



TRADE IN SERVICES

IN THE ASEAN ECONOMIC COMMUNITY (AEC)

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Outline

1. **Basics:** Services, Trade in Services, and How to Negotiate Liberalization
 2. **Trade in Services Liberalisation in ASEAN:** Progress and Challenges of Services Liberalisation under the ASEAN Framework Agreement on Services (AFAS)
 3. **Understanding the AFAS Schedule of Commitments**
-
4. **Further Reading / Topics in ASEAN Trade in Services:** the ASEAN Agreement on the Movement of Natural Persons (MNP), and Mutual Recognition Arrangements (MRAs) for professional services in ASEAN



Part 1: Basics

Services, Trade in Services, and How to Negotiate Liberalization



What are services?

1. Business Services	7. Financial Services
2. Communication Services	8. Health-related and social services
3. Construction and related engineering Services	9. Tourism and travel-related services
4. Distribution Services	10. Recreational, cultural, and sporting services
5. Educational Services	11. Transport Services
6. Environmental Services	12. Other Services not included elsewhere

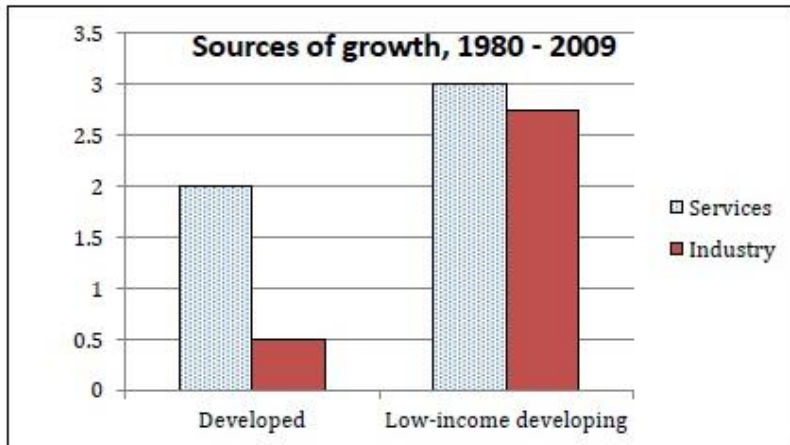
Based on the **Sectoral Classification List of the World Trade Organization (WTO)**: 12 categories with 154 individual (sub-)sectors

For more detail: the **United Nations' Central Product Classification (CPC)** differentiates into 5,000 sub-sectors



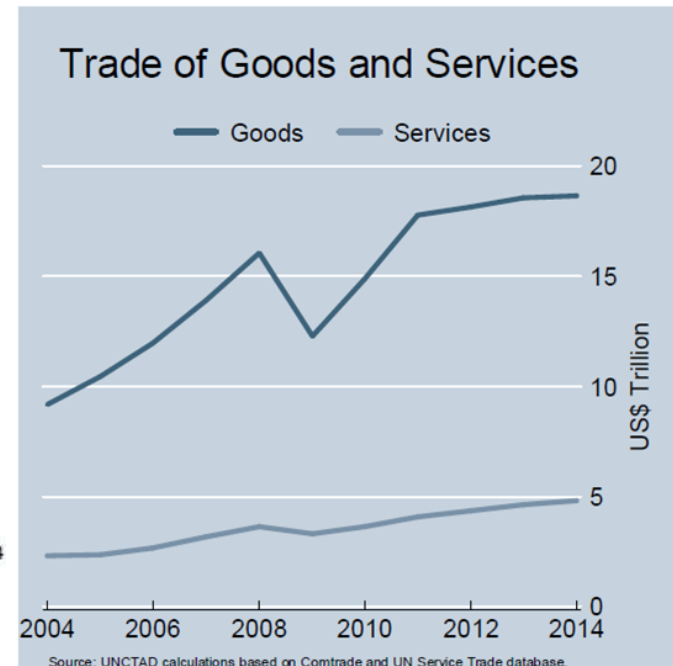
Services Role in the Economy (1/3)

1. Services contribute more to GDP growth than manufacturing in developing countries



Source: Ejaz Ghani, Arti Grover, Homi Kharas 2011, Service with a smile: A new growth engine for poor countries, 4 May 2011 VoxEU.org

2. Trade in Services is less vulnerable to economic shocks



Source: UNCTAD calculations based on Comtrade and UN Service Trade database.

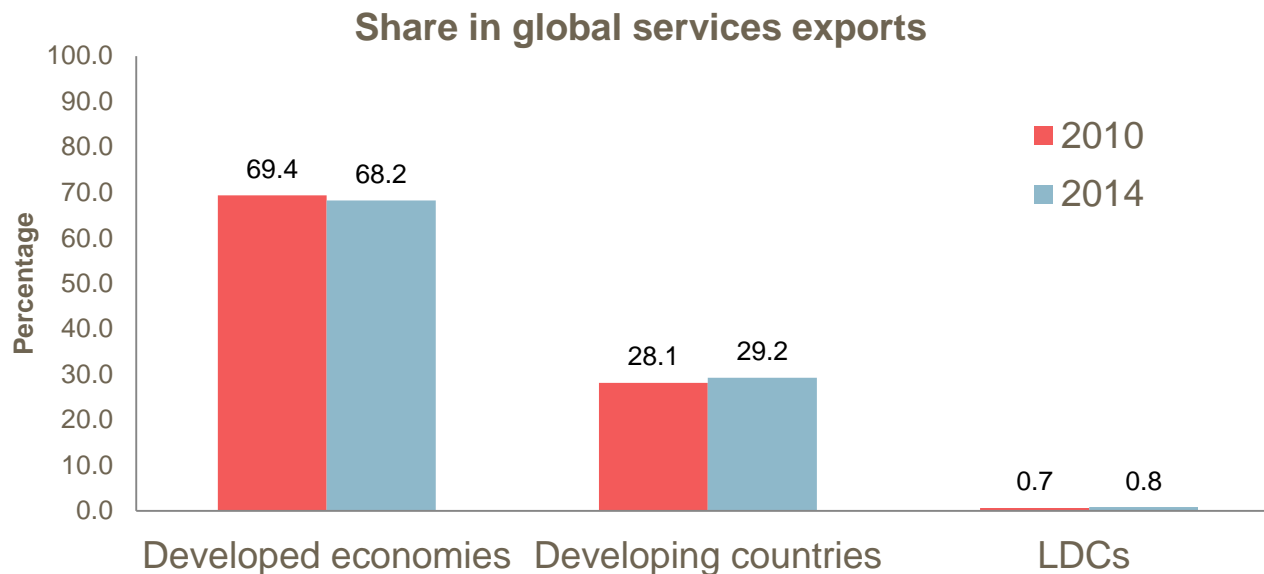
Source: UNCTAD - Key Statistics and Trends in International Trade 2015



Services Role in the Economy (2/3)

3. Services are a source of export growth and export diversification

- Services exports are surging for countries of all levels of development but developing countries are capturing an increasing share
- The path to an increase in services exports is less capital-intensive than increasing manufacturing exports (but more skills intensive)



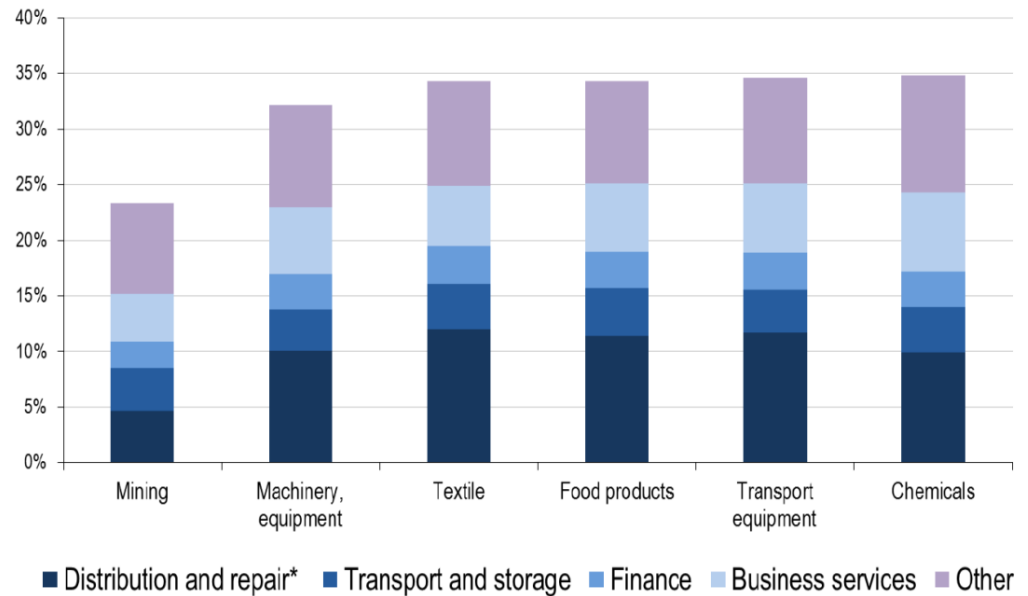
Source: UNCTAD Database



Services Role in the Economy (3/3)

