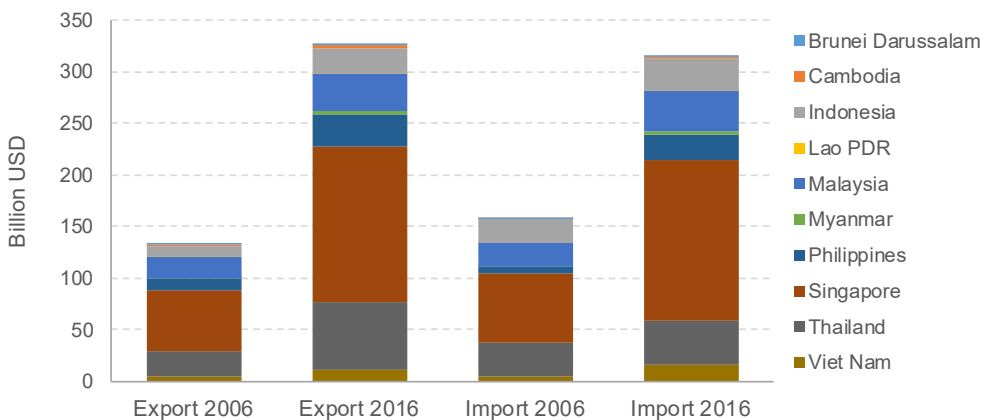
Chart 7
Export and Import of Services of ASEAN



Source: ASEANStats

The growth of export and import of services seems to follow each other closely, and they remain almost equal in any ASEAN Member State at any given year. Most ASEAN Member States are traditionally net importer of services, except for Cambodia, Lao PDR and the Philippines. Notwithstanding, the significant growth of ASEAN's trade in services in the last decade has made the deficit continues to narrow. Thailand and Myanmar had transformed into net exporter of services in the past decade. Chart 8 below also shows these developments. It also shows that the largest exporter and importer of services in the region is Singapore. However, Thailand and Malaysia have also been significant traders in services, followed by Indonesia and the Philippines.

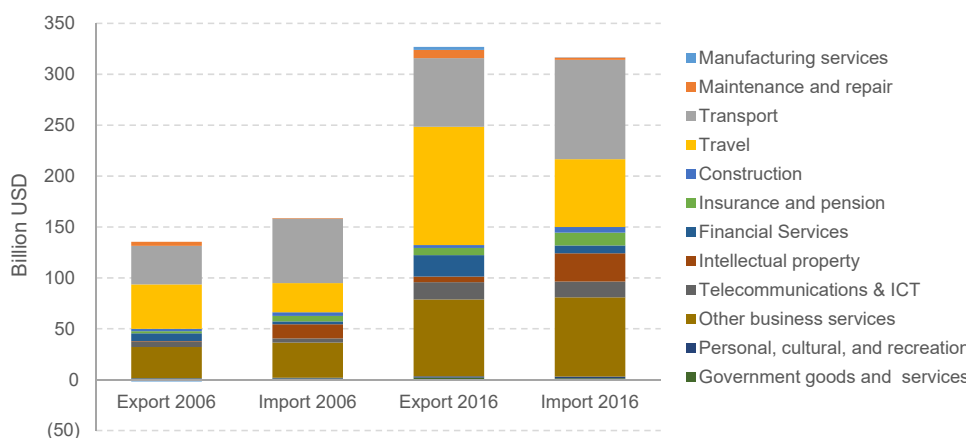
Chart 8
Export and Import of Services of ASEAN Member States, 2006 vs. 2016



Source: ASEANStats

In terms of sectoral disaggregates, both export and import of ASEAN in services are largely dominated by 3 sectors: travel, transport, and other business services⁸. These 3 are significantly larger than the 9 other sectors. However, in terms of growth, ASEAN's top three fastest growing sectors over the 2006-2016 period are intellectual property, insurance and pension, and telecommunications and ICT services for export; and telecommunications and ICT, maintenance and repair, and financial services for import.

Chart 9
Sectoral Composition of ASEAN's Trade in Services, 2006 vs. 2016

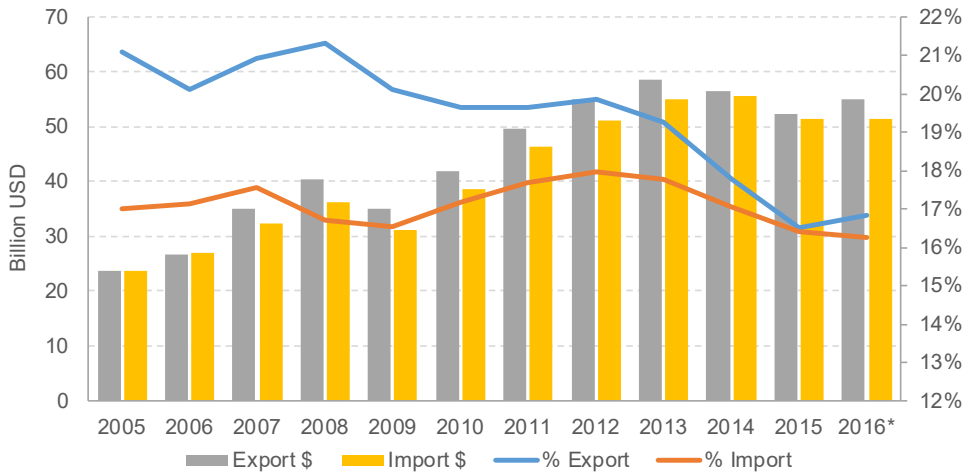


Source: ASEANStats

Intra-ASEAN trade in services also continue to grow, despite a slight decline in the recent 2014-2015. The growth of intra-ASEAN trade also tends to be slower than the growth of overall ASEAN trade in services. To some extent, this indicates the tendency of ASEAN companies to expand their trade activities more with other parts of the world compared to within the region. Since 2012, intra-ASEAN export and import of services are already beyond the US\$50 billion level.

⁸ Sectoral classification used in *Statistics in Trade in Services (SITS)* for ASEAN is based on based on the 6th edition of the *Balance of Payments Manual* (or known as BPM6) issued by the *International Monetary Fund (IMF)*. Other business services cover broad areas of services including research and development, management consulting, engineering, architecture, leasing, waste treatment, etc.

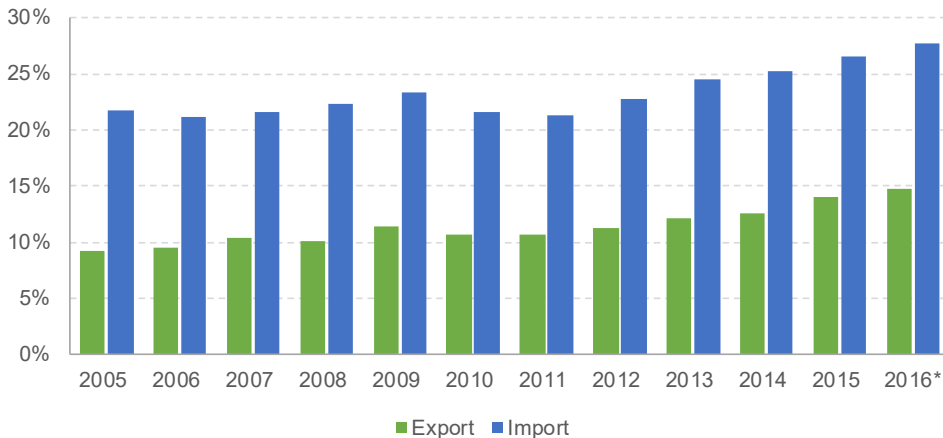
Chart 10
Intra-ASEAN Trade in Services as Percentage of Total Trade in Services



Source: ASEAN Secretariat analysis based on ASEANStats figures

It is not surprising but important to emphasise that, similar to the pattern in many parts of the developing world, trade in services of AMS are increasingly more significant compared to trade in goods. ASEAN's total trade in goods have continued to be very successful and had grown more than 50% over the last decade. However, ASEAN's total trade in services had been growing at an even more encouraging rate: more than doubled. Indeed, ASEAN's export and import of services are still relatively small compared to its export and import of goods. However, the gap is narrowing. By 2016, services export is 14.7% of goods export volume, a significant increase from the 9.50% level a decade earlier. Meanwhile, services import is 27.7% of goods import volume in 2016, also a sizeable increase from the 21.2% level a decade earlier. This shows, again, the fast growth of trade in services of ASEAN.

Chart 11
ASEAN's Trade in Services Volume as Percentage of Trade in Goods Volume



Source: ASEAN Secretariat analysis based on ASEANStats Figures

It is not surprising but important to emphasise that, similar to the pattern in many parts of the developing world, trade in services of AMS are increasingly more significant relatively compared to trade in goods. ASEAN's trade in goods have been very successful and doubled over the last decade. However, ASEAN's trade in services is growing at an even more encouraging rate: it almost tripled.

Chart 12
Services and Goods Trade Volume Index (2006 Level = 100)



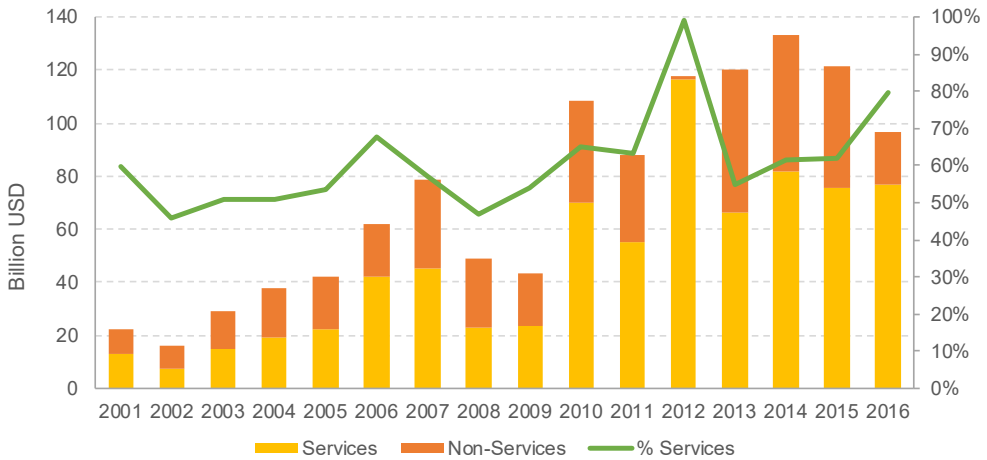
Source: ASEAN Secretariat analysis based on ASEANStats Figures

1.4. FOREIGN DIRECT INVESTMENT (FDI) INTO SERVICES SECTORS

ASEAN has been recognised as among few regions in the world with impressive growth in attracting global Foreign Direct Investment (FDI) amidst global economic uncertainties. Despite few fluctuations and adjustments across various sectors and sub-sectors, FDI into the region as a whole continue to be bullish. Highest record FDI to-date is in 2014 with US\$130 million, the highest FDI recipient the developing world at the time⁹. Services sectors are the most significant sector in receiving FDI in ASEAN, compared to the agricultural and extractive sectors, as well as manufacturing and industrial sectors. And the trend continues to increase.

9 ASEAN Investment Report 2015.

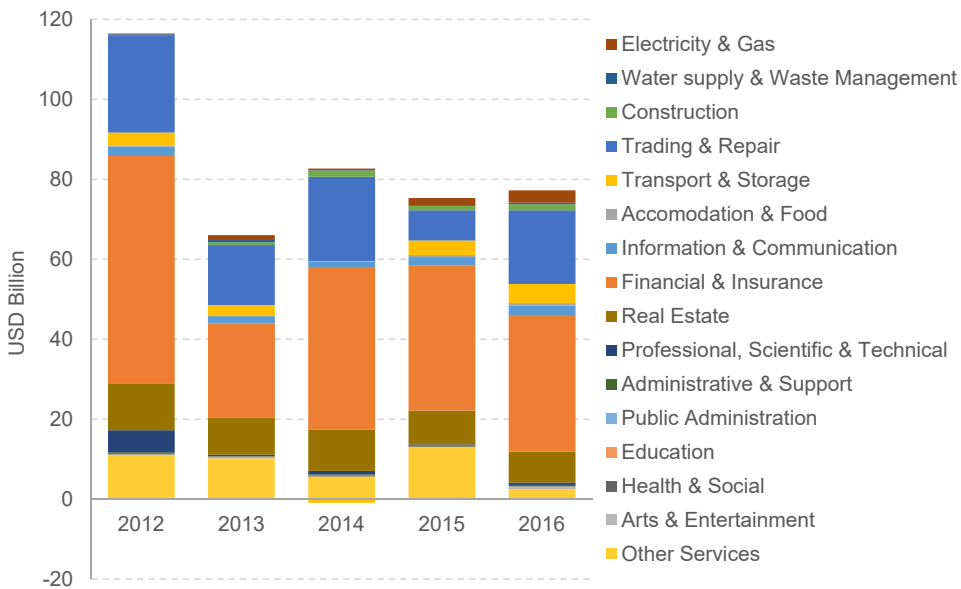
Chart 13
Foreign Direct Investment (FDI) into ASEAN



Source: ASEAN Secretariat analysis based on ASEANStats Figures

Almost half of the FDI into services sectors generally goes into the financial and insurance activities. On a far second, of around 20% of total FDI into the services sectors, goes into the wholesale and retail trade and repair services of motor vehicles. The third main services sector, at 10%-14% range of total FDI into the services sectors, goes into the real estate activities. A far fourth, generally about 3% to 6% range of total FDI into the services sectors, goes into transportation and storage.

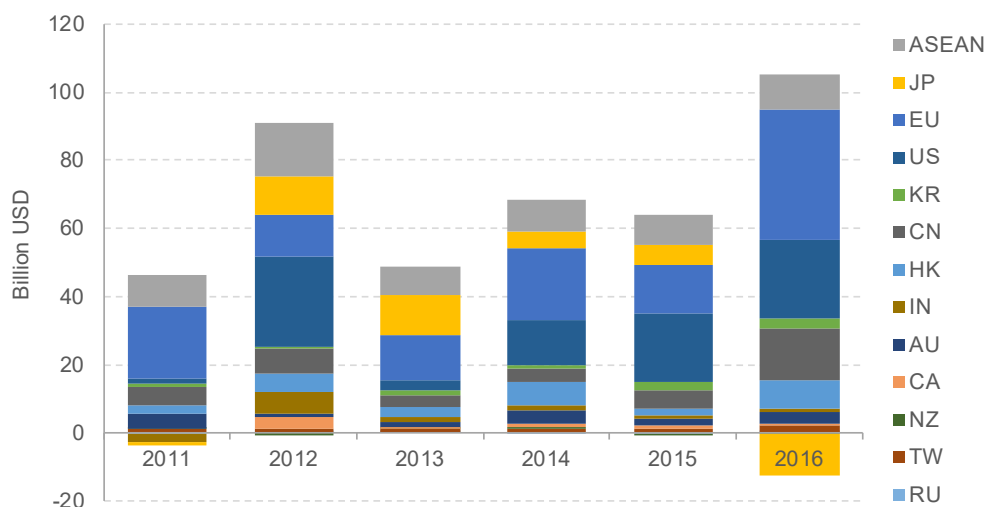
Chart 14
Sectoral Disaggregate of FDI in Services Sector into ASEAN



Source: ASEANStats

The overall investments into ASEAN are mainly dominated by investors from Japan, EU, US and of a very significant portion, intra-ASEAN investors too. These are also the same set of countries who are the major investors in the region in the services sectors as well, except that Japan is slightly less dominant compared to US and EU. ASEAN's other important investors and trading partners such as China, Hong Kong, Australia, India, Korea and Canada also made sizeable investments in the services sector in ASEAN.

