



ASEAN INTEGRATION IN SERVICES



one vision
one identity
one community



ASEAN Integration in Services

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. The ASEAN Secretariat is based in Jakarta, Indonesia.

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Catalogue-in-Publication Data

ASEAN Integration in Services

Jakarta: ASEAN Secretariat, January 2021

382.459

1. ASEAN – Trade in Services
2. AFAS – ATISA

ISBN 978-623-6945-08-7



ASEAN: A Community of Opportunities for All

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A. Introduction

“The objective is 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.

A strong services sector facilitates industrial development, innovation, and efficiency. The end result is the maximisation of potential contribution of the services sector to economic development and growth.”
(ASEAN Economic Community Blueprint, November 2015)

ASEAN has come through a long way in its process of integrating trade in services among its Member States as well as with the rest of the world. As one of the core fundamentals in ASEAN economic integration, trade in services integration in ASEAN has started since December 1995 through signing of the **ASEAN Framework Agreement on Services (AFAS)**. This is as early as less than a year since the entry into force of the **General Agreement on Trade in Services (GATS)** in January 1995, which is the first multilateral agreement on services which was concluded under the Uruguay Round of multilateral trade negotiations¹. The signing of AFAS was also only two years apart from the launch of the 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 1993.

AFAS provides the formal platform for progressive negotiations on the liberalisation of trade in services, recognising that intra-ASEAN services liberalisation will strengthen the flow of trade and investment in the services sector among **ASEAN Member States (AMS)**, and will eventually contribute to overall economic integration in the region. AFAS is based closely on the provisions of the GATS. Various subsequent decisions have been made including at Ministerial level to further strengthen the services liberalisation in ASEAN, while remaining consistent with the GATS provisions. The most important guiding framework for ASEAN’s economic integration process, including for trade in services, have been the **ASEAN Economic Community (AEC) Blueprint** as adopted by ASEAN’s Heads of State/Government at their 13th ASEAN Summit in November 2007, and its succeeding document

¹ Compare this with the General Agreement on Tariffs and Trade (GATT) signed in 1947, which is the first multilateral agreement on trade in goods. In addition to the GATS, the Uruguay Round also resulted in the establishment of World Trade Organisation (WTO).

the **ASEAN Economic Community (AEC) Blueprint 2025** as adopted at the 27th ASEAN Summit in November 2015.

Numerous initiatives have been developed and resulted throughout the process. These include the agreements, protocols, arrangements, other legal documents that have been agreed and signed; but most importantly are the detailed packages of commitments from ASEAN Member States to open up their services market to each other across all range of services sectors and subsectors. The quoted statement from the AEC Blueprint 2025 as appears on the top of this section above affirms ASEAN's commitment for continuous advancement of its services integration.

ASEAN is now moving forward with the next major process of integrating its trade in services following the signing of the ASEAN Trade in Services Agreement (ATISA), which builds on all of the achievements made to-date and mandates ASEAN Member States to transition their AFAS Schedules of Commitments into a more comprehensive model form of Schedules of Non-Conforming Measures within specific timelines after entry into force of the ATISA.

This publication marks the 5th edition of ASEAN Integration in Services. It aims to provide updated information on the latest ASEAN efforts and achievements in regional trade in services integration, including the signing of a major Free Trade Agreement that ASEAN embarks with its key economic partners through the Regional Comprehensive Economic Partnership (RCEP). The following sections provide an overview of trade in services in ASEAN, the institutional processes in ASEAN for services liberalisation, the status and outcomes of the liberalisation under AFAS, development of initiatives related to Movement of Natural Persons, and latest update of ASEAN Free Trade Agreements involving Trade in Services.

B. International Integration of Trade in Services

B1. The Importance of Services in Economic Development

The services sector consists of diverse activities ranging from basic services such as healthcare, education and water-provision to infrastructure services such as telecommunications, transport and energy services, amongst others. Services feed into the business activities in all sectors including manufacturing and primary economic activities such as agriculture and mining. Services themselves are likewise final economic output in their own right. The quality and efficiency of services provision have significant impact on effectiveness of infrastructure building and efficiency of trade facilitation, hence overall competitiveness, of any economy.

The availability and quality of some service sectors, such as healthcare and education, are directly affecting the achievement of social and development goals. Likewise, the development of various services sectors carries social impacts such as employment, poverty reduction, human development, gender equality, and so on.

Services are increasingly important components of economic output in any country. While agriculture and manufacturing remain fundamental and very important, services continue to gain importance and share in any country's **Gross Domestic Product (GDP)**.

With rapid advances in **Information and Communication Technology (ICT)** since the 1990s, as well as increased efficiency for transport of goods and people across national boundaries, the variety of sectors and volume of services provided across national boundaries are rising fast. More and more people are traveling abroad to consume tourism, education and medical services, as well as to supply services ranging from construction to software development. Likewise, more and more business transactions and delivery of services projects such as engineering design and financial market consultancy are undertaken through electronic channel such as internet and other telecommunication network.