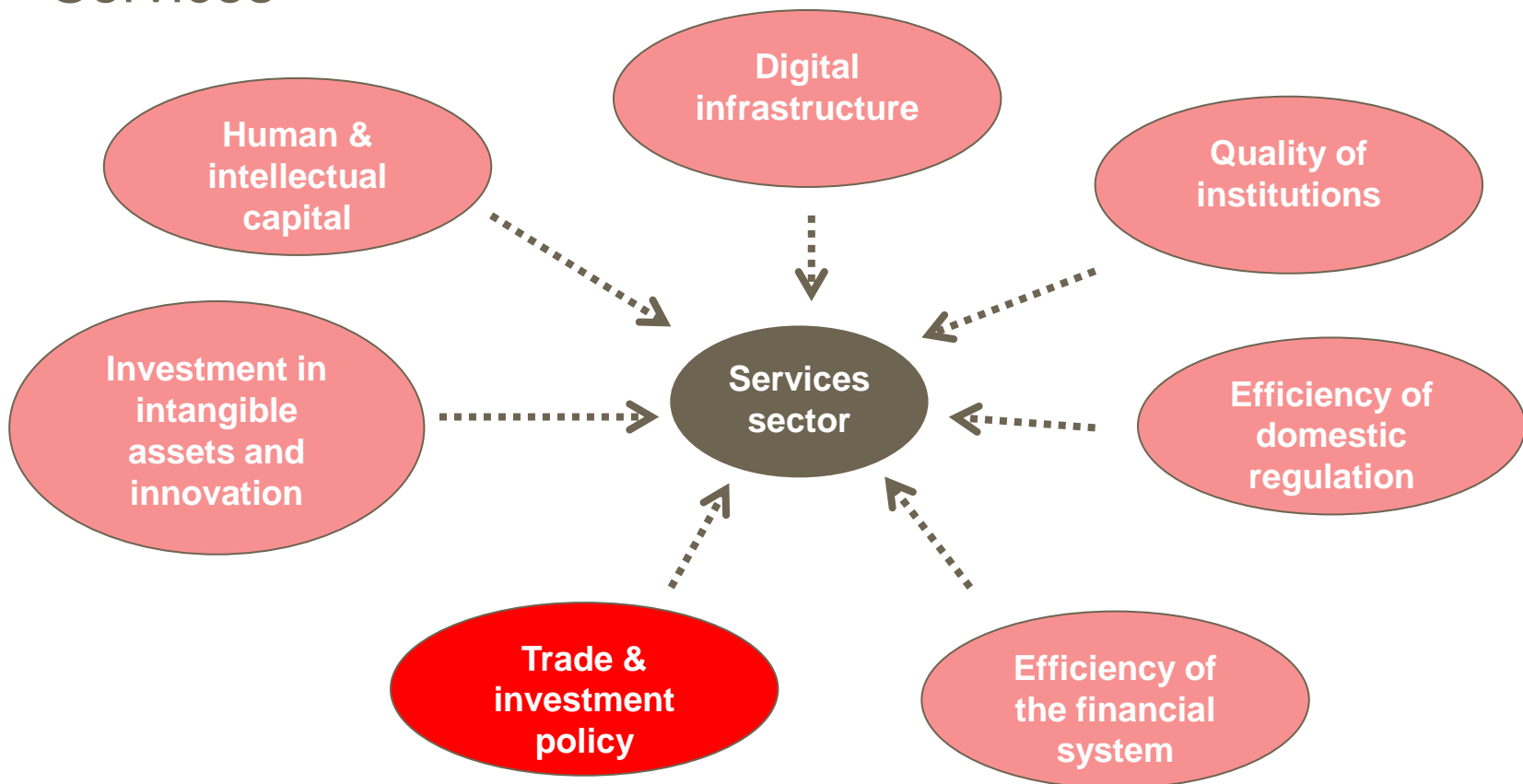
4. Services increase competitiveness of down-stream sectors

- Services (ICT, transport, distribution, legal or financial services) anchor and support production processes
- High-quality services inputs increase competitiveness & value-added of downstream products in all sectors
- A competitive, high-quality, efficient services sectors helps to attract foreign investment in manufacturing sectors



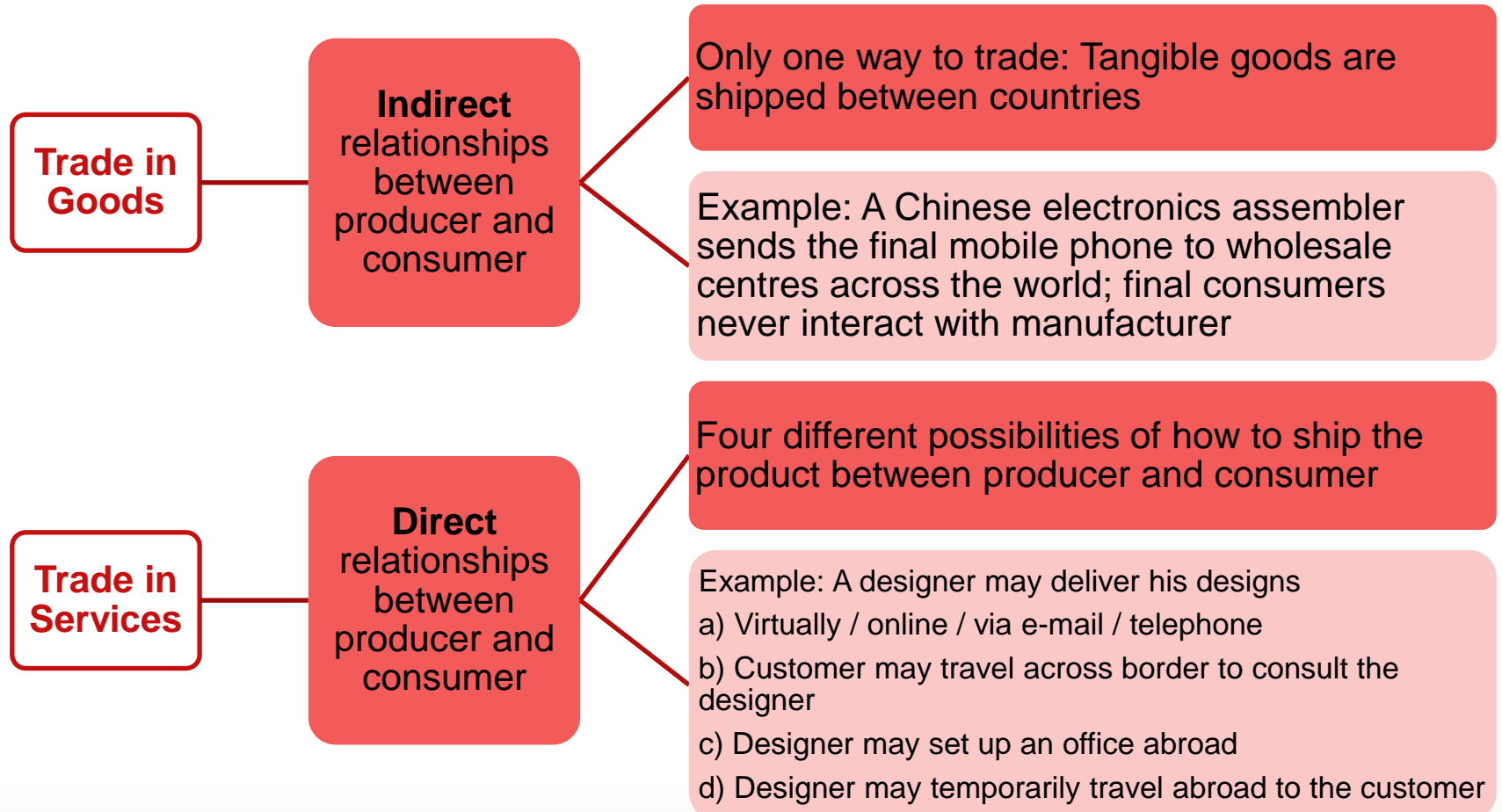


Factors influencing international competitiveness in Services





What is Trade in Services?





How to Trade in Services?

1. **Mode 1** – Cross-border supply
2. **Mode 2** – Consumption abroad: consumer travels to producer
3. **Mode 3** – Commercial presence (foreign investment): producers moves across border to consumer, long-term
4. **Mode 4** – Temporary movement of natural person: Service supplier moves across border to provide services to a consumer



How to measure Trade in Services?