Chart 15
Major Investors in the Services Sectors into ASEAN, 2011-2016



Source: ASEAN Secretariat analysis based on ASEANStats Figures

1.5. MOBILITY OF PEOPLE

ASEAN is a dynamic economic bloc with a market size of 650 million people, with a significant portion of young labour force. The dynamism of economic integration as well as diverse landscape of economic development that persists among countries in the region contribute to mobility of ASEAN people within the region, and even beyond.

Table 4 below shows the relative size of migrants in various ASEAN Member States (AMS) in 2008 and 2015. For most AMS, migrants are not of significant portion compared to their overall labour force, let alone the population. Notable exceptions are the migrant-receiving countries of Singapore (36% of labour force in 2008 to 38% in 2015), Brunei Darussalam (37% in 2011 dropped to 27.5% in 2014), Malaysia (10% in 2008 to 15% in 2015), and to a lesser degree Thailand (2% in 2008 to 4% in 2015). At ASEAN-wide level, migrants are on average only about 1.13% of labour force in 2008 and slightly increased to 1.75% in 2015.

Table 4
Population, Labour Force, and Foreign Migrants in ASEAN Member States

ASEAN Member State	2008 ¹⁰			2015 ¹¹		
	Population	Labour Force	Migrants ¹²	Population	Labour Force	Migrants
Brunei Darussalam	393,372	183,715	67,698	417,200*	189,573	52,161
Cambodia	13,395,682	6,841,272	58,458	14,676,591	8,059,608	49,150
Indonesia	232,034,764	111,947,265*	54,031*	254,357,958	122,380,021*	69,025*
Lao PDR	5,622,000	2,606,300	13,577	6,492,200	3,021,212	33,610
Malaysia	27,679,000	10,659,600	1,044,700	30,931,900	14,067,700	2,127,100
Myanmar	58,376,839	28,750,000	74,587	51,486,253	21,872,539	40,418
The Philippines	88,482,000	34,089,000	20,996	96,854,000	38,651,000	91,424
Singapore	4,839,396	2,952,400	1,057,700	5,535,002	3,656,200	1,387,300
Thailand	63,389,700	37,016,600	790,664	67,211,400	38,016,200	1,443,474
Viet Nam	84,898,828	47,069,212	16,368	91,703,811	52,840,045	6,606
ASEAN	579,111,581	282,115,364	3,198,779	619,666,315	302,754,098	5,300,268

Source: ASEAN Secretariat analysis based on ILO's International Labour Migration Statistics Database in ASEAN, Version IV (June 2016). Data marked with asterisk () are supplied by the AMS concerned.*

In terms of employment by sectors, services sector is a significant sector for employing migrants, typically absorbing around 40% to over 50% of total migrants, and could be as high as almost 70% for Brunei Darussalam. The number of migrants employed in the services sector tends to increase over time across all AMS, although in terms of proportion the development tends to be mixed across AMS.

¹⁰ Based line figures are mostly 2008, except for Brunei Darussalam (2011) and Lao PDR (2005)

¹¹ Latest figures are mostly 2015, except for Cambodia (2013) and Brunei-Myanmar-Philippines (2014). For Lao PDR, only the number of labour force use 2010 figure, the rest is 2015 figures.

¹² Number of migrants refers to employed migrants, except for Lao PDR (2005), Myanmar (2014) and Viet Nam (2015).

Table 5
Employment of Migrants by Sector

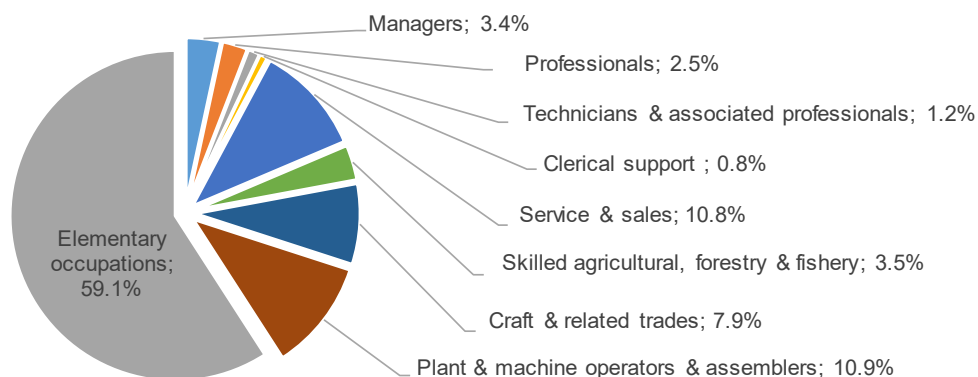
ASEAN Member State ¹³	2008 ¹⁴			2014 ¹⁵		
	Employed Migrants	Services Sector Migrants		Employed Migrants	Services Sector Migrants	
Brunei Darussalam	67,698	43,990	65.0%	52,161	35,633	68.3%
Cambodia	58,458	24,564	42.0%	49,150	21,968	44.7%
Indonesia	54,031	29,539	54.7%	68,762	36,702	53.4%
Lao PDR	13,578	6,505	47.9%	49,915	19,825	39.7%
Malaysia	1,044,700	353,300	33.8%	2,110,900	780,300	37.0%
Singapore	1,057,700	508,100	48.0%	1,355,700	706,000	52.1%
Thailand	717,090	378,230	52.7%	1,351,438	453,462	33.6%

Source: ASEAN Secretariat analysis based on ILO's International Labour Migration Statistics Database in ASEAN, Version IV (June 2016).

Note: Brunei and Indonesia supplied data for their countries.

In terms of the types of occupation, about 60% of total employed migrants are taking up elementary positions, and only about 7% are at the level of managers, professionals or technicians.

Chart 16
Share of Employed Migrants in ASEAN by Occupation, 2014



Source: ASEAN Secretariat analysis based on ILO's International Labour Migration Statistics Database in ASEAN, Version IV (June 2016)

In terms of intra-regional flow, intra-ASEAN labour flow has been generally significant. Based on available reported statistics, approximately 77% of total employed migrants in ASEAN, or 2.5 million employed migrants, come from within the region. In some cases, ASEAN nationals accounted for almost 90% of the total employed migrants in AMS, such as in Thailand and Cambodia; even the figures of 80% in Brunei Darussalam and 68% in Malaysia are still considerably high. The lowest percentage is 32% in Indonesia, or 20,815 employed migrants from within ASEAN, which is still a sizeable number.

13 Data not available for Myanmar, Philippines, and Viet Nam.

14 Data for 2008, except Lao PDR (2006)

15 Data for 2014, except Cambodia (2013)

Table 6
Number of Migrants in ASEAN Member States

ASEAN Member State	Total Employed Migrants	Total ASEAN-National Employed Migrants
Brunei Darussalam, 2014	52,161	41,475
Cambodia, 2008	58,458	51,534
Indonesia, 2015	65,618	20,815
Lao PDR, 2015	33,610	12,781
Malaysia, 2011	1,573,061	1,070,369
Myanmar, 2014	40,418*	n/a
The Philippines, 2014	91,424	n/a
Singapore, 2015	1,387,300	n/a
Thailand, 2015	1,443,474	1,295,282
Viet Nam, 2016	82,585	approx.58%

Source: ASEAN Secretariat analysis based on International Labour Migration Statistics Database in ASEAN, Version IV (June 2016). Viet Nam supplied data for its country.

Note: * denotes total migrants, not employed migrants;

In addition to the data of foreign immigrants flowing into AMS as reported above, most AMS also keep and report the numbers of their emigrants flowing out to other countries. Emigrants from countries like Cambodia and Myanmar have significant percentage of migration to other AMS, as high as 93% for Myanmar. Philippines also has very high number of emigrants, however, they mostly go outside of ASEAN. Over the last one-decade period from 2005 and 2015, AMS are generally going more international through emigrating to more and more number of countries, especially those outside of the ASEAN region.

Table 7
Number of ASEAN Emigrants Working Abroad

ASEAN Member State	2005		2015 ¹⁶	
	Total	To ASEAN	Total	To ASEAN
Brunei Darussalam	n/a	n/a	n/a	n/a
Cambodia	2,244	1,776	25,541	17,069
Indonesia	474,310	231,952	275,736	128,599
Lao PDR	74	n/a	50,712	n/a
Malaysia	n/a	n/a	n/a	n/a
Myanmar	2,529	2,376	95,274	89,031
The Philippines	740,360	49,911	1,430,842	203,249
Singapore	n/a	n/a	n/a	n/a
Thailand	139,667	24,681	117,291	18,571
Viet Nam	70,594	24,605	115,980	7,385

Source: ASEAN Secretariat analysis based on International Labour Migration Statistics Database in ASEAN, Version IV (June 2016).

¹⁶ Except for Philippines, whose data are as of 2014.



**ASEAN Policy Developments in
Services**

2.1. ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS)

Overall economic policy on trade and investment in services sectors in ASEAN has been guided by the *ASEAN Framework Agreement on Services (AFAS)*. AFAS was signed on 15 December 1995 by the *ASEAN Economic Ministers (AEM)* during the 5th ASEAN Summit in Bangkok, Thailand.

AFAS provides the legal framework for ASEAN Member States (AMS) to progressively liberalise services to services suppliers from other ASEAN Member States, recognising that intra-ASEAN services liberalisation will strengthen the flow of trade and investment in the services sector among ASEAN Member States, and eventually contribute to overall economic integration in the region. All AFAS rules are consistent with, and further build upon, the provisions of and commitments made at the *General Agreement on Trade in Services (GATS)* of the *World Trade Organisation (WTO)*; which is the first multilateral agreement on services signed in April 1994 and entered into force on 1 January 1995.

Following from the signing of AFAS, various initiatives, agreements, and decisions have been made or signed, and implemented to foster closer relations and more integrated trade and investment flows among ASEAN Member States (AMS) in the various services sectors.

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 Heads of State/Government at the 13th ASEAN Summit on 20 November 2007 in Singapore. Through the AEC Blueprint, ASEAN had 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.

2.2. LIBERALISATION OF SERVICES UNDER THE AFAS**2.2.1. DEVELOPMENT OF AFAS LIBERALISATION PROCESS**

Immediately following the signing of AFAS in December 1995, ASEAN immediately established the *Coordinating Committee on Services (CCS)* in January 1996, who reports to the *ASEAN Economic Ministers (AEM)* through the *Senior Economic Officials Meeting (SEOM)*, to implement the AFAS. At this initial stage, CCS was tasked to negotiate liberalisation on 7 priority sectors, namely: air transport, business services, construction, financial services, maritime transport, telecommunication and tourism services, based on *request-and-offer approach*, which is a standard approach as also used in the GATS.

Throughout the history thereafter, services liberalisation processes under the AFAS has developed significantly in various aspects.

In terms of sectoral coverage, the mandate has been expanded beyond those original 7 sectors to cover all services sectors. Notwithstanding, each individual AMS retains their flexibility to choose services sectors and subsectors that they could liberalise throughout the years as long as they meet the agreed liberalisation targets and thresholds set for each corresponding AFAS Package.

Those commitments to liberalise certain sectors and subsectors are “*harvested*” through *Packages of Commitments* which AMS agreed and signed after every few years. AFAS use similar format and approach with the so-called *Schedule of Commitment* under the GATS, which basically list out the services sectors and subsectors that each Member State are committed to open, and how open each sector and subsector shall be. It is a gradual process where each AMS progressively commit more sectors and subsectors, and with deeper level of commitments for each succeeding AFAS packages.

In terms of institutional arrangement, in addition to the CCS, other ASEAN bodies had also been created to oversee liberalisation specifically for financial services and air transport services. *ASEAN Working Committee on Financial Services Liberalisation (WC-FSL)* was established by the *ASEAN Finance Ministers Meeting (AFMM)* in March 2000, while the Air Transport Sectoral Negotiations (ATSN) under the *Air Transport Working Group (ATWG)* was established in January 2000 by the *ASEAN Transport Ministers (ATM)* Meeting. Since then, each of these Ministerial tracks oversee the negotiation and sign each resulting AFAS packages separately. Following the establishment of the ASEAN Finance Ministers’ and Central Bank Governors’ Meeting (AFMGM) in March 2015, financial services liberalisation has since been discussed under the AFMGM agenda, although the resulting AFAS packages will still be signed by the AFMM.

It is also to be noted that services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying are not dealt with within the AFAS liberalisation. Instead, they are covered under the investment-track of ASEAN integration process. The *ASEAN Investment Area (AIA) Council* established in October 1998, assisted by the *ASEAN Coordinating Committee on Investment (CCI)*, oversee ASEAN’s investment policy; and with respect to liberalisation aspect of investment, focus on manufacturing, agriculture, fishery, forestry, and mining and quarrying sectors. Following the signing of the *Protocol to Amend the Framework Agreement on the ASEAN Investment Area* in September 2001, the work on the economic integration of services incidental to these 5 sectors was transferred to the AIA process in order to ensure coherence with CCI’s existing work portfolio. This arrangement continues to the present ASEAN agreement on investment, known as the *ASEAN Comprehensive Investment Agreement (ACIA)* which was signed in February 2009.

In terms of liberalisation approach, CCS developed several negotiating approaches over the time, which contributes to increasing breadth and depth of services liberalisation for each succeeding AFAS packages.

In the first round of AFAS process (1996-1998), ASEAN adopted the standard *Request and Offer Approach* similar to the approach undertaken under the GATS.

AMS exchanged information among them on each other's GATS commitments as well as services trade regime, and then request each other for further liberalisation. The commitments resulting from the negotiation is then extended to all AMS on Most-Favoured Nation (MFN) basis.

For the second round (1999–2001), ASEAN adopted a *Common Sub-Sector Approach* where a list of common subsectors which had been committed by at least 4 AMS in GATS and previous AFAS package were identified, and AMS were urged to liberalise these subsectors. At the third round (2002–2004), ASEAN modified the approach by increasing its threshold to include common subsector where at least 3 AMS had made commitments.

Also during the third round, ASEAN developed a new approach called *ASEAN Minus-X Formula*, which allows two or more AMS to liberalise a set of services sector without having to extend the concession to non-participating AMS on MFN basis, until such non-participating AMS are ready to participate. This initiative was formalised through a *Protocol to Amend the AFAS* signed in September 2003.

Since the fourth round (2005–2007), ASEAN started introducing numerical thresholds where AMS are required to make commitments for a certain number of subsectors meeting certain level of commitments for the various modes of supply, in order to complete a package. It started with requirement for scheduling no restrictions for modes 1 and 2, and certain levels of foreign equity participation. As a standard for counting the number of subsectors, it was decided that AFAS commitments are mapped into a standard WTO classification, using document coded MTN.GNS/W/120 dated 10 July 1991 (typically referred to as "W/120").