The recent advent of the **Fourth Industrial Revolution (4IR)** that brings with it digitalisation and automation, has fuelled the growth of new emerging

services as well as the blurring of traditional boundaries of different types of services. Notwithstanding, this revolution further boosts the services sector's contributions to the economy. Disruptive technologies such as artificial intelligence, robotics, blockchain and 3D printing shift the industrial structures, hence creating the need for reskilling of human resources to adapt to the new ecosystem. While the revolution renders certain services obsolete, many new services are created. All these developments contribute to increasingly more efficient allocation of resources, and provide new opportunities for countries to develop and grow their economies.

Given all these rapid developments, not surprisingly, trade and foreign direct investment (FDI) in services have grown faster than in goods in the past few decades.

B2. The Case for International Integration in Trade in Services

Despite its growing importance, impediments in undertaking international transactions in services continue to be significant, imposed by governments across the globe, especially with respect to foreign investment and the movement of service-providing individuals.

Liberalisation of impediments to international trade in services is critical in many respects. It generates higher export earnings and employments for liberalising countries, while promoting higher quantity and quality of services for them. On the longer term, liberalisation promotes competition and investment in the service sectors while ensuring greater regulatory transparency. Notwithstanding, challenges do exist, especially in promoting genuine competition, in scaling up the capacity of human resources, in building the regulatory institutions needed to remedy market failures, in appropriately sequencing service-sector reforms, and in establishing mechanisms to promote the availability of essential services especially among the poor.

While governments can initiate services reforms unilaterally, international engagement can significantly facilitate the process. International negotiations for liberalisation of services trade often promotes market opening and regulatory reform among the participating countries on a more mutually beneficially manner. In parallel to this process, typically there is also international regulatory cooperation intended to help countries (particularly

developing countries) to strengthen and improve their service sectors' regulation and establish the implementing institutions. Indeed, international integration in trade in services play an important role in overall international economic integration.

B3. International Efforts in Integration in Services

Multilateral agreement for trade in goods has existed since 1947 through an agreement known as the **General Agreement on Tariffs and Trade (GATT)** and spurred the growth of international trade throughout the world. It was only after almost half a century later, trade in services were integrated into the multilateral trading system through the **General Agreement on Trade in Services (GATS)**² signed on 15 April 1994 in Marrakesh, Morocco as part of the Marrakesh Agreement which came into force on 1 January 1995. This Marrakesh Agreement concluded the Uruguay Round of multilateral trade negotiations, which included the GATS as well as the establishment of **World Trade Organisation (WTO)**.

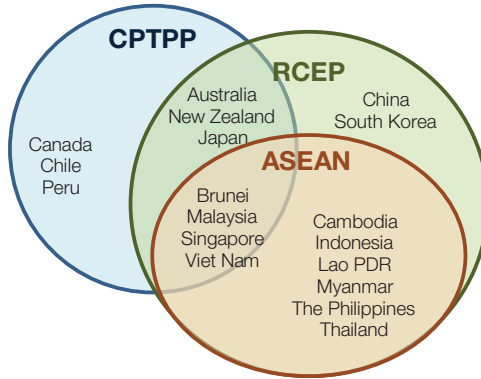
The GATS lay the framework for international obligations and disciplines on regulating trade in services. It binds the commitment of the WTO members to a certain degree of market opening in various services sectors and subsectors, as stipulated in their respective so-called schedules of commitments. It also defines standards of transparency (such as the obligation for WTO members to publish all measures falling under the agreement) and several other disciplines on good governance for the services sectors. The multilateral efforts to further integration in services do not stop there. In fact, further multilateral services negotiations under the GATS itself had started since November 2001 under the **Doha Development Agenda (DDA)**, a process which is to-date still continuing.

In addition to the GATS, international agreements to further liberalise trade in services proliferate across various parts of the world, whether at bilateral, regional, or multilateral levels. Generally, these services agreements are negotiated as part of negotiation for a broad economic agreement between two or more countries, mostly referred to as **Free Trade Area (FTA)** and/ or **Comprehensive Economic Partnership (CEP)** agreements. Trend for FTAs has mainly been intensified since the 2000s.

² https://www.wto.org/english/docs_e/legal_e/26-gats.pdf

ASEAN Member States, too, have been actively engaged in various FTA and CEP negotiations as individual countries as well as collectively as ASEAN. This will be discussed in more detail in Section H. Among these FTAs/CEPs, two of the largest that involve ASEAN Member States are the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** and the **Regional Comprehensive Economic Partnership (RCEP)**.