1. **Mode 1** – Cross-border supply

2. **Mode 2** – Consumption abroad: consumer travels to producer

→ reflected in Balance of Payments

3. **Mode 3** – Commercial presence (foreign investment): producers moves across border to consumer, long-term

→ Movement of capital, measured by foreign affiliate statistics (FATS)

4. **Mode 4** – Temporary movement of natural person: Service supplier moves across border to provide services to a consumer

→ reflected in Balance of Payments

❖ **Indirect services trade** (embodied in goods)

→ Measured by trade in value-added statistics (international input-output tables)



New Trade-in-value-added data shows that services account for almost half of global exports

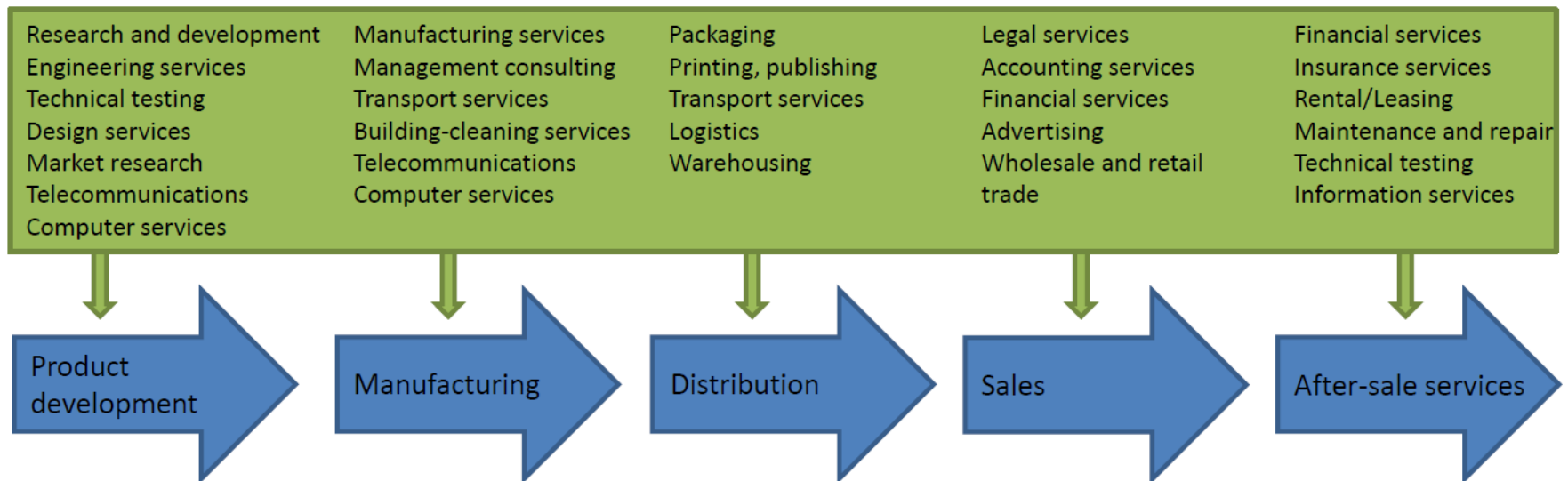
Trade in services in the global economy



Source: ITC



The Services Opportunity in Global Value Chains



- Services are key inputs and enabler of Global Value Chains – both manufacturing and services GVCs
- Opportunities due to global outsourcing of services inputs are huge: developing countries have gained large market shares in construction, ICT, travel and transport in the past 10 years



Negotiation Basics

How to Negotiate Trade in Services
Liberalisation?



What is Services Liberalization?

Liberalization in trade in services means to allow foreign services providers to compete on a non-discriminatory basis with domestic public and private companies, through all Modes of Supply.

Deregulation or **Re-regulation** refers to the creation of a new regulatory environment to ensure a market-oriented framework for services provision, in particular to reduce or eliminate restrictions on competition



The blueprint of Services agreements: the WTO's **General Agreement on Trade in Services (GATS)**

- GATS was concluded in 1995
- GATS seeks the expansion of services trade through progressive liberalisation, and transparent and predictable rules and regulations
- GATS serves as a **blueprint for most services agreements** around the world (definition of Modes of Supply, key principles, rights and obligations, positive-list approach, etc.)
- ASEAN Services negotiations use GATS modalities, for example the **positive/hybrid list approach**: countries only list sectors for which they choose to make commitments (*Schedules of Commitments*)
 - The opposite is a negative list approach that only lists non-conforming measures and sectors that are not to be liberalized



In Services agreements, countries commit to General Obligations...

- **Most-Favoured Nation Treatment (MFN):** *favour one, favour all* = treat all Member States and Member State's products and services equally
 - **Transparency:** publication of measures affecting trade in services, notification of WTO and Member States, etc.
 - **Fairness of domestic regulation** (licensing requirements, technical standards, procedures...): should not constitute unnecessary barriers to trade
 - (among others)
- Exceptions are possible, for example for security, health, order, morals, privacy, etc.



...and Specific Obligations

- Specific Obligations are made only for certain sectors, inscribed in the Schedules of Specific Commitments
- Under the specific obligations countries guarantee:
 - **Market Access** = allow foreign service providers to enter the domestic market without conditions and barriers
 - **National Treatment** = treat all Member States and their products and services as well as you treat domestic suppliers



Maintaining policy space

- Commitments in the schedule are binding; meaning a country may not introduce policies that are more restrictive than international obligations...
- ...however, countries may introduce more liberal policies than what they committed in the schedule
- The difference between the bound level and the actual, applied level
- Countries maintain policy space by only undertaking marginal commitments even if their current policy is already far more liberal



Part 2: Trade in Services Liberalisation in ASEAN

Progress and Challenges of Services
Liberalisation under the ASEAN Framework
Agreement on Services (AFAS)



Trade in Services in ASEAN is growing, but especially intra-ASEAN Trade is still below potential

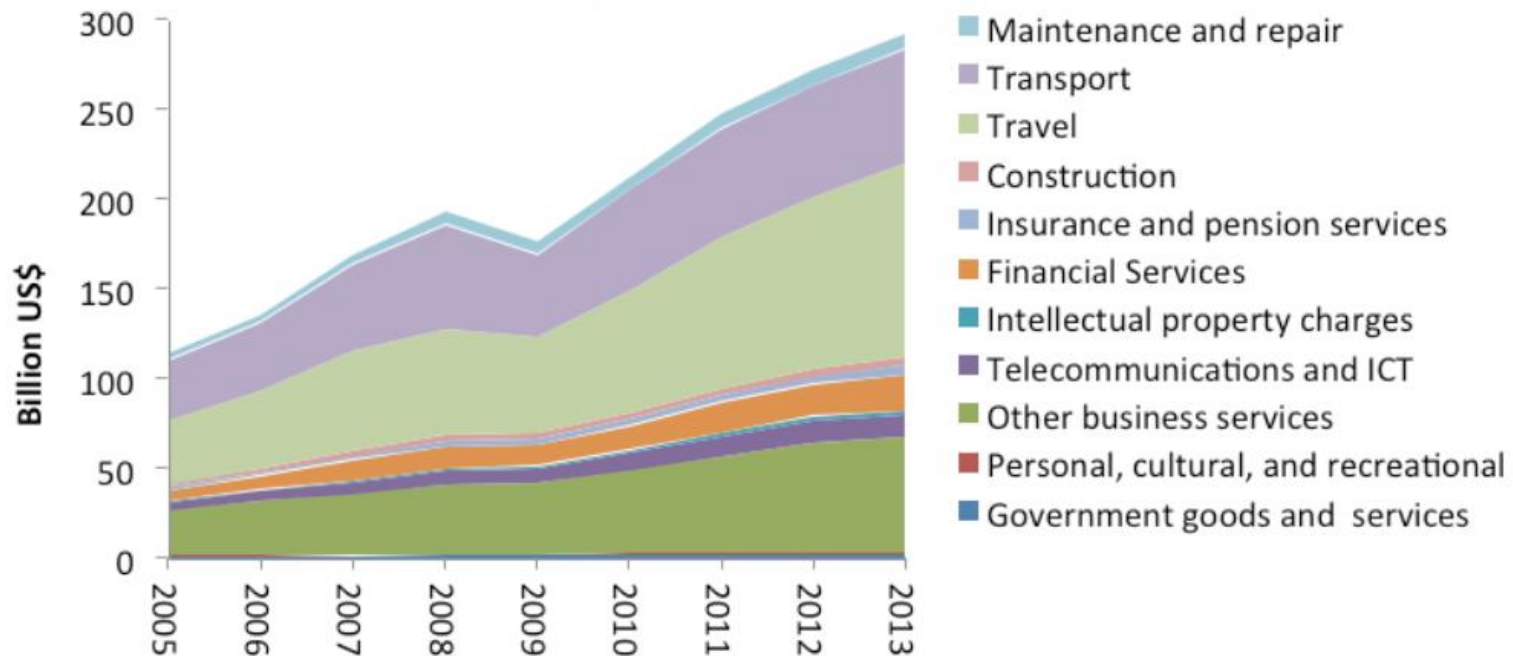
Country	2010	2014	Av. G R 2006 - 2014	Av. G R 2010 - 2014
Brunei Darussalam	2.662,1	2.825,0	1,0	1,5
Cambodia	3.029,6	5.707,9	12,7	17,2
Indonesia	43.131,5	57.070,4	7,0	7,3
Lao PDR	774,1	1.261,7	17,4	13,0
Malaysia	65.656,3	87.129,7	8,6	7,3
Myanmar	1.079,9	5.144,1	25,4	47,7
Philippines	29.798,7	44.799,9	12,3	10,7
Singapore	202.044,9	281.981,0	10,6	8,7
Thailand	79.342,7	108.539,7	8,3	8,1
Viet Nam	17.274,0	25.380,0	12,2	10,1
TOTAL	444.793,8	619.839,4	9,7	8,7