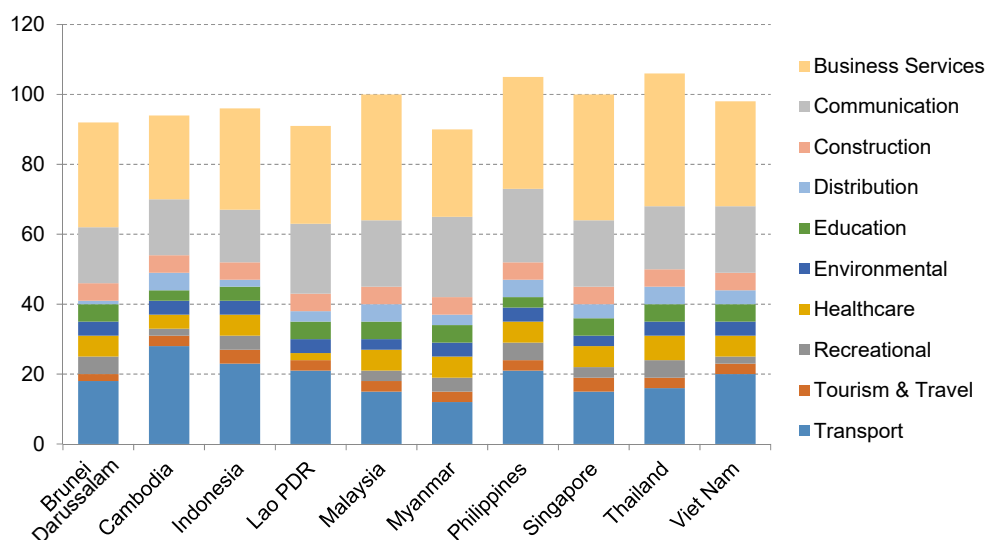
Following the adoption of the *ASEAN Economic Community (AEC) Blueprint* by the 13th ASEAN Summit in November 2007, for 2008 onwards ASEAN undertook services liberalisation commitments based on targets and timelines as outlined in the trade in services section of the Blueprint as well as any applicable subsequent decisions from the AEM. The services part of the Blueprint contains existing decision on thresholds for services liberalisation (which has been set up to 2015) and other new decisions, including mandate to come up with additional thresholds to further liberalise services. Subsequently, ASEAN negotiated and agreed on additional thresholds for Mode 3 Market Access (MA) and National Treatment (NT) for the succeeding AFAS packages.

These negotiated thresholds have contributed to increasingly higher level of liberalisation in services across all AMS. Thus, instead of negotiating for specific improvements in certain subsectors as in the request-and-offer approach used under the GATS as well as many FTA negotiations, these numerical thresholds set the requirement for every AMS to comply. As these thresholds have been set higher with each succeeding AFAS package, certain negotiated level of flexibilities are allowed starting from the 8th AFAS Package. The flexibility allows for a certain number of sub-sectors being exempted from meeting all the agreed thresholds, or not scheduled.

2.2.2. LATEST STATUS OF AFAS LIBERALISATION

Liberalisation of AFAS under the *ASEAN Economic Ministers (AEM)* have to-date concluded 9 (nine) Packages of Commitments, the latest of which was signed on 27 November 2015 in Makati City, the Philippines. In this package, AMS have made commitments to liberalise a wide range of services sectors and subsectors, ranging from 90 to 108 subsectors out of total universe of 128 subsectors under the purview of the AEM.¹⁷ These covers a wide and diverse range of services such as professional services, telecommunications, construction, distribution, education, healthcare, tourism, transport services, and many more.

Chart 17
Subsectors Scheduled by ASEAN Member States under the 9th AFAS Package



Note: Subsectoral coverage does not reflect the level of openness of any subsector, since that each country may schedule varying degree of openness in their commitments in the different modes of supply in each services subsector. Likewise, subsectoral coverage does not necessarily reflect commercial significance of the commitments made, which vary across sectors/subsectors and across different countries.

Source: ASEAN Secretariat assessment

Liberalisation of Financial Services under the *ASEAN Finance Ministers Meeting (AFMM)* have to-date resulted in six (6) additional Packages of Commitments, the latest of which was signed on 23 June 2016 in Ha Noi, Viet Nam. This latest Package is numbered the 7th because financial services started to be scheduled in the 2nd AFAS Package signed by the AEM, hence the financial services commitments in that 2nd AFAS Package are considered as the 1st Package of Financial Services Commitments under the AFAS.

An important feature of the 6th and 7th Packages of Commitments on Financial Services under AFAS is the inclusion of provision related to the *ASEAN Banking Integration Framework (ABIF)* conducted by ASEAN Central Bank Governors' process into the Protocol to Implement these Packages. ABIF allows two or more

¹⁷ Based on W/120 classification (as mentioned in earlier sub-section), there are 155 subsectors in the universe of services sectors. Out of these, 128 subsectors are under the purview of the AEM, 17 subsectors under the purview of AFMM, 6 under the purview of ATM, and 4 subsectors under the purview of CCI.

AMS to agree to liberalise their banking sectors at any time, with any extension of the preferential treatment to the remaining AMS on an MFN basis being voluntary on the part of the participating AMS.

Liberalisation of Air Transport Services under the *ASEAN Transport Ministers (ATM)*, on the other hand, have to-date resulted in 6 (six) additional Packages of Commitments, the latest of which was signed on 6 November 2015 in Kuala Lumpur, Malaysia and was also numbered the 9th Package. It has been considered that the first three packages of air transport are those incorporated in the first three packages of AFAS signed by the AEM.

While not undertaken under the AFAS, other important ASEAN agreements under the ATM that facilitates the provision of air transport services include the following:

- ASEAN Memorandum of Understanding on Air Freight Services, signed on 19 September 2002 in Jakarta, Indonesia and its amending Protocol signed on 8 February 2007 in Bangkok, Thailand;
- ASEAN Multilateral Agreement on Air Services, also signed on 20 May 2009 in Manila, the Philippines;
- ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services, signed on 20 May 2009 in Manila, the Philippines;
- ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services, signed on 12 November 2010 in Bandar Seri Begawan, Brunei Darussalam; and
- Implementation Framework of the ASEAN Single Aviation Market (ASAM), adopted on 15 December 2011 in Phnom Penh, Cambodia.

Works are currently still on-going on the subsequent AFAS Packages for all these three Ministerial tracks. It is useful to be noted that the latest AFAS Packages contain all GATS and previous AFAS commitments along with new and improved commitments made for the current package. This practice started from the 5th Package under the AEM, 5th Package under the AFMM, and 7th Package under the ATM.

2.3. MOBILITY OF SERVICE SUPPLIERS

In addition to the AFAS liberalisation as discussed above, a number of other initiatives are also undertaken under the ASEAN Economic Ministers (AEM) process to promote cross-border mobility of people supplying services, or technically known as *Movement of Natural Persons (MNP)*, or “Mode 4”. Mode 4 is one of the four ways through which services can be supplied across national borders¹⁸. It started with *Mutual Recognition Arrangement (MRA)*, followed by ASEAN Agreement on

¹⁸ Mode 1 (Cross-border supply) is supply of service to consumer by supplier from another country, without the presence of the supplier in the country of the consumer. Mode 2 (Consumption abroad) is supply of service to a consumer in the country of the supplier, outside the country of the consumer. Mode 3 (Commercial Presence) is supply of service within the country of the consumer through commercial presence (establishment) of the supplier from another country. Mode 4 (Movement of Natural Persons) is supply of service within the country of the consumer, with the supplier from another country being present in person.

MNP, and relatively more recent is the initiative on *ASEAN Qualifications Reference Framework (AQR)*.

2.3.1. MUTUAL RECOGNITION ARRANGEMENT (MRA)

MRA facilitates trade in services through mutual recognition of authorisation, licensing, or certification of qualifications of professional service suppliers obtained in one country by another country participating in the MRA. MRA thus promotes greater flow of foreign professionals by reducing the tedious procedures in obtaining a licence to supply a service in another country.

In ASEAN, negotiations for MRAs started following the mandate given at the 7th ASEAN Summit held in November 2001 in Bandar Seri Begawan, Brunei Darussalam. The *Coordinating Committee on Services (CCS)* established specific negotiating groups for negotiating the MRAs, starting from July 2003. To-date, MRAs in eight (8) professional services have been successfully concluded and signed:

- MRA on Engineering Services on 9 December 2005 in Kuala Lumpur, Malaysia;
- MRA on Nursing Services on 8 December 2006 in Cebu, the Philippines;
- MRA on Architectural Services on 19 November 2007 in Singapore;
- Framework Arrangement for the Mutual Recognition of Surveying Qualification on 19 November 2007 in Singapore;
- MRA Framework on Accountancy Services on 26 February 2009 in Cha-am, Thailand, subsequently amended as MRA on Accountancy Services on 13 November 2014 in Nay Pyi Taw, Myanmar;
- MRA on Medical Practitioner on 26 February 2009 in Cha-am, Thailand;
- MRA on Dental Practitioner on 26 February 2009 in Cha-am, Thailand; and
- MRA on Tourism Professionals on 9 November 2012 in Bangkok, Thailand.

All the above agreements were signed by the *ASEAN Economic Ministers (AEM)* except for the MRA on Tourism Professionals, which was signed by the *ASEAN Tourism Ministers Meeting (M-ATM)*. There are, however, differences of approach to promote the mutual recognitions among the various MRAs.

The MRAs for Engineering and Architecture work towards ASEAN-wide certification for qualified professionals, which allow them to work as registered ASEAN professionals in another AMS in collaboration with certified local professionals. To-date there have been 2,552 engineers and 417 architects from all AMS registered in the system.

The MRA for Surveying and the earlier MRA for Accountancy, on the other hand, only provide a framework for an AMS to enter into negotiations for bilateral or plurilateral MRA with another one or more other AMS. This is mainly due to the large differences among AMS in the surveying practice, or sensitivities in some accountancy practices. Subsequently, the MRA for accountancy has been re-negotiated and is now adopting a similar approach with the MRAs for Engineering and Architecture, and the certification process for ASEAN-level qualified professionals have commenced.

For surveying, a roadmap has been developed and being implemented by AMS to promote mobility of ASEAN surveying professionals.

The three MRAs related to healthcare services (Nursing, Dental and Medical) focus more on exchange of information on the practice and registration/licensing procedures of these practices across AMS, as well as to identify areas to facilitate further mobility. These MRAs do not adopt the ASEAN-wide registration and appropriate form of mobility continued to be explored taking into account the importance of patient safety and the need for continuity of patient care.

The MRA on Tourism Professional facilitates mobility through mutual recognition of professionals who possess valid tourism competency certificate in the agreed job titles issued by the *Tourism Professional Certification Board (TPCB)* of each AMS. The eligibility to work in another AMS remains subjected to prevailing domestic laws and regulations of the host country. At present, there are six (6) areas where ASEAN tourism professionals may find employment in other AMS: front office, housekeeping, food production, food and beverage services (for hotel services), travel agency, and tour operations.

These MRAs are currently actively implemented along with a number of follow-up initiatives to promote mobility of these professionals.

2.3.2. ASEAN AGREEMENT ON MOVEMENT OF NATURAL PERSONS (MNP)

Movement of Natural Persons (MNP) or Mode 4 is an integral part of every Package of Commitments made under the AFAS, until the ASEAN Economic Ministers (AEM) signed a stand-alone *ASEAN Agreement on Movement of Natural Persons* on 19 November 2012 in Phnom Penh, Cambodia.

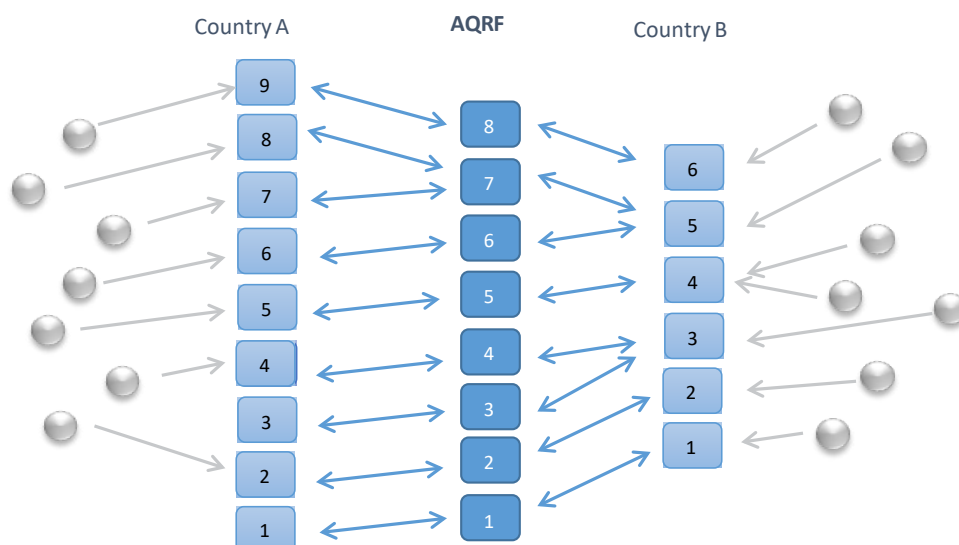
The ASEAN MNP Agreement is intended to be a legal framework for ASEAN to work towards elimination of substantially all restrictions in the temporary cross-border movement of natural persons involved in the provision of trade in goods, trade in services and investment towards free flow of skilled labour in ASEAN. The scope of the Agreement applies to *Business Visitors (BV)*, *Intra-Corporate Transferees (ICT)*, and *Contractual Service Suppliers (CSS)* as defined in the Agreement, and as committed by each AMS in their respective schedules of commitment.

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 the schedules of commitments under this Agreement has started in mid-2017.

2.3.3. ASEAN QUALIFICATIONS REFERENCE FRAMEWORK (AQRF)

The most recent ASEAN initiative related to mobility of learner and worker is called the *ASEAN Qualification Reference Framework (AQRF)*. Due to its cross-cutting nature, the AQRF is endorsed by three (3) ASEAN Ministerial Bodies: ASEAN Economic Ministers (in August 2014), ASEAN Education Ministers (in September 2014) and ASEAN Labour Ministers (ad-referendum endorsement completed in May 2015).

AQRF is a common reference framework to facilitate comparison of qualifications in all education and training sectors across all AMS. AQRF consists of 8 levels of complexity of learning outcomes based on (a) knowledge and skills, and (b) application and responsibility. 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) to provide a mechanism to facilitate comparison, transparency and higher quality qualifications systems. AQRF invites voluntary engagement from countries and does not require changes to national qualifications systems.



Following the endorsement of the AQRF Governance and Structure document by ASEAN Labour Ministers and ASEAN Education Ministers in May 2016, and ASEAN Economic Ministers in August 2016, an AQRF Committee was established to implement the AQRF. One of the technical responsibilities of the AQRF Committee is to consider referencing reports by interested participating countries. The activities of AQRF Committee until June 2018 will be supported by ASEAN-Australia-New Zealand Free Trade Area Economic Cooperation Work Program (AECSP).

2.4. ASEAN TRADE IN SERVICES AGREEMENT (ATISA) AND THE FUTURE OF ASEAN SERVICES POLICIES

ASEAN's policy effort to further integrate and liberalise services sectors does not stop there with AFAS liberalisation process. The 7th meeting of the ASEAN Economic Community (AEC) Council held on 2 April 2012 in Phnom Penh, Cambodia called for a review and enhancement of the AFAS in the same vein that ASEAN has transformed its past ASEAN investment and trade in goods agreements into the more modern ASEAN Comprehensive Investment Agreement (ACIA) and ASEAN Trade in Goods Agreement (ATIGA).

As ASEAN enters into a new milestone of its history through the formal establishment of ASEAN Community on 31 October 2015, which include the ASEAN Economic

Community (AEC), a new *ASEAN Economic Community Blueprint 2025* was adopted by ASEAN Heads of State/Government at the 27th ASEAN Summit held on 21 November 2015 in Kuala Lumpur, Malaysia.

In the new Blueprint, ASEAN remains committed to further broaden and deepen services integration within ASEAN, ASEAN's integration into the global supply chains in both goods and services, and enhance ASEAN Member States' competitiveness in services. It also provides mandate for the next agenda to negotiate and implement the *ASEAN Trade in Services Agreement (ATISA)* as the legal instrument for further integration of services sectors in the region.

Negotiations for the ATISA have been on-going. It shall take into account not only the previous AFAS and existing decisions made for services liberalisation in ASEAN, but also a number of new developments in ASEAN's existing FTA agreements with its Dialogue Partners as well as other relevant global economic developments.



**Trade and Investment Policies
Related to Services in Individual
ASEAN Member States**

ASEAN Member States (AMS) recognised that the development and competitiveness of their services sector, likewise their overall economic welfare, requires multi-pronged effort in many aspects at various levels. Services, as important economic activity of its own right, is also an important input to the development and functioning of other economic sectors. On the other hand, many economic and development policies also affect the growth of services sector, directly or indirectly. In general, the creation of regulatory environment that facilitates open markets and competition with strong institutions to enforce them, while keeping up with the dynamics of the global economic and technological trends, are among the most important tasks for policy makers of the services sector, no less degree than those of the other economic sectors.

The previous Chapter 2 highlights the efforts that AMS have undertaken collectively as a group in integrating their trade in services, mainly in further opening up their market in the services sector to each other progressively through the AFAS packages. However, these efforts alone are not sufficient. Individually, each AMS also needs to develop and implement economic policies that are conducive to promoting international trade and investment in general, and in the services sectors in particular. They reckon that a business- and investor-friendly economy is a key enabler for economic growth and overall welfare for their people.

This Chapter provides information on the relatively recent efforts of individual AMS in undertaking various initiatives and measures to improve their policy and regulatory environment to further facilitate trade and investment, while at the same time creating a stronger and more transparent legal framework to weather global uncertainties. Some of them are general, across-the-board policies affecting all sectors, and some of them are directly targeted for the services sectors.

Overall, this Chapter shows that while ASEAN economies continue to grow and prosper, there is no decline in the effort of AMS to undertake reforms and/or various other initiatives to modernise their policy regime, sharpen their priorities, enhance transparencies and streamline their business processes. In fact, the recent years have witnessed even more intensified effort of AMS to do so, in part also taking advantage of the advancement of computer and internet technologies to facilitate businesses which had also been intensified in the past decade.

3.1. ECONOMIC POLICY REFORMS AND IMPROVEMENTS

3.1.1. ECONOMIC PLANNING

AMS generally have ambitious medium- to long-term economic plans and visions that provide their overall policy direction. Developments related to the services sectors are generally an important part of the package.

Brunei Darussalam has a 30-year long-term development vision known as Wawasan Brunei 2035, or Vision Brunei 2035, which aims to achieve the quality of life that is among the top 10 nations in the world with income per capita within the top countries in the world. Its medium-term plan, currently the Tenth National Development Plan 2012-17 (NDP10) aims to achieve the target of 6% average annual economic growth through, amongst others, reducing its reliance on the oil and gas sectors, which accounted for more than 60% of GDP and over 90% of total exports. Specific on investment, Brunei set up an *FDI Action and Support Centre* (FAST) in November 2015 as a government entity under the purview of the Prime Minister's Office to focus and deliver the national agenda of branding Brunei Darussalam as the preferred investment destination. Brunei further announced the establishment of a *Foreign Direct Investment (FDI) and Downstream Industry Steering Committee* in January 2016 to look into enhancing its competitiveness in attracting foreign investors. This Committee also provides approval for all project requirements in an accelerated and streamlined manner, with complete facilitation provided to the FDI Companies by FAST.

Cambodia aims to reach the status of an upper-middle income country by 2030 and a high-income country by 2050. In this context, it has adopted its "*Industrial Development Policy 2015-2025*" (IDP) and was launched by its Prime Minister on 26 August 2015. While the IDP focuses on the development of the manufacturing sector and agro-processing industry and facilitates the development of industrial zones and parks, a number of interconnected policy measures and action plans will also be instituted. These include developing a multimodal transport and logistics system and a mechanism to manage the labour market and skills development.

Indonesia has a long-term development plan for 2005-2025 divided into 4 medium-term plan of 5 years each, aiming for high quality and sustainable economic growth to become middle income countries by 2025. Indonesia aims to enhance the competitiveness of its industrial clusters which are integrated with its trade and investment policies. The importance of services development was emphasised in the various areas of the development plans, including in environment, financial, transport, and manufacturing sectors. In Indonesia's medium-term development plan 2015-2019 service sectors continued to be emphasised in their importance to support national economic development, including transport, tourism and travel-related services, construction, logistics, distribution, and financial services.

Lao PDR aims to graduate from LDC status by 2020 and becoming an upper-middle income country by 2030. It has a 5-yearly National Socio-Economic Development Plan (NSEDP), the most recent one being the 8th NSEDP for the period 2016-2020. In parallel with the 8th NSEDP, Lao PDR also launched its Ten-year Socio-Economic Development Strategy (2016-2025), which has strong emphasis on green and sustainable growth. Lao PDR targets for the growth of services sectors of 8.9%, achieving 41% of its GDP.

Malaysia has a five-yearly plan with its latest 11th Malaysia Plan (MP) launched on 21 May 2015 to achieve the goal to realise the transformation of Malaysia into a high-income nation in 2020. Among the new strategies is to strengthen investments in the manufacturing and services sectors that have high Gross National Income (GNI) impact and have strong linkages with domestic industries. These shall position Malaysia as a high-tech hub for manufacturing and services activities.

Myanmar's National Comprehensive Development Plan (NCDP) has policy directions over four detailed 5-year plan from 2011 to 2030. In line with the NCDP, a long term 20 years Foreign Direct Investment Promotion Plan (FDIPP) had also been drawn. Myanmar subsequently formulated its Industrial Policy in February 2016. Article 36 of the Industrial Policy provides mandate for development of Information System and Business Development Services covering plans to establish web portal, enhance internet speed, establish business consultancy and business development services, and lay down rules for the Business Development Services.

The Philippine Development Plan (PDP) for 2017-2022 was recently approved on 20 February 2017 at the Malacanan Palace. PDP 2017-2022 is the first medium-term plan to be anchored on a national long-term vision, or AmBisyon Natin 2040, which envisions that by 2040 Filipinos enjoy a strongly rooted, comfortable, and secure life. Chapter 9 of the new Plan (*Expanding Opportunities in Industry and Services (I&S) through Trabaho (Jobs) at Negosyo (Business)*) underscores the need to improve the competitiveness of the I&S sectors which entails among others, ensuring openness of services markets, promoting good regulatory practices and sound competition policy framework and institutions. PDP 2017-2022 succeeds the PDP 2011-2016, which has a specific chapter on "*Competitive and Innovative Industry and Service Sectors*" to promote their further growth. The Philippines also has a strong emphasis on the services sectors in its Investment Priorities Plan (IPP): the latest 2017 IPP includes IC design; creative industries/knowledge based industries (which covers IT-BPM); maintenance, repair and overhaul of aircraft; telecommunications; tourism; logistics and construction.

Thailand launched in July 2016 its new National Economic and Social Development Plan for 2017-2021. Thailand's overall policy direction is commonly referred to as Thailand 4.0, which marks its latest industry direction after Thailand 1.0 (Agriculture-based industry), Thailand 2.0 (Manufacturing-based industry), and Thailand 3.0 (FDI-based industry mainly on automotive, electronics and petrochemicals). Thailand 4.0 will focus more on knowledge-based economy, creative industry, green industry, alternative energy, hospitality & wellness, and logistics hub.

Viet Nam has a ten-year Sustainable Development Strategy for 2011-2020 which was approved by its Prime Minister in 2012. Subsequently on 12 April 2016 Viet Nam's National Assembly passed Resolution 142/2016/QH13 on its Five-Year Socio-Economic Development Plan 2016-2020 which include the following economic targets: (a) average annual Gross Domestic Product (GDP) growth rate of 6.5-7%; (b) GDP per capita in 2020 of about \$ 3,200 - 3,500; (c) proportion of industry and services in GDP in 2020 of about 85%; (d) average investment capital of the society of about 32-34% of GDP.

3.1.2. ECONOMIC POLICY REFORM

Significant policy reforms, enactment and/or amendment of laws and regulations related to services and investment have been actively undertaken across AMS in recent years, in order to keep up with the dynamic global economic developments and business practices.

Brunei Darussalam introduced an Insolvency Order 2016, which consolidates all provisions relating to insolvency under its Companies Act (Chapter 39) with

some new provisions. It has a greater emphasis placed on company rescue and rehabilitation, and protection for all creditors and debtors. Brunei also strengthened minority investor protections by clarifying ownership and control structures, making it easier to sue directors in case of prejudicial related-party transactions, and allowing the rescission of related-party transactions that harm the company.

Cambodia is drafting a number of new Laws in order to provide more conducive business environment and to protect consumers. Its Law on Investment legislated in 1994 and amended in 2003 is currently under review, aiming at catching up with the developments in the region and attracting investment including enabling technology transfer, creating jobs and enhancing skills training. A Law on Trade Remedies, which aims to promote investment and to protect business community from unfair trade practices, is at its final stage of legislation. The Laws on e-commerce, consumer protection, food, and competition are also being drafted.

Indonesia enacted a new Presidential Regulation Number 44 Year 2016 on 18 May 2016 with updated List of Closed Business Fields and Opened Business Fields with Conditions for Investment, which include services sectors. It aims to provide more conducive investment climate by providing clearer, more transparent and certain investment policies. The number of business fields listed in this regulation has been simplified to 515 from 664 in the previous regulation. Most of sectors, including services sectors, have been more open for investments (e.g. e-Commerce, tourism and creative economy, trade, transport, medical services, and telecommunication and informatics). Indonesia also regularly undertook various policy initiatives across all sectors, particularly deregulating those regulations which are considered as giving difficulties to investors, regulations not aligned with the higher level regulations, and duplicated regulations. Indonesia Services Dialogue (ISD) compiled a comprehensive list and database of latest Indonesia's policies and regulations in services, classified according to each of the 11 services sectors and are available at <http://isd-indonesia.org/policyandregulation/>

Lao PDR amended its Investment Promotion Law, legislated on 17 November 2016, superseding the 2009 Investment Promotion Law. The amended law aims to improve transparency, ease of doing business, protection of the rights and interests of investors, the state and the people; and to facilitate Laos' efforts to integrate with regional and international economies. Earlier on in July 2015, Lao National Assembly enacted a new Competition Law, which contains provisions to address consumer protections, unfair or abusive business practices, monopolies, and mergers and acquisitions. A Business Competition Control (BCC) Commission had been established consisting of senior officials with mandate to draft regulations, approve mergers, levy penalties, and provide overall guidance on government competition policy and regulation.

Malaysia gazetted a new Companies Act 2016 on 15 September 2016, which replaces the Companies Act 1965 and is implemented in stages starting from 31 January 2017. The new act aims to simplify incorporation procedures for companies, create a more business-friendly environment, and accord protection to corporate directors and other stakeholders of a company. New reforms include: introduction of single member/ director company, setting up of a company without a constitution or memorandum and articles of association, non-application of doctrine of constructive notice, abolition of shares with nominal value, solvency test, relaxation of financial

assistance prohibition and share buyback, enhancement of directors' duties and governance responsibilities, annual general meeting for private companies can be dispensed with, convening of a meeting of members at more than one venue by use of technology, appointment of proxy without them having the qualifications (such as advocate or approved company auditor), and approval for directors' remuneration.

Myanmar promulgated numerous laws which are related to trade and investment in the past 5 years, including the Prevention of Hazard from Chemical and Related Substances Law (2013), Myanmar Special Economic Zone Law (2014) and Myanmar Special Economic Zone Rules (2015), Law on the Development of Small and Medium Enterprises (2015), Competition Law (2015), Law Amending the Foreign Exchange Management Law (2015), Arbitration Law (2016), and more recently Union Tax Law (2017). A more significant development is the merging of the Myanmar Citizens Investment Law and Foreign Investment Law into one coherent law, which is the Myanmar Investment Law (MIL) promulgated on 18 October 2016, with its implementing Rules issued on 30 March 2017. The new MIL aims to provide more predictable investment environment and provides guarantee to investors that their investments will not be nationalized and expropriated. Myanmar is also amending its century old Myanmar Companies Act (1914) and Special Company Act (1950) into a new Myanmar Companies Law, which is expected to be enacted soon.

The Philippines' adoption of a new Competition Act on 21 July 2015 is a landmark progress after over 20 years of legislative discussion on this law. The Act aims to prevent business entities from entering into anti-competitive deals such as fixing, controlling or maintaining prices; as well as setting, limiting or controlling production; market sharing; and bid rigging. The law is expected to facilitate the country in better position to attract FDI, promote sustainable and inclusive growth, and facilitate future trade negotiations. Also signed into law by the President on the same date is the Foreign Ships Co-Loading Act which amends the Cabotage Law. This law allows foreign ships carrying imported cargoes for export to dock in multiple ports in the country. This is also seen to reduce logistics costs, more efficient import and export system, decongest major ports in the country and eventually lead to lower prices for consumers.

Singapore amended its Companies Act on 10 March 2017 to reduce regulatory burden and improve the ease of doing business. Changes were introduced to make the ownership and control of business entities more transparent with the requirement to maintain a register of controllers. Singapore also introduced a framework to allow foreign corporate entities to re-domicile (transfer their registration) to Singapore, as well as introduced enhancements to its corporate rescue and debt restructuring framework to give businesses facing financial difficulties greater flexibility to restructure. Furthermore, Singapore replaced its Business Registration Act with a new Business Names Registration Act, which took effect on 3 Jan 2016. It simplifies the process for the registration of persons and their business names, and reduced the regulatory burden on business owners.

Thailand updated 2 laws related to investment policy in 2017. First is the Amendment of the Investment Promotion Act (No. 4), gazetted on 24 January 2017 and immediately became effective on 25 January 2017. Second is the Competitiveness Enhancement Act for Targeted Industries, gazetted on 13 February 2017 and

immediately became effective on 14 February 2017. Both new programmes provide more incentives and to make them attractive to high-value investors in industries using advanced technologies, research and development (R&D), promoting innovation or specialised human resources development in targeted industries. Amongst others, the updated Investment Promotion Act broadened the scope of exemption of import duties also to materials imported used domestically in R&D activities and related testing, and may grant Corporate Income Tax exemption up to 13 years for certain R&D and advanced technology and innovation activities. The Competitiveness Enhancement Act provides various tax incentives and non-tax benefits to promote businesses, and establishes a Competitiveness Enhancement Fund to support or subsidise promoted businesses pursuant to the terms and conditions of the Act.