- Growth rates for Services trade and investment are higher than for goods
- Regarding FDI, around 60% of total foreign investment (80 billion USD in 2014) in ASEAN goes into services sectors
- Intra-ASEAN services trade is only around on quarter of total services trade; and growing less than total services trade



ASEAN exports mostly *traditional* services (transport and travel) – less successful in tapping modern and IT-enabled services

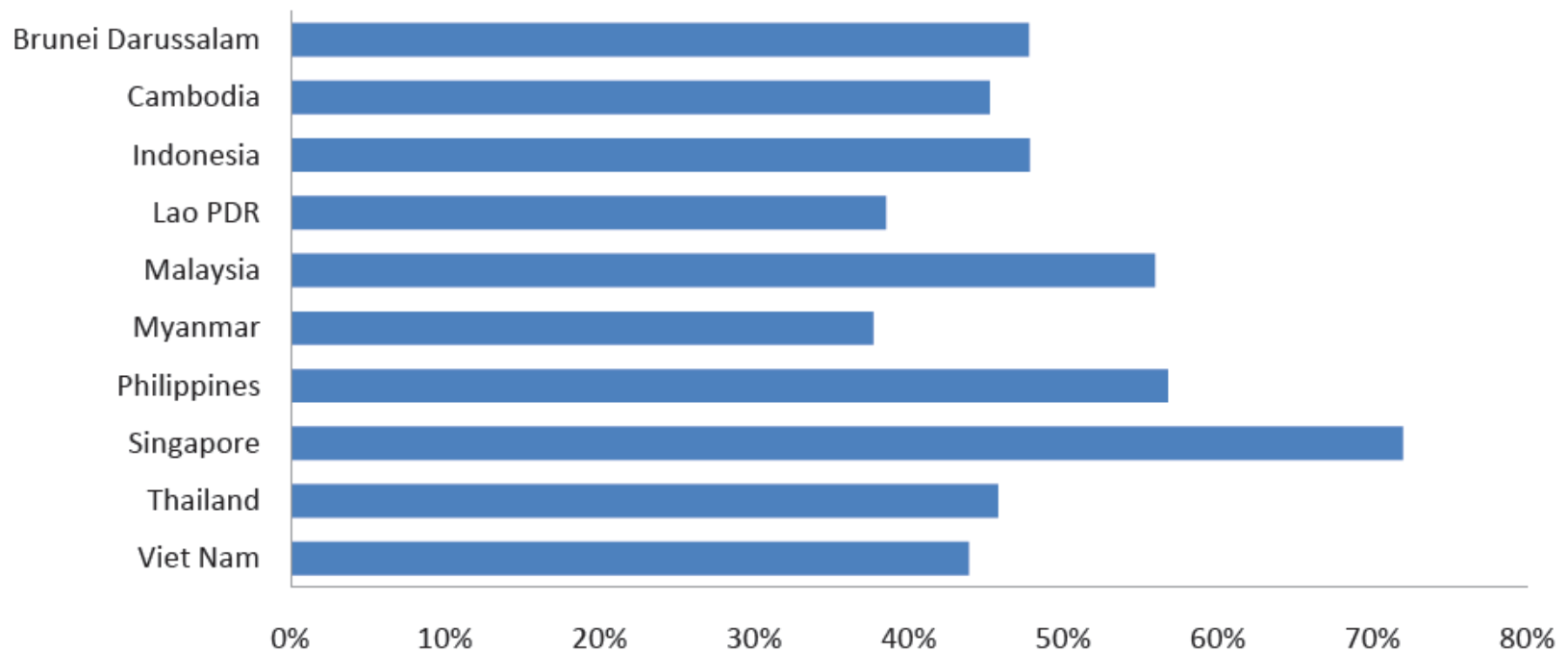
ASEAN Export of Services by Sectors





Services represent between 40 and 70% of GDP in ASEAN Member States...

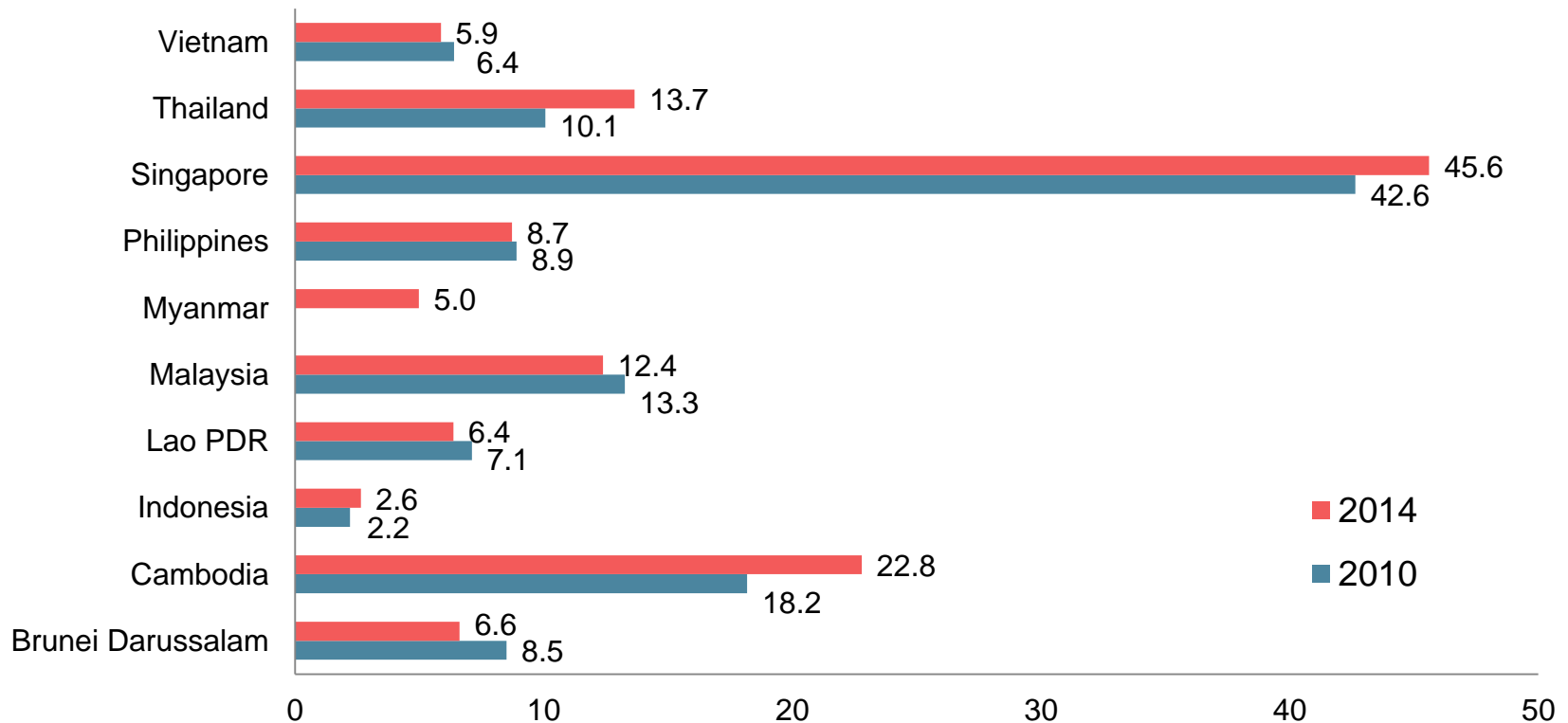
Services as Percentage of GDP in ASEAN, 2013