Viet Nam passed on a new Investment Law and a new Enterprise Law on 26 November 2014 and officially took effect on 1 July 2015. The new Investment Law guarantees freedom of doing business in Viet Nam for investors through clearly defined business lines not prohibited by the law. The new Enterprise Law simplifies of procedures enterprise establishment, such as no longer requiring certification of legal capital and practicing certificate are no longer mandatory; and reducing the time limit for issuance of Certificate of Enterprise registration from 5 to 3 working days. Also in November 2014, Viet Nam ratified its Law on Real Estate Trading and issued its Law on Housing, which came into force from 1 July 2015 and will allow foreigners to own housing in Viet Nam.

3.2. FACILITATION OF TRADE AND INVESTMENT IN SERVICES

3.2.1. INVESTMENT INCENTIVES

Investment policy is not just about maximising the quantity of FDIs, but also managing the quality of the FDIs as well as the ensuring that foreign investors invest in specific sectors, regions or other target groups in accordance with their economic development priorities. Investment incentives are therefore important policy tools for government to manage their FDIs. AMS regularly grant and update their various incentive schemes, mostly tax incentives but there are also non-tax incentives, in effort to attract FDI inflows which support their economic priorities. There has been growing emphasis across AMS on prioritising services sectors, taking into account the growing significance and sophistication of the services sectors as well as global developments, including the advancement of information and telecommunication technologies.

Brunei offered various tax incentives in effort to promote its non-oil industries, such as five-year tax exemption from corporation tax for industries such as agribusiness, construction, consumer goods, environmental technologies, transportation, the media and education. Corporate tax was cut to 18.5% since 2014, making it the second lowest rate in ASEAN.

Cambodia provides various tax incentive schemes for investment that falls under the following categories: security transaction, production and supply of electricity, production and supply of clean water, agriculture, education institutions, and Qualified Investment Project (QIP). Cambodian and foreign investors who undertake

projects that met the QIP criteria can enjoy a wide range of guarantees including equal treatment (except for land ownership), no nationalisation, no price control on investors' products and services, and free remittance of foreign currencies abroad.

Indonesia updates its various fiscal incentives scheme regularly, latest one being its Government Regulation Number 9 Year 2016 (effective since 22 April 2016) which provides income tax allowance for investing in more business fields in both goods and services sectors as well as broader business fields and regions in its country. In general, this tax facility is more targeted to those investments that would hire more local workers, conduct research and development in the country, re-invest its profit, and export-oriented.

Lao PDR's amended its Investment Promotion Law, promulgated on 17 November 2016 provides for more tax and non-tax incentives to attract Foreign Direct Investment. In addition to profit tax incentives, investors are also exempted from import duties for importing raw material, equipment, spare parts and vehicles which are directly used in the production subject to specific regulations. The amended law specifically provides incentives to investments in rural communities particularly in education, health and agriculture sectors.

Malaysia has been offering incentives for development of green technology since 2014. Under the 2015 budget, four incentives were introduced for (a) promoting its less developed areas; (b) promoting a more conducive investment environment with better public facilities/infrastructure management in Industrial Estates; (c) encouraging quick adoption of automation specifically for labour-intensive industries; and for (d) using Malaysia as the principal hubs for conducting regional and global businesses and operation. Under the 2016 budget, Malaysia's services-related incentives packages covered those aimed at (a) encouraging development of facilities and infrastructure with holistic waste management activities within Waste Eco Parks; (b) investing in shipbuilding and ship repair industries; (c) expanding its 2014 package to cover more services sectors.

Myanmar Investment Law (MIL) enacted in October 2016 introduces new income tax exemption schemes based on the geographic location and sectors being promoted, instead of a flat income tax holiday of 5 years adopted previously. There are now 3 zones in Myanmar with 3 different tax holiday periods of 3, 5, and 7 years.

Singapore has an array of tax and non-tax incentive schemes. There are horizontal incentives such as the Productivity and Innovation Credit (PIC), which provides tax deductions of up to 400% or non-taxable cash pay-outs for investing in any of the 6 qualifying activities, and also incentives for research and development or headquarter establishment in Singapore. There are also incentive programmes designed for specific activities or sectors, especially the Financial Sector Incentive (FSI) and Maritime Sector Incentive (MSI) Schemes.

Thailand has high priority on investments that helps enhancing national competitiveness and innovation, that are environment-friendly, strengthening regional value chains, and promotes development of their Southern region. Its Board of Investment (BOI)'s announcement No.2/2557 on 3 December 2014 provides this investment policy shift to high-value industries, eco-friendly production, and projects that promote cluster creation. Thailand subsequently launched Super Cluster

Strategy in September 2015, directly spearheaded by its deputy prime minister, aiming to stabilise and decentralise economic growth in the country. It focuses on 6 key industries that are deemed as competitive value chains in Thailand, namely: electrical appliances, electronic and telecommunication equipment, automotive, petrochemicals, food processing, medical services, and digital (IT), comprising tax and non-tax incentives, to be prioritised in nine provinces of Nakorn, Ayutthya, Patumthaini, Prachinburi, Chacheongsao, Chonburi, Rayong, Chiang Mai and Phuket. Qualifying companies would be exempted from tax for the first 13 years and pay only 2% for the following 10 years. For companies that start operations by end-2017, the government will extend the tax exempt period by another additional two years.

Viet Nam issued Resolution No.103/NQQ-CP on 29 August 2013 on orientations to improve effectiveness and efficiency in attracting, using and managing FDI. It aims to direct FDI attraction to those projects with high quality and added value using modern and environment-friendly technologies, infrastructure development, high-quality human resources development, research and development, and modern services. The Resolution also aims to amend investment incentive policies through ensuring coherence of its Law on Business Income Tax and the Law on Export Duty and Import Duty to financial and non-financial incentives; linking sector-based incentives with territory-based ones and to explore incentives for investment projects in industrial parks.

3.2.2. IMPROVEMENT OF BUSINESS PROCEDURES

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In addition to the major reform and changes in laws, AMS also undertake efforts to review, remove, improve or simplify the administrative procedures in various areas critical to doing business, mainly those related to company registration and investment licensing. With the advancement of information technology and internet in the past decade, more and more AMS are embracing online system and keeping up with technological advancement for simplifying business processes and at the same time also improving the transparency in business procedures.

Brunei Darussalam introduced various initiatives to offer foreign investors a fast track system for obtaining permits, licenses and approvals. These include more efficient company registration procedures, an electronic system for name searches, an electronic customs system, shorter waiting times for excavation permits, a one-stop shop for approvals, and reduced corporate income and profit tax rates. Brunei Darussalam also has eliminated the requirement to apply for Miscellaneous License and Business License. The changes give companies one less business process to worry about, eliminates the BND 50 fee, hence improves the ease of starting up a business in Brunei Darussalam. A number of business processes are also streamlined to reduce procedures and approval time. Various online systems were also set up to expedite approval process for business registration, labour, land and import-export applications.

Cambodia has high priority on developing and facilitating its Small and Medium Enterprises (SMEs). It has formulated and adopted its Policy Framework for SMEs Development and SMEs Promotion Policy, focusing on three aspects of technical, finance, and market access. Cambodia has also conducted pilot tests to establish

SMEs and Handicraft Eco-Park in two locations, and has put in place online registration for SMEs and handicraft businesses to facilitate easier access for them.

Indonesia introduced a “3-hours Investment Licensing Service” initiative on 26 October 2015, where investment principal license application procedure which normally takes 23 days or more are reduced significantly into just 3 hours. This applies to investments that meet certain thresholds (e.g. investment value of at least IDR 100 million and/or absorbing at least 1,000 local workers). The establishment of a One-Stop Service (OSS) Centre earlier on 26 January 2015 helps enabling such streamlining. Various other streamlining efforts have also been undertaken: issuance of *Permanent Business Trading License (SIUP) and Company Registration Certificate (TDP)* has been accelerated to 3 days from previously 15 days, registration of worker has been simplified to 1 day from 14 days. Indonesia also enhanced its online system to register various types of business licenses by 2016, such as registration of property and land rights, construction permits, registration and payment of workers’ social security and health insurance programs, and payment of taxes and insurance premium. Following positive reactions of the “3-hours Investment Licensing Service”, Indonesia expanded service to also include investors in supply chain-related sectors, investors in several infrastructure sectors, and investors who repatriate their funds due to the Tax Amnesty Program.

Lao PDR continuously made effort to make getting credit easier. In 2012, It improved access to credit information by establishing a public credit registry. In 2015, It implemented a modern, unified, notice-based collateral registry. In 2016, It eliminated the threshold for the minimum size of loans to be included in the credit registry’s database and by expanding borrower coverage. Lao PDR also simplified its procedures for obtaining a license and for registering company seal. Lao PDR also made effort to improve electricity availability by starting to record the duration and frequency of outages.

Malaysia established a Special Task Force to Facilitate Business known as PEMUDAH on 7 February 2007. PEMUDAH is co-chaired by the public and private sector, reports directly to the Prime Minister, and is tasked to address issues and challenges affecting the business environment in Malaysia. Some completed initiatives which has positive impact on the service delivery of both the public and private sectors are: reduced cost in getting electricity, improved facilitation of the movements of value-added activities of good and raw materials in the Free Trade Zone, established guideline on minimum standard of accommodation and amenities for foreign workers, and eliminated overlapping or conflicting requirements by different licensing authorities. All these initiatives contributed to Malaysia’s improved performance in international reports on competitiveness.

Myanmar improved its company registration process on 10 September 2012 and other regulatory processes to further encourage foreign investors, and further simplified on 22 February 2013, with the validity of registration period for companies extended from 3 to 5 year. The fees for company registration and other company related matters (such as issuance of true copy of registration card, amendment of Memorandum of Association, Article of Association) were revised and applied starting 1 June 2016. Myanmar also made trading across borders easier by reducing the number of documents required for exports and imports. Its Ministry of Electric

Power also reduces the approval processes to obtain a new electricity connection in the country.

The Philippines announced a reform on 14 April 2015 simplifying the process of starting a business to 6 steps and 8 days, down from the existing set-up requiring 16 steps and 34 days. Its Board of Investment (BOI) signed Memorandum of Agreements (MOAs) with various government agencies to speed up processing and issuance of registration and licenses for investment projects. They also implemented *Predictive Evaluation and Registration Project (PERP)* to reduce the period of pre-evaluation to evaluation of investment applications from 6 weeks to 4 and for the issuance of a Certificate of Registration from 4 weeks to 2. The processing time for long-term lease of private lands by foreign investors has also been shortened from 20 days to 15 days. The Philippines also embraced e-government initiatives for payroll-related payments to Philhealth and Pag-IBIG, along with reduction of the number of annual payments from 36 to 13, starting in April 2015. In August 2016, a Joint Memorandum Circular (JMC) was issued to disseminate a new set of standards in processing business permits and licenses and guidelines to all cities and municipalities in streamlining the business permits and licensing system (BPLS). The JMC includes, among others, unification of business application forms, standard steps for business permit processing and processing time for business registration.

Singapore launched its revamped online business registration system (known as Bizfile⁺) on 3 Jan 2016. Processes have been streamlined so that registration and filing time is shortened. For example, company set-up can now be a one step process instead of two, as name application and registration can proceed simultaneously. A mobile application has also been introduced that allows businesses to conveniently perform some registration and filing transactions via mobile phones and tablets as well as conduct free information searches on business entities registered with the Accountancy and Corporate Regulatory Authority (ACRA).

Thailand offers several paperless transactions to expedite investment processes, such as through Electronic Machine Tracking System (eMT Online), e-Expert System for registering foreign skilled workers, and investment promotion application.

Viet Nam's new Enterprise Law passed by its National Assembly in November 2014 simplifies procedures for enterprise establishment, which no longer include mandatory requirement for certification of legal capital and practicing certificate; and reduces the time limit for issuance of Certificate of Enterprise registration from 5 to 3 working days.

3.2.3. **ONE-START-ONE-STOP CENTRES**

Having a single place for businessmen and investors to register or license their businesses and investments as well as other related business needs significantly facilitates business and investments. AMS have been actively embracing this initiative.

Brunei Darussalam established a *Business Support Centre* in April 2016, housing 16 government agencies, to act as consolidated front-end to serve all key business related processes and services. These include the needs to access and submit

business application, obtain business advice and information, and to learn about and apply for SME programmes and incentives.

Cambodia set up a one-stop service in 2013 for investment-related applications. The Council for the Development of Cambodia (CDC), set up under the Law on Investment of Cambodia, served as a one-stop service Organisation for investment in Cambodia. CDC is responsible for the processing of applications for investment projects and is required to give a decision within 45 days of submission.

Indonesia revived its 2009 Investment One-Stop Service (OSS) Centre on 26 January 2015, in which investors can now process their investment license and other related licenses in one office, which is faster, simpler, more transparent and convenient. It is integrated with 22 ministries and agencies, thus covers the licensing processes for most of business fields. Investors can now monitor the progress of their business license application online, and ensure that the deadline of completion complies with Standard Operating Procedures (SOP).

Lao PDR set up its one-stop service for investment applications in 2013 located at the Ministry of Planning and Investment. The One-Stop Service provides all-round services and facilities to the investors related to information and status of approval processes of investment projects, issuance of concession registration certificate, and other related investment notices.

Malaysian Investment Development Authority (MIDA) sets up a Business Information Centre (BIC) with a dedicated Duty Officer to offer one-on-one business guidance and attend to any investment enquiries, especially on Malaysia's manufacturing and services sectors. Being the first point of contact, the duty officer also assists in matching investors with the subject matter expert from over 30 specialised divisions in MIDA. BIC helps investors to find general information on federal government agencies, state governments, public utilities and trade associations. Brochures on services and facilities available, newsletters, as well as product and membership directories are also provided. Enquiries received by BIC are generally related to manufacturing licences, incentives, duty exemptions, and services sector.

Other related initiatives in Malaysia are the Malaysia Export Exhibition Centre (MEEC) and the One Referral Centre (ORC). MEEC is a 4,500 square meters display centre located at the Headquarter of Malaysia External Trade Development Corporation (MATRADE), exclusively designed to showcase and promote various Malaysian products and services from over 500 Malaysian companies and 30 industries. Visitors can avail themselves to information on companies and their collaterals for future references on products and services in Malaysia. MEEC also provides sourcing solution for trade enquiries. The ORC, located at the Head Office of SME Corporation Malaysia acts as a *'one-stop centre'* for business advisory services, dissemination of information on Government funds and incentives for SMEs, and provision of feedback on SME issues. The ORC is the focal meeting point for SMEs and entrepreneurs to acquire knowledge, learn business best practices, and obtain essential information on business startup, market access, human capital development, financial resources, industry know-how, and other business aspects.

Myanmar's Industrial Policy provides for mandate to establish One-Stop Service (OSS) Centres to be established. Myanmar's Directorate of Investment and Company

Administration (DICA) opened a One Stop Service (OSS) Centre in Yangon on 10 April 2013, and subsequently OSS branch offices were opened in Mandalay and Yangon in 2013, Taunggyi and Mawlamyine in 2014, Monywa, Patheingyi, Dawei and Hpa-an in 2016, Bago, Magway, Loikaw and Myittha in 2017, and more offices are to be established soon. Myanmar also moved its Directorate of Investment and Company Administration (DICA) office from Nay Pyi Taw to Yangon in July 2014 in order to get closer to the business community. Investors who previously had to grapple five or more different ministries can now get everything done at the new DICA office. By reducing such contacts between investors and bureaucrats in several different ministries, DICA also helps in combating corruption.