...but Services exports are still underdeveloped in most ASEAN Member States

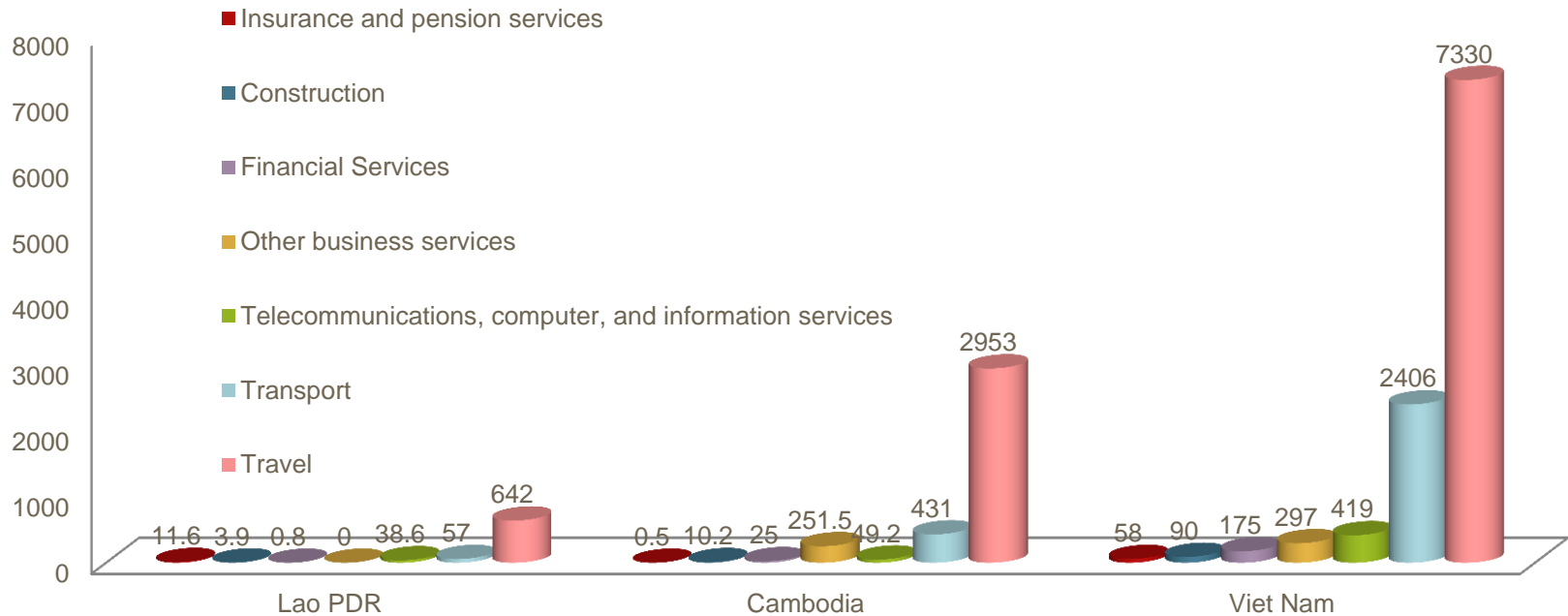
ASEAN Services exports as a percentage of GDP





CLMV countries are mostly exporting travel and tourism services

Services Exports 2014: Lao PDR, Cambodia, Vietnam Largest categories, in million USD

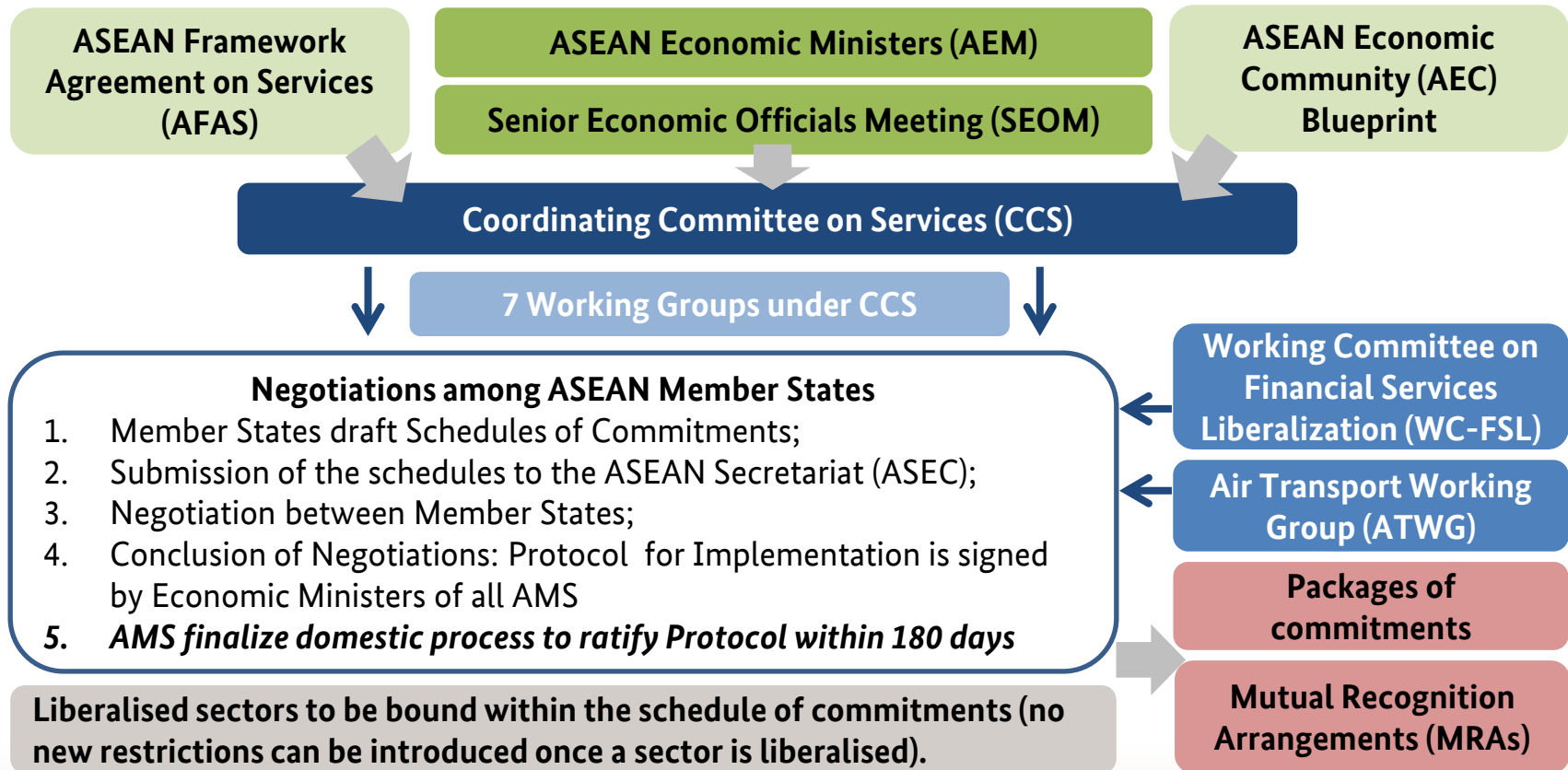


	Lao PDR	Cambodia	Vietnam
Total Services Exports	764.5 million USD	3824.4 million USD	10922 million USD
Total Services Imports	497.3 million USD	1883.5 million USD	14458 million USD

Source: ASEANStats



Institutional Framework and Negotiation Process for Trade in Services Liberalization in the AEC





Sector coverage in the ASEAN Services Liberalisation Universe

1. Business Services
2. Telecommunication Services
3. Construction and Engineering
4. Distribution Services
5. Education Services
6. Environmental Services
7. Financial Services
8. Healthcare Services
9. Tourism Services
10. Recreation, Culture, sport
11. Transportation Services
12. Others

<i>Responsible ASEAN Body</i>	<i>Total number of sub-sectors</i>
Coordinating Committee on Services (CCS)	128
Working Committee on Financial Services Liberalisation (WCFL)	17
Air Transport Working Group (ATWG)	6
Coordinating Committee on Investment (CCI)	4



Objectives of ASEAN Trade in Services Liberalisation

- Eliminate barriers to Trade in Services across ASEAN in **128 sectors**, in a step-by-step approach. The different sector groups to liberalize include:
 - **Priority Integration Sectors (PIS)** – 29 sub-sectors within air transport, e-commerce, healthcare, and tourism
 - **Logistics** – 9 sub-sectors
 - **Non-PIS** – another 90 sub-sectors

Liberalisation of PIS and Logistics sectors should have been completed by 2010, but commitments are still missing from Member States.