The Philippines' President signed into law on 15 July 2014 a Republic Act No. 10644, known as the Go Negosyo Act, which strengthens its Negosyo Centres in regional/provincial offices to act as “one-stop-shop” for business registration, as well as for provision of information, assistance for market-linkages and capacity-building for local MSMEs. The Philippines Board of Investment (BOI) also established BOI-OWN, which is a cloud-based web portal and mobile application with centralised databank for investment-related information, which serves as a platform for online facilitation using Client Relationship Management (CRM) system with direct link to the Investment Ombudsman and the Civil Service Commission (CSC). An important feature of BOI-OWN is that it allows tracking and monitoring of real time status of an investor's inquiry online. Subsequently under a Joint Memorandum Circular (JMC) No. 01 issued in August 2016, cities and municipalities are mandated to set-up a Business-One-Stop-Shop (BOSS) facility and encouraged to automate their business permitting system.

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In Singapore, the application for licenses and permits (including multiple licenses) are accessible via a business licensing portal called the *LicenceOne* (<https://licence1.business.gov.sg/>).

Thailand's One-Start One-Stop Investment Centre (OSOS) and its new website osos.boi.go.th gives new investors a clear overview on how to start a business in Thailand. Over 20 agencies are available at the OSOS to help investors with different applications to make sure investors understand what is needed to register a company, obtain investment promotion privileges, obtain a foreign business license, complete an environmental impact assessment, request permission to use land for industrial operations, obtain utilities, etc. Thailand also has a different initiative, establishing a Thailand Overseas Investment Centre to assist Thai nationals to invest abroad.

3.2.4. OTHER INVESTMENT FACILITATION INITIATIVES

In addition to the above-mentioned undertakings, numerous other initiatives had also been implemented by AMS to further facilitate investment, which at the same time also improve business climate, and enhance economic competitiveness.

Addressing red tapes is one important initiative. The Philippines BOI maintains a direct link with the Investment Ombudsman (IO) which serves as a grievance desk for the investor concerns such as delays and red-tapes. The Philippines' National Competitive Council also launched “*Project Repeal*”, which provides avenues for agencies to revoke or repeal respective rules and regulations that are deemed

burdensome and irrelevant in a bid to eliminate red tape that seriously impacts the competitiveness of the economy. Prior to this, agencies such as Department of Trade and Industry (DTI), Department of Finance (DOF), National Economic Development Authority (NEDA) and Development Academy of the Philippines (DAP) have reviewed their policies and/or undertook their own regulatory improvement programs.

The logistics sector plays a critical role in overall economic competitiveness. Indonesia introduced its the 9th economic package on 27 January 2017 to strengthen the logistics sector. The package includes developing commercial postal service business, adopting single electronic billing for the port operator, developing integrated service system to the ports, as well as establishing export promotion agency for small and medium-scale businesses. In addition, Indonesia also revoked its cabotage policy for foreign-flagged cruiserships in five ports through the Regulation of the Minister of Transport Number 121 Year 2015, which allows foreign-flagged cruiserships to embark and disembark passengers and tourists in Belawan Port of Medan, Tanjung Priok Port of Jakarta, Tanjung Perak Port of Surabaya, Soekarno - Hatta Port of Makassar and Benoa Harbor of Bali. This regulation aims to encourage the growth of tourism industry, especially maritime cruise tourism.

Improvement in policies related to land use by foreign investors is another important initiative. Indonesia enacted a new Presidential Regulation Number 30 in Year 2015 concerning Land Procurement for Public Infrastructure on 17 March 2015, providing mandate for Government to take over responsibility to conduct the land procurement for public infrastructures listed in earlier Law Number 2 Year 2012. This is expected to make investment in public infrastructures in Indonesia more attractive to the private sector. Singapore Land Authority (SLA) introduced legislative changes in August 2014 to its Land Titles Act, which seeks to improve the laws on land administration and make changes for greater clarity, consistency and operational efficiency. It simplified the provisions relating to the surrender and reissue of title to land, and also dispensed with the requirement of statutory declaration to correct erroneous particulars such as names, ID number etc. in the land register. Subsequently in August 2015, SLA also launched an e-Application portal for foreign persons to apply, via the Internet, for approval to purchase restricted residential property as defined under the Residential Property Act.

Some AMS also undertake comprehensive review of their investment-related policies conducted through the *Investment Policy Review (IPR)* process of the Organization for Economic Cooperation and Development (OECD). These reviews consist of in-depth assessment of various related aspects of investment policy (such as promotion and facilitation, trade policy, competition policy, taxation, corporate governance, responsible business conduct, infrastructure, and so on) and provide policy recommendations to the governments. The first review among AMS was for Viet Nam (published in 2009), followed by Indonesia (2010). Subsequent IPR processes were conducted with support from the ASEAN-Australia New Zealand Free Trade Area Economic Cooperation Work programme (AANZFTA ECWP). The completed IPRs are for Malaysia (published in 2013), Myanmar (2014), the Philippines (2016), and Lao PDR (2017). Currently, two additional reviews are underway: Cambodia and a second review of Viet Nam.

3.3. FINANCIAL SERVICES

Financial services, an important services sector with increasingly significant trade and investment value by its own right, is also an essential sector affecting trade and investment in other sectors, and in contributing to economic development in general. AMS undertakes various efforts from time to time to improve their policies and regulations related to financial services.

Brunei Darussalam introduced the Secured Transaction Order 2016 issued on 13 February 2016, which aims to facilitate the granting and obtaining of credit by lowering the risk of giving credit and making it cheaper and more efficient for the secured party to be able to grant credit. With the enforcement of the Secured Transaction Order 2016 and operationalising the Collateral Registry System, this will allow businesses and individuals to leverage their movable property as a collateral to the loans.

Indonesia made efforts to ease getting credits. A regulation on the establishment of Credit Information Management Institution (LPIP) was enacted on 18 February 2013 through Bank of Indonesia's Regulation Number 15/1/PBI/2013), and electronic registration system for collaterals was implemented in 2016 with the objective to improve availability and quality of information on getting credits. The LPIP is supervised and licensed by Indonesia's Financial Services Authority (OJK). To-date, there are 2 (two) LPIPs in Indonesia, namely PT Kredit Biro Indonesia Jaya and PT PEFINDO Biro Kredit which were granted by OJK on 22 December 2015.

Lao PDR issued a series of important legislation in recent years to liberalise its financial services: Security Law (enacted on 10 December 2012); Law on Foreign Exchange Management (22 December 2014); Decree on the Establishment of Commercial Banks and Branches (15 January 2016), Decree on Real Time Gross Settlement (RTGS) (4 July 2016), Decree on Payment (11 July 2016). Lao PDR is also in the process of amending its Law on Commercial Banks enacted back in December 2006, and expects to complete this by 2018.

Malaysia enacted Financial Services Act (FSA) and Islamic Financial Services Act (IFSA) which came into force on 30 June 2013, replacing the repealed Payment System Act 2003 (PSA). The FSA/IFSA incorporates strengthened provisions to regulate payment system operators and payment instrument issuers in order to promote safe, efficient and reliable payment systems and instruments. These Acts contain provisions that enable the Central Bank to effectively perform its oversight role. Malaysia also undertook a number of liberalisation measures in the capital market in a phased and pragmatic approach. Malaysia has now substantially liberalised foreign equity shareholding in the capital market under the Capital Market Masterplan and Capital Market Masterplan 2. Malaysia has also committed to allow full foreign ownership in credit rating agencies effective 1 January 2017. These liberalisation measures are intended to enhance the attractiveness of the local capital market for foreign participants as well as provide a platform for greater competition and wider choice of services for consumers.

Myanmar enacted a series of laws and regulations in the past few years to develop its financial system in line with market-oriented economic system, which include Foreign Exchange Management Law (2012), Central Bank of Myanmar Law (2013),

Foreign Exchange Management Regulation (2014), Law Amending the Foreign Exchange Management Law (2015), Financial Institutions Law (2016) and Regulation on Mobile Financial Services (2016). Most recently, the Central Bank of Myanmar issued the Regulation on Credit Information Reporting System on 31 March 2017 to provide a basis for the establishment and operations of credit reporting companies, such as credit bureaus, as well as to promote financing access to MSMEs.

The Philippines liberalised its banking market through Republic Act No. 10641 on 15 July 2014, allowing for full entry of foreign banks into the country, in line with its preparation for participating the *ASEAN Banking Integration Framework (ABIF)*. ABIF allows the so-called *Qualified ASEAN Banks (QABs)* to operate within ASEAN on equal terms as domestic banks subject to certain prudential and governance standards. The earlier Republic Act No. 10574 signed on 24 May 2013 allows entry of foreign equity into the rural bank system up to 60 percent of the voting stock of rural banks. The Philippines also enacted Credit Information System Act (CISA) on 31 October 2008 to address the need for reliable credit information concerning the credit standing and track record of borrowers and improve overall availability of credit especially to MSMEs.

In terms of foreign exchange management, the Philippines regularly issued circulars to liberalise the sale of foreign exchange in its country, mainly Circular 698 (5 Nov 2010), Circular 742 (21 Nov 2011), Circular 794 (18 Apr 2013), Circular 815 (18 Oct 2013), Circular 818 (6 Nov 2013), and Circular 874 (8 April 2015). These efforts gradually provide greater openness for inflow and outflow of currencies into and out of the Philippines, whether for investment, remittances, or other current-account transactions.

Singapore continues to improve its financial services policy, despite already being ranked the 3rd most competitive financial centre in the world according to Global Financial Centres Index (GFCI)¹⁹. Singapore underwent the International Monetary Fund (IMF)'s Financial Sector Assessment Programme (FSAP) in 2013 to ensure the resilience of its financial sector in terms of the quality of the regulatory and supervisory framework, and the capacity to manage and resolve financial crises. Singapore also undertook a comprehensive review of its Securities and Futures Act (the "SFA") and related subsidiary regulations since 2012 to ensure that the domestic laws remain current in light of market and international developments. Singapore focused its reform policy on mitigating systemic risk, strengthening the enforcement regime and enhancing the transparency of over-the-counter ("OTC") derivatives activities in the country.

Thailand's Ministry of Commerce issued a regulation exempting commercial banking, representative offices of foreign banks, and life and non-life insurance activities from restricted business activities under Annex 3 of Thai Foreign Business Act (FBA), effective 19 February 2016. Foreign companies wishing to operate these businesses in Thailand will no longer require a foreign business license to operate, though will still be subject to licensing and foreign shareholding limit requirements under specific regulations.

¹⁹ Current rank as of March 2017 as well as March 2016. GFCI is a ranking of the competitiveness of financial centres published twice a year by Z/Yen Group and sponsored by the Qatar Financial Centre Authority.

Viet Nam issued Decree 57/2012/ND-CP on 20 July 2012 specifies the financial regulations applicable to branches of foreign banks and credit institutions established and operating under its Law on credit institutions. It provides branches of foreign bank with financial autonomy and self-responsibility for business operations. It also prescribed new obligations and commitments, including financial disclosure for financial institutions as prescribed by law.

3.4. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

It has been acknowledged globally that ICT is the driver of economic and social transformation, and this will continue to be so into the foreseeable future. Studies have shown that every 10% increase in broadband penetration boosts GDP by an average of 1.3%, and every 10% increase in mobile teledensity results in a 0.7% increase in GDP²⁰. Similar with other regions, ASEAN embraces the wave of reform and ICT development which has brought wealth and prosperity to the region. ASEAN Member States (AMS) invest heavily in developing broadband and next-generation ICT infrastructures to provide the best possible and affordable ICT access to their citizens.

The development of ICT and internet play a significant role in facilitating trade, and particularly for trade in services. The advancement of ICT and the spread of internet availability enable cross-border trade in services, notably through Mode 1. Cross-border works and transactions involved, could now be undertaken at a lot faster pace and with higher efficiency than otherwise done without ICT advancement. One aspect of increasing significance and trend is the growth of electronic commerce, which boost the trade of both goods and services.

Over the years, AMS have made efforts to liberalise their ICT products and services through the CEPT (Common Effective Preferential Tariff) Scheme and subsequently through the ASEAN Trade in Goods Agreement (ATIGA) as well as through the AFAS (ASEAN Framework Agreement on Services). Today, market barriers have been substantially lowered and the market playing field have been much levelled. Across ASEAN, digital tools such as computers and mobile devices have become more affordable and readily available, while internet and telecommunication services have also been widely accessible and cheaper. All these developments have connected people with information more easily, and powered regional economic growth.

In addition, AMS continue to made various efforts to reform and enhance their regulatory framework related to ICT and electronic commerce. Almost all AMS have put their electronic commerce laws in place to-date. Brunei Darussalam's Electronic Transactions Act was enacted in 2004 and further updated in 2008, Indonesia's Electronic Transaction Law in 2008, Lao PDR's Electronic Transaction Law was promulgated in 2013, Malaysia's Electronic Commerce Act in 2006, Myanmar's Electronic Transaction Law in 2004 and is being reviewed, Philippines' Electronic Commerce Act in 2000, Singapore Electronic Transactions Act 2010, Thailand Electronic Transaction Act in 2001, Viet Nam's Law on Electronic Transaction in 2005, and Cambodia is currently drafting one. All AMS are members of the

International Telecommunication Union (ITU) and participates in various initiatives of the ITU to promote better telecommunication services to the public.

All these initiatives are likely to continue to be updated. Given the rapid change of technology and business practices, including the convergence of telecommunication, broadcasting, and internet, many basic telecommunication services (such as voice telephone services and short-messaging services) are being phased out rapidly, replaced by online messaging and interactive voice services through internet-based applications. Television programmes can now be consumed through multimedia and interactive format such as streaming services. These new emerging technology and services call for urgent and immediate policy attention to ensure that the industry can continue to flourish in a healthy manner.

Brunei Darussalam, with its relatively small market, has benefited from substantial mobile penetration surpassed 100% marked in 2008 and stood at 125% at the end of 2016. More than 90% of the population is covered by 3G and 4G LTE network, which resulted in mobile broadband penetration of over 121% in 2016. Its fixed service operator, Telecom Brunei (TelBru), began to deploy Fibre to the Home (FTTH) network in 2010 and its coverage has spread more than 60% of the households in the country. With the commencement of FTTH service rollout in 2012, the high speed broadband penetration has reached more than 36% of households in the Sultanate in 2016. The Authority for Info-communications Technology Industry (AITI) of Brunei Darussalam is making a significant effort in shaping the nation's Telecom Market, which aimed at boosting efficiency and streamlining the sector's governing regulatory regimes. AITI is now looking to consolidate the regulatory frameworks for both broadcasting and telecommunications under a single umbrella known as Converged Regulatory Framework, which aims to promote and enable healthy competition and innovation among the service providers leading towards benefiting consumers as a whole.

Indonesia made a landmark policy decision in telecommunication sector through its Law No.36 on Telecommunication enacted on 8 September 1999, which effectively ended the monopoly of government-owned telecommunication operator and paved the way for private entities to compete in the market. Today, there are hundreds of telecommunications network and service operators sharing a market of more than 250 million populations. Recognising the rapid change of ICT technology, especially with the convergence of telecommunication, broadcasting and internet, Indonesia is currently reviewing this Telecommunication Law as well as the Broadcasting Law with a view to keep up with this development.

Malaysia puts a strong emphasis on ICT development to progress its development from a resource-driven towards knowledge-led economy. Multimedia Super Corridor (MSC) was a significant initiative launched in February 1996 as a high-technology business district. In 2002, the Knowledge Economy Master Plan (KEMP) was launched to provide strategic directions in the areas of human capital, science and technology, research and development (R&D), information and communications technology (ICT) as well as infrastructure. During the Tenth Malaysia Plan (2011-2015), several ICT initiatives continued to be implemented to transform the nation into an innovative digital economy. The most recent Eleventh Malaysia Plan (2016-2020) emphasises on driving ICT in the knowledge economy through innovation and productivity. Efforts will be strengthened through four main strategies, namely:

re-energising ICT industry, ensuring supply of high quality ICT human capital, improving digital infrastructure, and pursuing digital inclusion. These will increase productivity through innovation to enhance competitiveness and wealth creation.

Myanmar was among the least connected countries in the world until 2014, with poor and limited telecommunication infrastructure, prohibitive prices for acquiring a mobile connection, limited availability of internet connections, and among the lowest fixed and mobile teledensity rates in the world. On 8 October 2013, Myanmar passed a new Telecommunications Law, followed by a number of regulations to liberalise and develop its ICT sector. The Government ran a competitive bidding process in June 2013, and Telenor from Norway and Ooredoo from Qatar were selected as winners. Ooredoo launched commercial services on 15 August 2014 and Telenor on 27 September 2014 while the incumbent state-owned operator MPT (Myanmar Posts and Telecommunications) partnered with KDDI/Sumitomo Corporation in September 2014 for a Joint Operation. A fourth license was issued to a consortium of Myanmar companies and Viettel from Viet Nam in January 2017. To-date, the Ministry of Transport and Communications has issued a total of 115 licenses to domestic and international companies providing various telecoms and IT services. The Ministry is also developing broadband Internet connectivity. The country's first spectrum auction was undertaken in October 2016 for 2.6 GHz band for wireless broadband services, and awarded spectrum rights to four service providers. Plans to release spectrum in the 1.8 GHz band is underway. As the result of the reform, Myanmar has witnessed a significant rise in its teledensity from just 10% prior to reform to over 95% by the end of 2016. The ICT sector receives one of the largest private sector investment in the country. The sector topped the foreign investment with 47.07% of the total investment flowing into the country in the fiscal year of 2016-2017. Investment in telecommunication infrastructure has been also increasing. Over 15,000 towers have been built, and over 45,000 km of fibre optic cables has been laid down nationwide.

Singapore issued its Telecom Competition Code 2012 which come into force on 23 April 2012. Dominant licensees are subject to tariff-filing requirements and need the approval from Infocomm Development Authority (IDA) to offer, modify, or withdraw services to ensure that they provide services on fair, reasonable, and non-discriminatory terms. Further review of the Code effected in 2014 to further improve the Code, as well as to minimise regulatory overlaps with the Personal Data Protection Act.

Thailand launched a government-sponsored e-payment system in October 2016 to make Thailand a cashless society and boost the country's e-commerce industry, in line with Thailand 4.0 development plan. The national system will be launched in two phases: Phase one will involve launching an electronic money service at major Thai banks called *PromptPay* for peer-to-peer transfers. Phase two will then allow electronic payment for goods and services, income tax returns, and more, states local publication the Bangkok Post.

Viet Nam's "*Strategy for ICT Development to 2010 and Orientations to 2020*" approved by the Prime Minister on 6 October 2005 laid foundation for subsequent reforms and initiative in Viet Nam's ICT sector. Fundamental change was Viet Nam's Law on Information Technology promulgated on 29 June 2006. In 2013, 19 legal instruments ensued, consisting of 7 Government Decrees and 12 Decisions of the

Prime Minister. Notable is the Government's Decree No. 72/2013/ND-CP dated 15 July 2013 related to the management, provision and use of Internet services and online information. This legal document is aimed at promoting the development of internet in Viet Nam. A subsequent Government Decree No. 154/2013/ND-CP dated 8 November 2013 concerning concentrated IT park promotes of the development of IT industry nationwide down to local industries. Viet Nam further promulgated Resolution No.36-NQ/TW on 1 July 2014 to boost the use and development of ICT in meeting the demand for sustainable development and international integration. On 14 October Viet Nam issued Resolution No. 36a / NQ-CP to promote e-government development in line with international practices and standards.

At present, Viet Nam hosts a growing number of IT businesses and corporations investing and expanding production in the country, including Samsung, LG, Panasonic, Canon, and Intel. Viet Nam ranks among the top five fastest growing ICT countries in the world. Its ICT industry in 2015 reached a growth rate of 16%. In software outsourcing services, Viet Nam is an Asia tier 1 emerging-market location²¹, number 3 in global offshoring hotspot and number 1 in terms of competitive cost²². Total ICT industry revenue in 2014 was estimated at more than USD 27 billion.

3.5. LABOUR POLICY AND MOVEMENT OF PEOPLE

All ASEAN Member States (AMS) maintain a certain level of policy openness on the entry and stay of foreign service suppliers in various international agreements, bound by their commitments in various agreements especially under the World Trade Organization (WTO), ASEAN Agreement on Movement of Natural Persons (MNP), other Free Trade Agreements (FTA) where they are parties to, or simply their own autonomous liberalisation initiatives. Depending on their specific commitments in these agreements, typically Business Visitors (BV) and Intra-Corporate Transferees (ICT) are granted some period of stay in another AMS, generally ranging from 1-3 months for BV and 1-3 years for ICT, with limited number of extension. Sometimes there might be other requirements, either for all sectors or some sectors, depending on the commitment of the respective AMS in the agreement. It is not uncommon that in actual practice individual AMS may grant greater level of openness beyond what they have committed in their international agreements.

In addition to the policies above, AMS also regularly undertake policies to improve the quality of their labour force, cognisant of the opportunities and challenges arising from the establishment of the ASEAN Economic Community (AEC).

In Cambodia, labour policy is one of the 4 key concrete measures to be accomplished by 2018 to implement the Industrial Development Policy 2015-2025 (IDP). Cambodia is strengthening its labour market mechanisms and skills training development with the aim to ensure stability of the labour supply, increase productivity and improve living standard of workers.

Indonesia has a significant presence of its workers abroad including in other ASEAN Member States. There are Indonesian workers in 145 countries, with the largest

²¹ Gartner's Leading Global Locations for Offshore Services, 2014.

²² Tower Watson Services Offshoring Ranking, 2013.

presence of Indonesian migrant workers found in Malaysia. In its recent Strategic Plan 2015-2019, Indonesia's Ministry of Manpower intends to stop sending domestic workers abroad and sets a target of zero informal worker by 2019. That is, all Indonesian Migrant Workers sent abroad should be employed in the formal sector and registered. The impact of this plan started to be seen in 2016, when the number of Indonesian formal worker has increased to 53%, while the informal worker has decreased to 47% from total worker send abroad. The provisions of foreign workers in Indonesia are regulated by Law Number 13 of 2003 on Employment. The policy on employing foreign workers is also stipulated in the Regulation of the Minister of Manpower No. 16 of 2015 Article 36 concerning the terms of the use of foreign workers and the permission to employ foreign workers (IMTA). The employment of a foreign worker requires submission of a foreign employment plan (RPTKA) for approval by the Ministry of Manpower. The foreign worker must have a valid visa and a limited stay permit (KITAS), and contribute to economic and technological development in Indonesia.

Lao PDR's National Assembly adopted an amended Labour Law (No.43/NA) on 24 December 2013, which was then published in the Lao Gazette on 14 October 2014 and became effective on 4 November 2014. The 2013 Labour Law repeals the 2006 Labour Law (No.06/NA dated 27 December 2006). The new labour law established new protection requirements for workers. It contained provisions aimed at increasing the skills of the Lao labour force and established stricter provisions on the hiring of foreign workers. The new labour law outlawed child labour and several forms of employment discrimination and provides standards for work hours, while minimum wage is set through separate regulation. It also established occupational health and safety standards.

Malaysia is intensifying training programmes in its 32 training institutes under the Manpower Department of Ministry of Human Resources. The training programme offered is constructed to develop and produce a skilled workforce aimed at students with Malaysia Skills Certificate, university or college graduates, as well as industrial workers particularly semi-skilled workers. The Government will leverage on the training capacity for full-time technical programmes comprising 176 courses with high demand in the labour market. With intake of two times per year, an estimated 23,000 students will be trained. Malaysia also increase the minimum wage effective from 1 July 2016, to RM 1,000/month (for Peninsular) and RM 920/month (for East Malaysia). The increased minimum wage is expected to increase the standard of living as well as reduce dependency on cheap labour, as well as to boost productivity.

Myanmar actively undertook various reforms in the area of labour policy as well. A Labour Organisation Law was enacted on 11 October 2011 to regulate collective industrial relations. It aims to protect the rights of the workers, promotes good relation among the workers and between the employer and the worker, and to facilitate conduct of labour organisations. A Social Security Law was subsequently enacted on 31 August 2012 to introduce benefit systems for invalids, the elderly, survivors and unemployed individuals. The Employment and Skill Development Law enacted on 30 August 2013 aims to facilitate opportunities for job seekers, regulate employment contracts, enforce training programs, and establish a central government body to formulate policies on job creation, reduction of unemployment and promotion of skill development of workers. Myanmar enacted its Minimum

Wage Law on 22 March 2013 with the Implementing Rule issued on 12 July 2013. Under this law and rule, the Ministry of Labour, Immigration and Population are given mandate to determine, approve, and announce the minimum wage in the Country. Myanmar also adopted its Settlement of Labour Disputes Law on 28 March 2012 and subsequently amended in November 2014.

With respect to foreign workers working in Myanmar, starting from 2013, issuance of registration cards to them has been undertaken by the Department of Labour through a One Stop Service Centre opened by Directorates of Investment and Companies administration (DICA) in Yangon. A Foreign Workers Law is currently being drafted. Myanmar continues to review and amend its existing labour laws in order to conform more with the international standards.

The Philippines issued revised rules for the issuance of employment permits to foreign nationals on 20 August 2015. Categories of natural persons covered in Philippine MNP commitments (Business Visitors, Intra-Corporate Transferees and Contractual Service Suppliers) are excluded from securing an alien employment permit (AEP), as they are not covered by an employee-employer relationship in Philippine-based companies, and only come to the Philippines temporarily to supply a service. The revised rules also simplified requirements and procedures for securing an AEP.

Domestically, the Philippines also institutionalised its *Philippine Qualifications Framework (PQF)* through Executive Order No. 83 on 1 October 2012. The PQF aims to harmonise basic education, technical-vocational education and higher education into a nationwide schedule of skills and competencies. It provides for a national eight-level qualification descriptor system which measures knowledge, skills and values, application and degree of independence of students. It is also a quality assured national system for the development, recognition and award of qualifications.

Viet Nam has a Law on Vietnamese Guest Workers (No. 72/2006/QH11) adopted on 29 November 2006 which deals with the sending Vietnamese workers abroad under contract. Viet Nam is actively implementing the Law, particularly Article 5, with regard to creation of favourable conditions for Vietnamese citizens to work overseas; protection of the lawful rights and interests of labours going to work overseas and enterprises and organisations sending labours to work overseas; support for investments in opening new labour markets; adoption of preferential credit policies for social policy beneficiaries going to work abroad, and promoting the sending of qualified labours to work abroad.

3.6. ENGAGEMENTS WITH STAKEHOLDERS

In order to ensure that policies are known, implemented, and/or generate the intended benefits, AMS officials undertake various efforts to reach out and engage various stakeholders: private sector, foreign investors, micro-small-and-medium-enterprises (MSMEs), sub-regional governments, and so on.

Cambodia conducted a bi-annual forum for high-level government officials and private sector to sit together, chaired by the Prime Minister, to discuss various

issues. The 17th Government–Private Sector Forum was held on 4 March 2014 with the theme of “AEC 2015-Opportunities and Challenges for Cambodia”.

Lao PDR regularly organise seminars to promote investment policies to domestic and foreign investors in the country as well as overseas. Its Investment Promotion Department (IPD) also conducts number of workshops and meetings with private sectors as well as line ministries concerned to disseminate information related to the ASEAN Economic Community (AEC), including on investment and services liberalisation under the AEC. Lao government also organised the business forums and dialogues with Chambers of Commerce from various countries to address the issues and challenges that they are facing.

Malaysia actively promotes the ASEAN Economic Community (AEC) and its benefits to raise awareness among relevant stakeholders of the opportunities of a single market and production base in ASEAN. In this context, the Ministry of International Trade and Industry (MITI) Malaysia in collaboration with various business councils, chambers of commerce, industry associations, universities and civil societies has conducted in total 240 outreach programmes and activities on AEC throughout 2014 to 2016. These programmes were organised in various forms such as dialogues, forums, interviews, talks and conferences which targets businesses, researchers, academicians, students, government servants, civil societies and the general public. The main objective was to update and create greater awareness among the stakeholders on the benefits of AEC, as well as to get the business community especially the Micro, Small and Medium Enterprises (MSMEs) to take advantage of the AEC to expand their businesses and investments in the region.

Myanmar published Report Myanmar regularly (2014, 2015, and 2016) which informs about the economy-wise reforms, progress and development in a rapid transition; and also published its Investment Climate Assessment (ICA) to provide an up-to-date analysis of the investment climate and progress of the current reform agenda. Myanmar also accelerates its trade promotion activities through opening of Trade Centres in various countries and joining various international trade fairs, such as those organised by ASEAN-Japan Centre and ASEAN-Korea Centre. The Ministry of Commerce, Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), and the Directorate of Investment and Company Administration (DICA) collaborates to produce a Private Sector Development Framework and Action Plan in March 2016 with financial support from Mekong Business Initiative, an Asian Development Bank assistance project co-financed by the Australian Government. It aims to generate economic growth, job opportunities and social development for all citizens, especially the poor and disadvantaged.

The Philippines actively promote ASEAN Economic Community (AEC) and its FTAs to its domestic stakeholders. Its Department of Trade and Industry (DTI) conducted 195 *Doing Business in Free Trade Areas (DBFTA)* sessions in 2014 aimed at disseminating information on AEC 2015 and helping the industry understand and take advantage of ASEAN integration in 2015. Its Board of Investment (BOI) also conducted an ACIA Forum on 24 January 2014 in Manila and on 24 October 2014 in Davao City, in order to create awareness of ACIA features and benefits to the business community, government agencies, academia and media. Other government agencies also actively conducted various engagements, e.g. the Bangko Sentral

ng Pilipinas regularly facilitates dialogues with industry associations on financial industry matters to gather feedback into its policy-making process.

Thailand actively organised seminars to promote its investment policies to both local and foreign investors in its 4 regions, as well as Roadshows in major countries to inform foreign investors about its latest strategies. Its BOI organised a Consultative Meeting with the Joint Foreign Chambers of Commerce in Thailand (JFCCT) on 30 June 2014 as a platform for public and private participation, which discuss about how to improve investment climate and investors' confidence.

Viet Nam organises annual policy dialogues on its FDI policy attended by the senior officials from the Ministry of Planning and Investment and executives from companies having FDIs in Viet Nam. The conference aims to exchange views and receive feedbacks on the difficulties faced in investing in Viet Nam (such as issues related to land, taxation, customs, labour, and investment procedures) and to share successful investment experience of companies investing in Viet Nam.