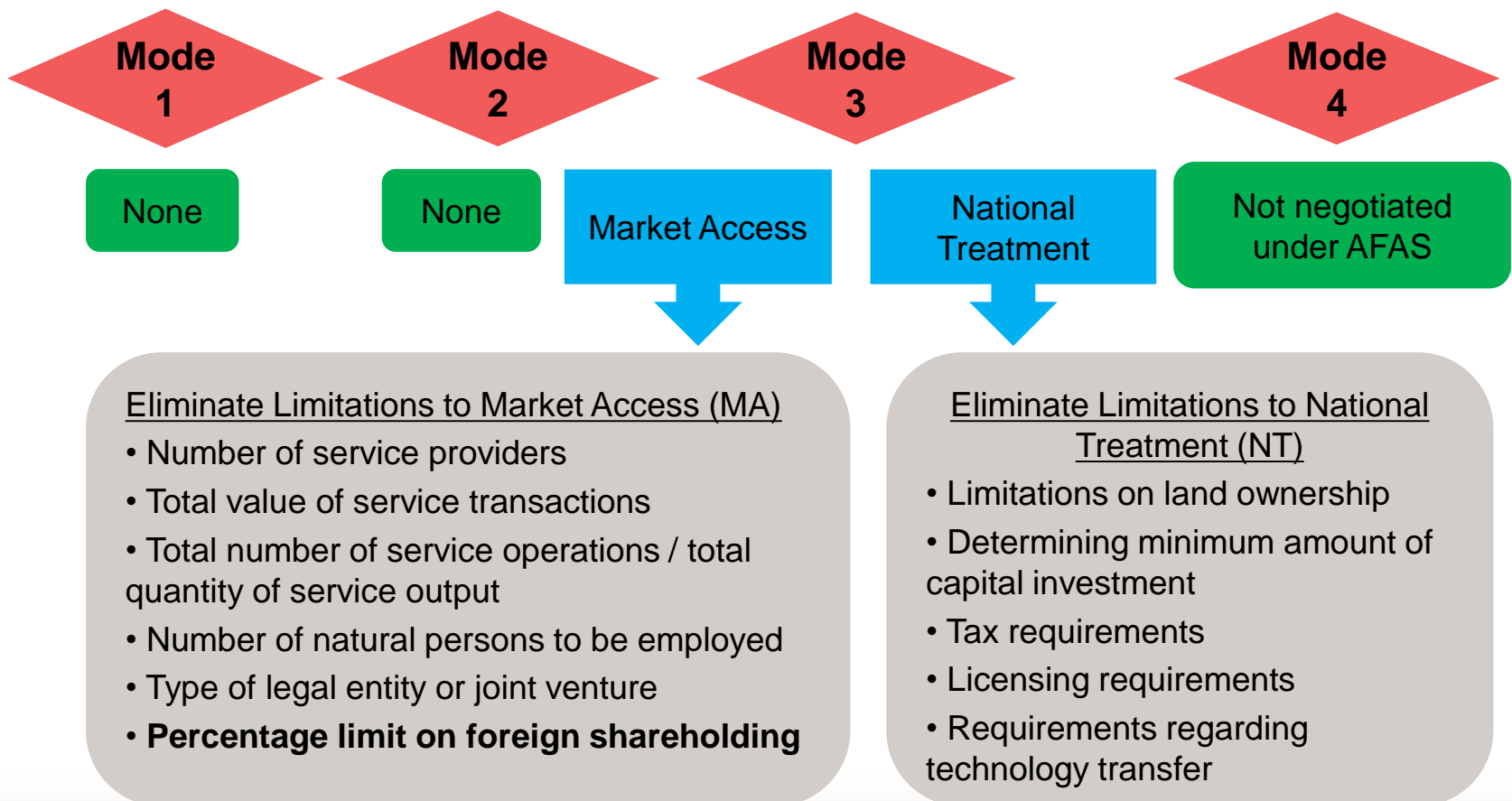
What is meant by “eliminate barriers” in the AEC? From the Blueprint 2015:

1. Fully remove limitations to Mode 1 and 2 of Service Delivery
2. Remove limitations to Market Access and National Treatment in Mode 3
3. Raise Foreign Equity Participation under Mode 3 Market Access to 70%

Important to keep in mind: GATS-plus principle!



Objectives of ASEAN Trade in Services Liberalisation





Achievements: 9 packages of commitments concluded...

- 9th AFAS package concluded in 2013
 - Protocol to Implement AFAS 9 signed in November 2015 by all Member States
 - Domestic procedures for ratification of protocol still on-going
 - Will enter into force on 25 May 2016 (180 days after signing the protocol)
- Financial Services: 6 packages of commitments adopted; completion of 7th package expected in 2016
- Air Traffic Services: large agreements on Freedoms of the Air, and 9 packages of additional commitments.
 - Progress towards a Single ASEAN Aviation market is good; topic is not covered in other international fora – regional initiatives such as the AEC can really make a difference



...but the 10th and final AFAS package remains a challenge

- “AMS are actively undertaking domestic consultations to prepare their offers for the 10th AFAS” (*Report of the last CCS Session*)
- Package10 needs to fulfil the targets set in the Blueprint 2015
- AMS agreed on a staged approach for the 10th package, aiming for a completion only by 2017
- Most countries not ready to make the necessary commitments, protectionism in services sectors remains high



...and overall, ASEAN Member States remain highly restrictive with respect to Trade in Services

Commitments improved **policy certainty** in ASEAN but have not produced significant liberalization

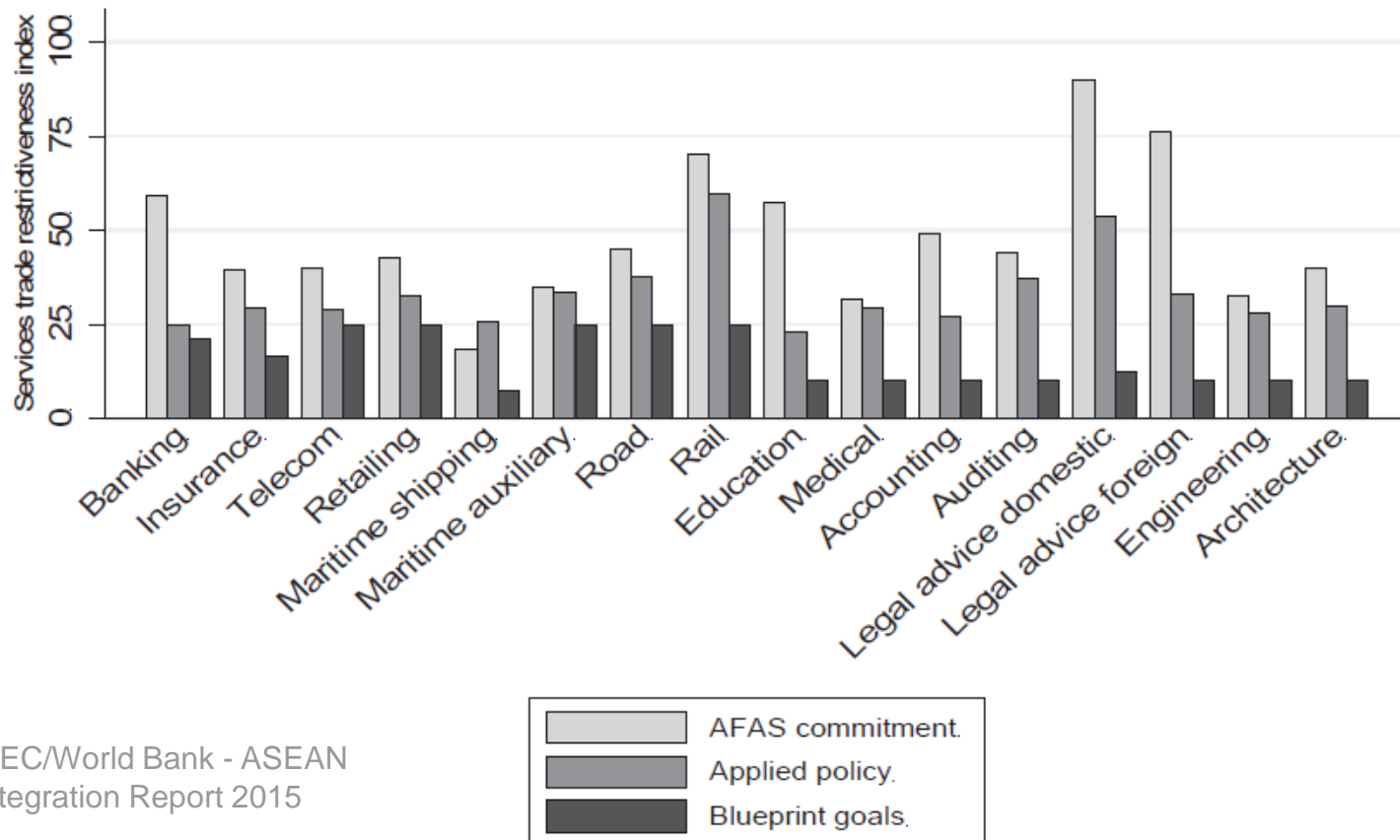
ASEAN countries have on average **more restrictive** services policies than other regions

ASEAN countries failed to ensure ASEAN **centrality**: they are rarely more open internally than externally

Market access is heavily restricted due to **unpredictable and discretionary licensing** procedures in many sectors



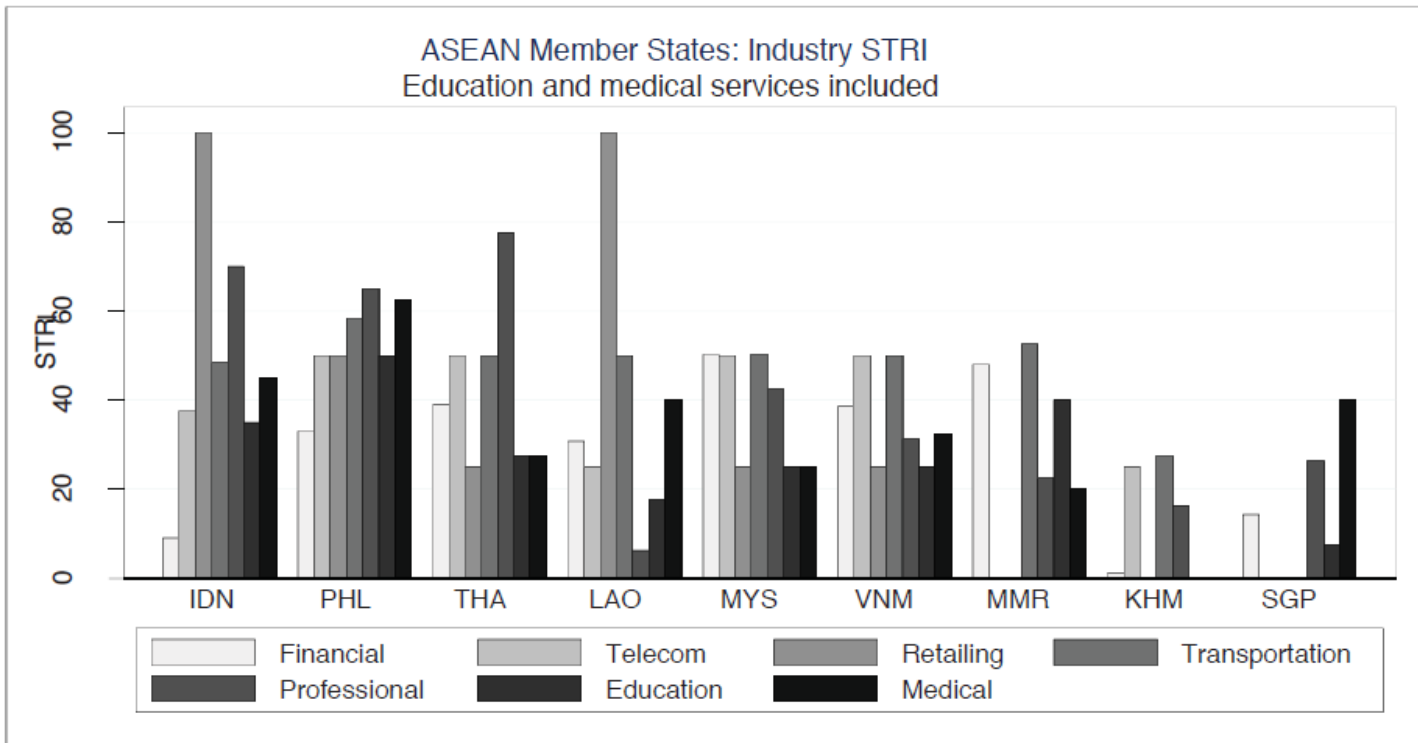
Services Trade Restrictiveness Index (100=fully closed, 0=open) – ASEAN averages compared to targets



Source: ASEC/World Bank - ASEAN
Services Integration Report 2015



STRI – Applied Policies for ASEAN Member States, by Industry



Source: ASEC/World Bank - ASEAN Services Integration Report 2015



ASEAN countries frequently lack key domestic policy factors for successful Services liberalization:

- A clear **liberalization strategy**, backed with economic analysis: when and how to open up which sectors for maximum development impact
- Correct **sequencing** of liberalisation, regulatory reform and re-regulation
- An adequate and effective **legal framework** in the respective sector
- Building **regulatory capacity** to oversee increased numbers of players in a certain sector
- Formulating a **negotiation strategy**: what to ask from other Members
- **Implementation capacity**: sector regulators are often not aware of the commitments made at the regional level
- Adequate **supply side capacity building** (supporting the private sector to gain competitiveness and make use of opportunities)



Outlook: new Blueprint – but low ambitions, negotiations for a new Services agreement progress slowly

- AFAS was signed in 1995 and is set to expire in 2015 to be replaced by the ASEAN Trade in Services Agreement (ATISA)
- ATISA should be an even more modern, forward-looking agreement, taking into account changes in the global economy and ASEAN-plus agreements – the hope is that it may accelerate Trade in Services Liberalisation in ASEAN...
- ...however, this will crucially depend on political will – and on regulatory capacity, particularly in CLMV countries
- For now, negotiations for the ATISA started but did not conclude



Outlook: Services in the AEC Blueprint 2025

Characteristic 1: A Highly Integrated and Cohesive Economy

A2. Trade in Services

Review existing flexibilities, limitations, thresholds and carve-outs, as appropriate

Enhance mechanisms to attract **foreign direct investment (FDI)** in the services sectors (...)

Establish possible disciplines on **domestic regulations** to ensure competitiveness of the services sector taking into consideration other non-economic or development or regulatory objectives

Explore **alternative approaches** for further liberalisation of services

Consider the development of **sectoral annexes**

Enhance **technical cooperation** in the services sector for human resource development (...)

A5. Facilitating Movement of Skilled Labour and Business Visitors

Expand and deepen commitments under the **ASEAN Agreement on MNP** where appropriate

Reduce, if not standardise, **documentation requirements**.

Characteristic 3: Enhanced Connectivity and Sectoral Cooperation

C7. Healthcare

Continue **opening up of private healthcare market** and Public Private Partnership (PPP) investments in provision of universal healthcare in the region



Part 3: Understanding AFAS Schedule of Commitments



Elements of AFAS Schedule of Commitments

- ***Horizontal Commitments***
 - Apply to all sectors in the Schedule of Commitment
 - General provisions, in order to avoid having to repeat them for each sector
- ***Specific (Sector) Commitments***
 - For each sub-sector, list commitments for each Mode of Supply (1, 2 and 3), distinguishes between market access and national treatment
- ***List of MFN Exemptions***
 - In principle, Most-Favoured-Nation Treatment is a general obligation; however, exemptions are possible when countries first join



What are commitments? (1/2)

Three main options for each Mode of Supply

1. “Unbound” = no commitment, country retains full policy discretion
 - Often used for sensitive sectors or not (yet) regulated sectors
 - Country will face pressure to make commitments
2. “None” = full commitment, no limitation or restriction
 - A “none” cannot be undone; no new restrictions may be introduced in future rounds of negotiations
3. Spelling out restrictions or limitation for a specific Mode = partial commitment



What are commitments? (2/2)

Regarding Option **3**.

Only a **certain number** and **clearly defined limitations** may be specified in the schedule:

Limitations to market access (MA)

- Limitations on the number of service providers
- Limitations on the total value of service transactions
- Limitations on the total number of service operations / total quantity of service output (products)
- Limitations on number of natural persons to be employed
- Specific requirements regarding the type of legal entity or joint venture
- Maximum percentage limit on foreign shareholding

Limitations to national treatment (NT)

- Limitations on land ownership
- Determining minimum amount of capital investment
- Tax requirements
- Licensing requirements
- Requirements regarding technology transfer

**Mostly quantitative
restrictions allowed for MA!**



Example 1: Lao PDR's Horizontal Commitments for the 9th AFAS Package

Modes of Supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
I. HORIZONTAL COMMITMENTS		
ALL SECTORS INCLUDED IN THIS SCHEDULE	<p>3) Commercial presence of foreign service suppliers can be in the following form:</p> <ul style="list-style-type: none"> • joint venture with one or more domestic Lao investors, • wholly foreign-owned enterprise • branch or representative office <p>A company is considered a joint venture when it has at least 10% foreign equity.</p> <p>The commercial presence of foreign service suppliers is subject to approval by the concerned competent authorities. Enterprises with foreign capital require an investment license, which sets out the terms of operation, and a business cooperation contract.</p>	<p>3) Foreign service suppliers in the Lao PDR may lease land within the Lao PDR and transfer their leasehold interest. They may own improvements on land and other moveable property and transfer those ownership interests.</p> <p>Foreign investors shall provide adequate training opportunities to Lao PDR nationals.</p> <p>Tax measures, generally pertaining to small and medium enterprises may result in a difference of treatment in favour of Lao PDR services and service suppliers.</p>



Example 2: Schedule of Specific Commitments for the 9th AFAS Package (Lao PDR): Legal Services

Modes of Supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
1. BUSINESS SERVICES A. Professional Services		
a) Legal services, excluding: <ul style="list-style-type: none"> - Participation in legal proceedings in the capacity of defenders or representatives of their clients before the courts of Lao PDR; - Legal documentation and certification services of the laws of Lao PDR (part of CPC 861) 	(1) None (2) None (3) Foreign equity participation limited to 49%.	(1) None (2) None (3) Unbound



Example 3: Schedule of Specific Commitments for the 9th AFAS Package (Lao PDR): Tourism Services

Modes of Supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
9. TOURISM AND TRAVEL RELATED SERVICES		
Hotel lodging services, with 3 stars or more (Part of CPC 641)	(1) None (2) None (3) None	(1) None (2) None (3) None
Meal serving services with full restaurant service (CPC 64210)		
Beverage serving services without entertainment (CPC 64310)		



Example 4: Schedule of Specific Commitments for the 9th AFAS Package (Lao PDR): Health Services

Modes of Supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence

Sector or Subsector	Limitation on Market Access	Limitation on National Treatment
8. HEALTH RELATED AND SOCIAL SERVICES		
Private hospital services (Hospital with more than 100 beds and modern facilities only) (Part of CPC 93110)	(1) None (2) None (3) None	(1) None (2) None (3) None



Things to remember...