4

ASEAN's Free Trade Agreements in Services with Other Countries

As ASEAN progresses in its internal economic integration, concluding agreements among its Member States in various areas especially in the key areas of trade in goods, trade in services, and investment, ASEAN gradually embraced *Free Trade Agreements (FTAs)* with its key Partners starting from the 2000s. All these FTAs include elements of trade in services, although in earlier ASEAN FTAs services are typically negotiated together with investment after conclusion of negotiation in goods.

In addition to these, individual AMS also gradually undertake their own bilateral or plurilateral FTAs with a number of their trading partners. These processes started as early as in 2000 but significant raise in the number of concluded FTAs started since around 2005. These bilateral and plurilateral FTAs have been pursued in order to achieve higher degree of liberalisation that align with specific situation of the parties involved, compared to the bigger regional or multilateral FTAs.

To-date, these engagements have not stopped and possible new FTAs continue to be explored, both at regional (collective) level as well as at individual AMS level.

4.1. ASEAN'S COLLECTIVE FTA ENGAGEMENTS

The signing and implementation of key ASEAN agreements, particularly the Agreement on the Common Effective Preferential Tariff (CEPT) for ASEAN Free Trade Area (AFTA) (signed on 28 January 1992 in Singapore), the Framework Agreement on the ASEAN Investment Area (AIA) (signed on 8 October 1998 in Manila, Philippines), and of course the ASEAN Framework Agreement on Services (AFAS) (signed on 15 December 1995 in Bangkok, Thailand as elaborated in Chapter 2), provide a good foundation for ASEAN's next step after starting to integrate its Member States: to also engage with its other major trading partners.

ASEAN's first FTA done collectively as a group, is with China. The *ASEAN-China Framework Agreement On Comprehensive Economic Cooperation* was signed by the Leaders on 4 November 2002, followed by *ASEAN-China Trade in Goods Agreement* signed 29 November 2004. The *ASEAN-China Trade in Services Agreement*, which was negotiated as a separate agreement, is also ASEAN's first FTA in the area of services. The agreement was signed on 14 January 2007 in Cebu, the Philippines. Since then ASEAN and China continue to negotiate additional packages of commitments. To-date, three (3) packages of commitments had been concluded.

ASEAN's second FTA in services is with Korea. After the *Framework Agreement on Comprehensive Economic Cooperation between ASEAN-Korea* was signed by ASEAN and Korea on 13 December 2005, the *ASEAN-Korea Trade in Services Agreement* was subsequently concluded and signed on 21 November 2007 in Singapore.

ASEAN's next FTA in services is with Australia and New Zealand. During the ASEAN-Australia and New Zealand Commemorative Summit held in November 2004, the Leaders adopted the Joint Declaration to further broaden and deepen their dialogue relations in all fields, including agreement to launch negotiations for an FTA. Unlike ASEAN's previous FTAs, the ASEAN-Australia-New Zealand FTA is negotiated as a single comprehensive agreement, where Trade in Services and Movement of Natural Persons (MNP) are Chapters of the FTA, which contains other areas as well including trade in goods and investment. The *Agreement Establishing the ASEAN-Australia-New Zealand FTA* was signed on 27 February 2009 in Cham, Thailand.

The latest concluded FTA in services is with India. A *Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India* was signed on 8 October 2003. The Trade in Services Agreement started to be negotiated in 2008 once ASEAN-India Trade in Goods Agreement was almost concluded. The ASEAN-India Trade in Services Agreement was signed on 13 November 2014 in Nay Pyi Taw, Myanmar.

It is also to be noted that *ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement*, which was signed in March and April 2008, contains an article on Trade in Services, which provides mandate to continue negotiating for provisions for trade in services with a view to exploring measures towards further liberalisation and facilitation of trade in services. Similar provision also exists for investment. Both agreements are now in final stages of finalisation.

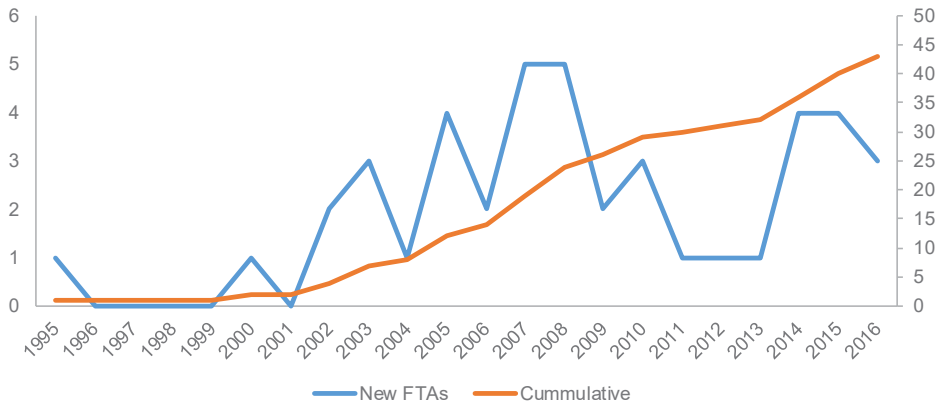
A significant next step for ASEAN is the on-going negotiation for *Regional Comprehensive Economic Partnership (RCEP)*, which comprises the 10 ASEAN Member States and its 6 FTA Partners listed above, namely Australia, China, India, Japan, Korea and New Zealand. In the RCEP, trade in services is negotiated in parallel with other areas including trade in goods, investment, competition policy, intellectual property, economic and technical cooperation, and so on. The negotiation was launched by the Heads of States/Governments of these 16 countries in November 2012, and is now at an advanced stage of negotiation.

ASEAN is also in the final stage of concluding FTA negotiation with Hong-Kong.

4.2. ENGAGEMENT OF INDIVIDUAL AMS

Along with the above FTAs which ASEAN negotiates as a collective group, individual AMS also actively engaging with various other countries, including through FTA that involves services component. The cumulative number of FTAs concluded by AMS proliferated significantly from just 8 before 2005 to 42 by 2016. About two-third of signed FTAs are bilateral.

Chart 18
ASEAN FTAs with Non-ASEAN Countries



Source: ASEAN Secretariat analysis based on available information below

The following lists out the FTAs pursued by ASEAN Member States which has services component in the FTA.

Brunei Darussalam signed one bilateral with Japan (18 June 2007) and also took part in *Trans-Pacific Strategic Economic Partnership Agreement (TPSEP)* signed on 18 July 2005 and *Trans-Pacific Partnership (TPP)* signed on 4 February 2016.

Cambodia is in the process of FTA negotiations with Belarus and Turkey.

Indonesia signed one bilateral agreement with Japan (20 August 2007), and is negotiating 4 other bilateral FTAs with Australia, *European Free Trade Association (EFTA)*, *European Union (EU)*, and South Korea.

Lao signed a bilateral trade agreement with the United States on 18 September 2003 and subsequently signed an improved version referred to as Trade and Investment Framework Agreement (TIFA) on 17 February 2016.

Malaysia signed bilateral agreements with 7 countries namely Japan (13 December 2005), Pakistan (8 November 2007), New Zealand (26 October 2009), Chile (13 November 2010), India (18 February 2011), Australia (22 May 2012) and Turkey (17 April 2014). Malaysia is also a party to the *Trans-Pacific Partnership (TPP)* and is still negotiating with *European Free Trade Association (EFTA)*, and *European Union (EU)*.

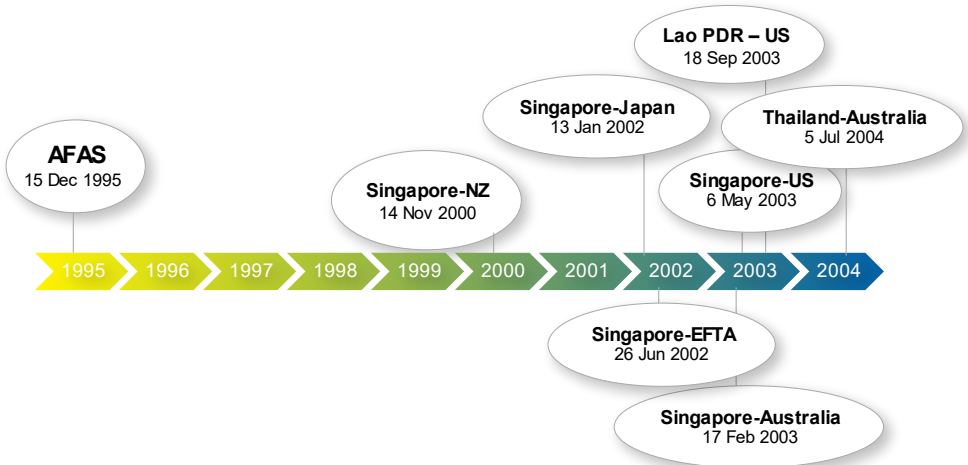
Myanmar signed two framework agreements, one with the *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)* on 7 September 2004 and another one with United States of America on 22 May 2013. Negotiations on the FTAs with both BIMSTEC and US remain on-going.

The Philippines signed its FTA with Japan on 9 September 2006 and with EFTA on 28 April 2016. The Philippines is now negotiating with the EU.

Singapore is the earliest and so far most active AMS in engaging in bilateral and plurilateral FTAs. Singapore signed its first FTA with New Zealand on 14 November 2000, followed by Japan on 13 January 2002, Australia on 17 February 2003 and

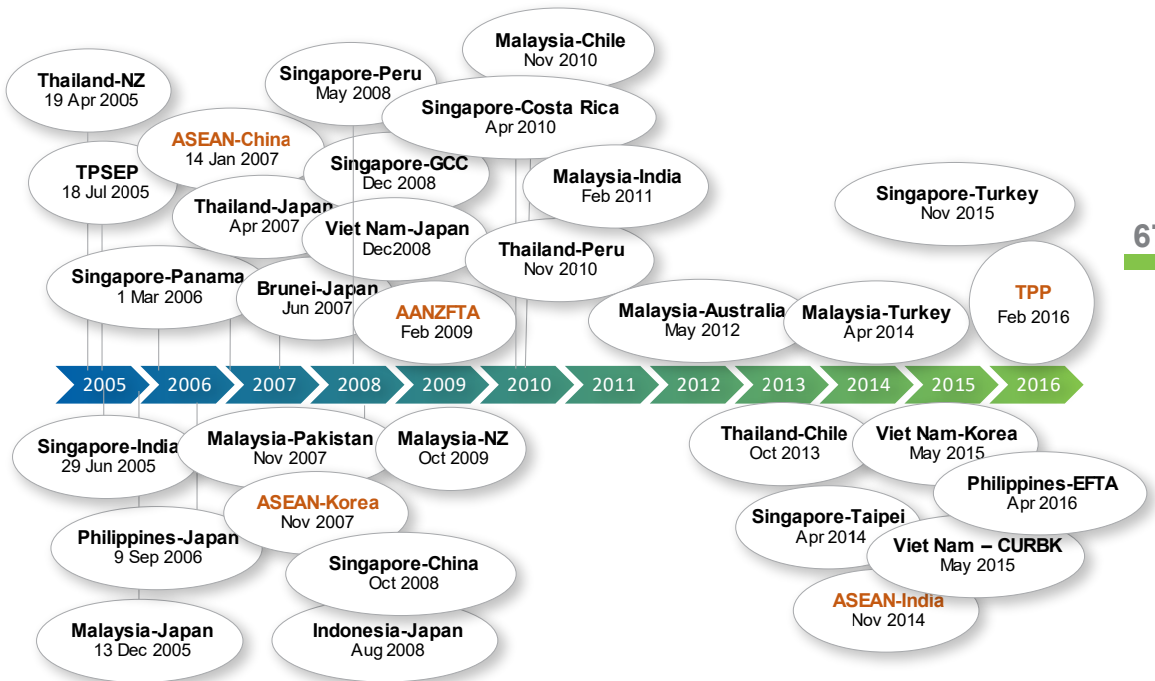
with the US on 6 May 2003. Subsequently, Singapore also concluded bilateral FTAs with *European Union (EU)* on 17 October 2014, and then with China, Korea, Turkey, India, Costa-Rica, Panama, Peru and Chinese-Taipei, as well as with regional grouping of *Gulf Cooperation Council (GCC)* and *European Free Trade Association (EFTA)*. Singapore also participated in multilateral FTAs of *Trans-Pacific Strategic Economic Partnership Agreement (TPSEP)* also known as P4, and the *Trans-Pacific Partnership (TPP)*. Singapore is currently negotiating with Canada, Egypt, Mexico, Pakistan, Sri Lanka and Ukraine. Singapore also actively pursues the negotiation of new or expanded air services agreements. Its network of bilateral air services agreements spans 130 countries, over 60 of which are open skies agreements.

Thailand is also among the earliest AMS with bilateral FTA. Its first FTA was with China signed on 24 June 2003, although without services component. Thailand subsequently concluded FTAs including services with Australia (5 July 2004),



New Zealand (19 April 2005), Japan (3 April 2007), Peru (18 November 2010), and Chile (4 October 2013). Thailand is negotiating with *Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)* and *European Free Trade Association (EFTA)* as well as 5 other countries namely Bahrain, Canada, India, Pakistan and US. Preliminary study is also being conducted to explore possible negotiations with Turkey.

Viet Nam signed bilateral FTAs with Japan on 25 December 2008, Korea on 11 November 2011, and with *EEU (Eurasian Economic Union)* on 29 May 2015, as well as concluding negotiations with the European Union (EU) on 2 December 2015. Viet Nam is also member of the *Trans-Pacific Partnership (TPP)*. Additionally, Viet Nam had launched FTA negotiations with *European Free Trade Association (EFTA)* and Israel.



CONCLUDING REMARKS

ASEAN has come a long way in its effort to integrate services sectors in the region, likewise the other ASEAN economic integration initiatives. The achievements in multiple areas highlighted above show significant progress of economic policies in each ASEAN Member States since the conception of AFAS in 1995, and this reflects tremendous effort of ASEAN Member States, individually and collectively.

Towards this end, works to further integrate ASEAN economy in particular on trade and investment in services sector remain critical. A number of actions and targets outlined in the AEC Blueprint 2015 remain challenging for some ASEAN Member States and require more time to fulfil. On the other hand, ASEAN also need to move on and chart its way to the next level of ASEAN economic integration beyond the AEC 2015, embracing new challenges and opportunities poised by the ever-changing dynamics of economic and technological developments in the region and beyond.

ASEAN is now working on the ASEAN Trade in Services Agreement (ATISA) which shall build upon and enhance its existing ASEAN services agreements, not only AFAS but also those signed with its FTA partners, as well as exploring possible new approaches taking into account the development in other parts of the world and emerging architectures. ATISA shall be forward looking and considers best practices as well as new and related trade in services topics.

The reality of practical works to facilitate a more integrated services environment in ASEAN is challenging indeed, taking into account not only the diversity in economic development entrenched in the region but also the diversity of regulatory systems and standards, the myriad and growing types of services activities, and the wide range of government agencies, regulators and stakeholders involved. Notwithstanding, each AMS continues to take individual initiatives to keep improving the competitiveness and efficiency of their respective economies, enhancing their attractiveness for FDI into their countries, and develop further their services sectors.

Given the rapid pace of integration of ASEAN economies into the global trading system and the intensifying pace of FTA negotiations and implementation with ASEAN's Dialogue Partners, it is imperative that ASEAN continue to push itself and expedite its work towards a higher degree of integration in the area of trade in services. Close cooperation between all stakeholders (business communities, governments, academia, and civil society) shall not be overlooked, which plays a critical role in this endeavour.



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