- Schedules of commitments are precisely that: commitments – they are not legally binding at the national level, until and unless implemented in national legislation
- Schedules can only be a first point of information – only national rules and regulations can give the final answer
- Often ASEAN Member States are actually more open than what they put in their schedules
 - E.g. Laos allows for 100% of Foreign investment in a number of sectors, despite taking commitment only for 49 or 70% in the schedule
- Drafting and negotiating schedules of commitments requires sound economic analysis (own economy and negotiating partner), a thorough negotiation and the political will to implement commitments



Where to find AFAS Schedules of Commitments

Find documents on ASEAN website

- **SOCs, HC and MFN for ALL AFAS packages** can be downloaded here: http://www.asean.org/?static_post=member-countries-horizontal-commitments-schedules-of-specific-commitments-and-the-list-of-most-favoured-nation-exemptions
- Services legal documents and agreements in general: <http://www.asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/agreements-declarations/>
- **Most of what was presented today, in a more comprehensive report:** <http://www.asean.org/storage/2015/12/ASEAN-Integration-in-Services-%28Dec%202015%29.pdf>
- General information on Services: <http://www.asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>

Thank you!



Part 4: Further Reading



Free Flow of Labour in the AEC?

AEC Blueprint 2008-2015

FREE FLOW OF SERVICES:

- 1) Conclude **MRAs** currently under negotiation;
- 2) Work on additional MRAs

FREE FLOW OF SKILLED LABOUR:

- 1) Facilitate issuance of **visas and employment passes**;
- 2) **Harmonization and standardization through**
 - cooperation among ASEAN University Network (AUN)
 - developing core competencies and qualifications in priority services sectors and other services sectors
 - strengthening research capabilities regarding labour market information

RESULTS: limited progress with mobility of skilled labour in ASEAN

- **ASEAN Agreement on Movement of Natural Persons (MNP)** – formalizes current regulation, limited liberalisation
- **8 MRAs for professional services** concluded – but they only cover approx. **3% of the ASEAN workforce**; they foresee **cumbersome administration**; and **implementation** for all of them is **slow**

AEC Blueprint 2016-2025

FREE FLOW OF SERVICES: MRAs have shifted to the labour section

FACILITATING MOVEMENT OF SKILLED LABOUR AND BUSINESS VISITORS: Existing MRAs and MNP Agreement as main tools to achieve mobility for skilled labour.

- 1) Expand and deepen commitments under the ASEAN Agreement on MNP where appropriate;
- 2) Reduce, if not standardise, documentation requirements;
- 3) Consider improving existing MRAs, consider feasibility of new MRAs



Mode 4 of Services supply covers four categories of skilled labour (defined under GATS) – overlap between Free Flow of Services and Skilled Labour

Business Visitors: People who come for business meetings, to negotiate sales, to set up a commercial establishment, but do not receive any income in Bhutan

Intra-Corporate Transferees: Executives, managers, specialists (including technical specialists) transferred to Bhutan to manage a company's investment

Contractual Service Providers: Specialists sent by their companies to implement a contract with a Bhutanese company or public service entity

Independent Professionals: eg, architects, lawyers, IT technicians, engineers, scientists, medical specialists, teachers, etc) who come to work in Bhutan under personal arrangements with a firm or public organisation



ASEAN Mutual Recognition Arrangements (MRAs) for Professional Services

Why part of AFAS?

Liberalisation is not enough → licensing practices put foreign providers at a disadvantage → standards and guidelines are required

Legal basis: the ASEAN Framework Agreement on Services (AFAS)

Article V: Mutual Recognition

„Each Member State *may* recognise the education (...) or certifications granted in another Member State, for the purpose of licensing or certification of service suppliers. (...)“

A rather vague mandate for MRAs in AFAS

What is a MRA? Instrument for AMS to recognize the education or experience obtained, requirements met, and certification or licensing granted by other ASEAN members

What the MRAs are NOT: Automatic recognition or automatic movement of professionals; market access remains subject to national laws and regulation

Institutional mechanism: Working Groups under the purview of the ASEAN Coordinating Committee on Services (CCS) elaborate MRA for their respective sector; oversee implementation

Benefits:

- Facilitate trade in services by mutual recognition of authorisation, licensing, or certification of professionals (facilitate local license for foreign services providers in regulated professions)
- Bridge information gap between potential employers and foreign employees
- Upgrade quality of education and services providers (in unregulated professions, e.g. Tourism)



8 MRAs in ASEAN

1. Engineering Services, December 2005
2. Nursing Services, December 2006
3. Architectural Services, November 2007
4. A framework for Surveying Qualifications, November 2007
5. Medical Practitioners, February 2009
6. Dental Practitioners, February 2009
7. A framework for Accounting Services, February 2009; subsequently succeeded by MRA on Accountancy Services, November 2014.
8. Tourism Professionals, November 2012



8 MRAs – different approaches (1/2)

MRA	Approach	Implementation
<p>MRA on Engineers and Architects (“regulated professions”)</p>	<p>Regional bodies to develop and monitor mutually acceptable standards and criteria for practice of the respective professions.</p> <p>Process:</p> <ol style="list-style-type: none"> 1) Applicant must hold professional license issued by regulatory body in home country 2) License is reviewed by the Chartered Professional Engineers Coordinating Committee or the ASEAN Architect Council 3) If approved, the applicant may work as „Registered Foreign Professional Engineer“ in another AMS... 4) ... subject to domestic rules and regulations 	<p>Regional registration systems are in place</p> <p>1252 Engineers and 284 Architects registered (structures have not yet started)</p>
<p>MRA Framework on Surveying and Accountancy Services</p>	<p>MRA states principles and framework for negotiating the recognition and mobility conditions on a bilateral or multilateral basis; subject to various national regulations</p>	<p>Accountancy now upgraded to an actual MRA; similar approach as above</p>



8 MRAs – different approaches (2/2)

MRA	Approach	Implementation
<p>Healthcare MRAs (nurses, medical practitioners, dental practitioners)</p>	<ul style="list-style-type: none"> • exchange of information • exchange of best practices on the licensing and registration of healthcare practitioners • capacity building • No regional registration body; only a two step process: a professional in one AMS may apply in other AMS to be registered e.g. as a ‚Foreign Nurse‘ 	<p>ongoing</p>
<p>MRA on Tourism Professionals („unregulated professions“)</p>	<ul style="list-style-type: none"> • set regional standards • elevate the quality of local tourism services providers • movement in ASEAN as a possible, secondary outcome 	<p>ongoing</p> <p>Advantage: differences in legal and education systems matter much less for this MRA compared to regulated professions</p>



Challenges of ASEAN Professional Services MRAs

Implementation

- Resistance of national professional associations in regulated professions
- Major reforms of regulatory regimes to align with MRA needed

Administrative and political obstacles remain despite MRAs

- Issuance of visas and employment passes
- Language requirements
- Citizenship / nationality requirements

Further harmonization and standardization required

- Harmonization and standardization of education, training, requirements, certificates ...
- Develop core competencies and qualifications for job / occupational and trainers skills

Quality of Education as an overall challenge

- ASEAN Educational Systems are very heterogeneous
- Quality varies
- Quality upgrades needed for most of the MRA professions



ASEAN Agreement on Movement of Natural Persons (MNP) (1/2)

Objective:

- Include all **mobility-related commitments** for services sectors in the AEC in a separate binding document
- Mode 4 not negotiated under AFAS – need to find a different forum

The Agreement:

- MNP signed in 2012 (implementation on-going, not all Member States ratified the MNP)
- Incorporates and supersedes all Mode 4 provisions in AFAS
- Adds provisions on streamlined immigration procedures for the temporary entry and stay of natural persons engaged in trade in goods, services and investment

MNP vs. MRAs:

- MRAs facilitate but do not ensure the actual movement of professionals
- The MNP addresses the need to streamline, harmonize and liberalize immigration policies and other regulations, to achieve actual movement
- Under the MNP, countries may make commitments for any services sector, including (but not limited to) professional services



ASEAN Agreement on Movement of Natural Persons (MNP) (2/2)

Analysis:

- Commitments very limited and similar to those agreed by ASEAN Member States under the WTO GATS
- Commitments refer to Intra-Corporate Transferees (ICTs) and Business Visitors (BVs)
- Only Vietnam, the Philippines and Cambodia allow for the mobility of Contractual Service Suppliers (CSSs)
- Most countries retain barriers such as: domestic immigration procedures, numerical quotas, Economic Needs Tests (ENT)/labour market tests, pre-employment requirements; conditions also include technological transfer and compensation fees