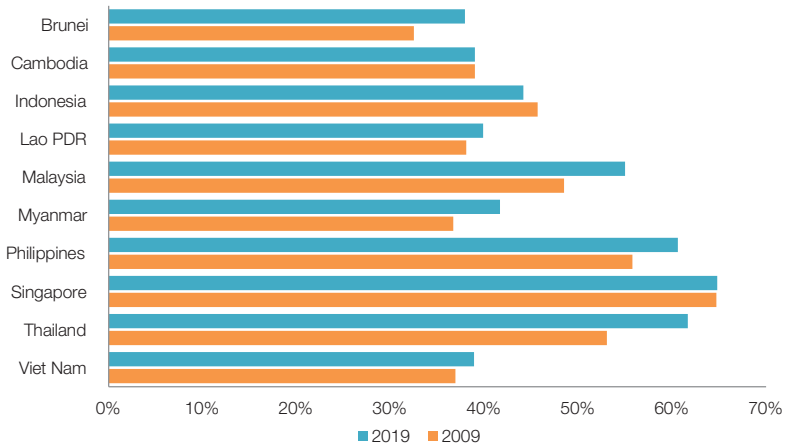
Diagram 1
Memberships of ASEAN, RCEP and CPTPP



C. Services Sector in ASEAN Economy

Services has become a dominant and continuously expanding component of GDP in ASEAN economies. As of 2019, services sector represents between 38% and 65% of ASEAN Member States' **Gross Domestic Product (GDP)** as compared to the agriculture and industrial sectors, although for the majority the numbers range around 40% to 60%. In general, the services component of GDP in AMS increase gradually over time, as reflected in the Chart 1 below, although minor fluctuations or changes took place in few cases in some AMS.

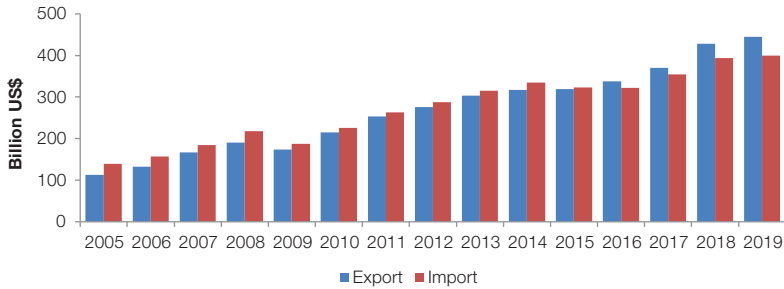
Chart 1
Services as Percentage of GDP, 2009 and 2019



(Source: ASEANStats)

Except for the slight decrease of trade during the 2008-2009 global economic and financial crisis, ASEAN's services export grew steadily from US\$ 112.5 billion in 2005 to US\$ 444.8 billion in 2019, at an annual average growth rate of 11.2%; while ASEAN's services import also increased from US\$ 139.6 billion to US\$ 399.8 billion, at an annual average growth rate of 8.4%. It is notable that since 2016, ASEAN has become a net exporter of services.

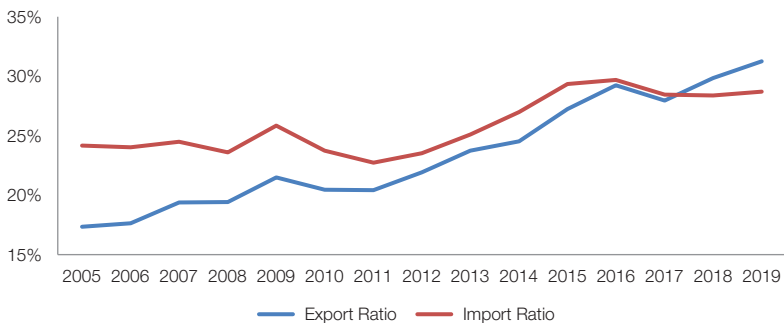
Chart 2
ASEAN's Export and Import of Services



(Source: ASEANStats)

The recorded statistics of ASEAN's trade in services to-date remain a fraction of its counterpart for trade in goods. During this same period, ASEAN's goods export grew from US\$ 648.8 billion in 2005 to US\$ 1.42 trillion in 2019, at an annual average growth rate of 6.2%; while ASEAN's goods import also increased from US\$ 577.4 billion to US\$ 1.39 trillion, at an annual average growth rate of 7.0%. Note, however, that the growth of services trade continue to be faster than the growth trade in goods as indicated in the ratio of services trade against goods trade shown in Chart 3 below. This trend is apparent in terms of export, while import has slowed down a bit since 2016 as ASEAN becomes net exporter of services.

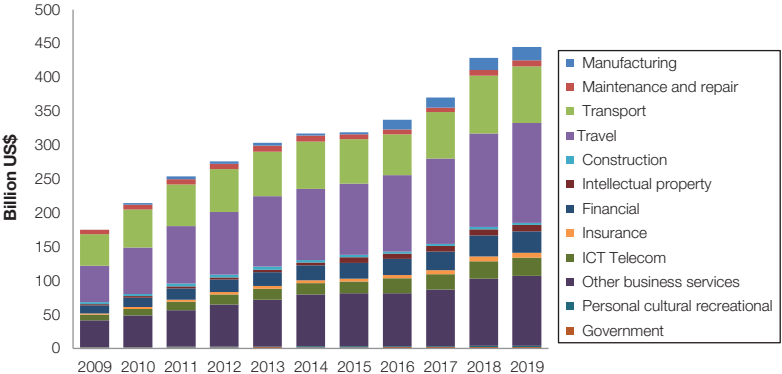
Chart 3
ASEAN's Export and Import of Services as Percentages of ASEAN's Export and Import of Goods



(Source: ASEAN Secretariat's Analysis based on data from ASEANStats)

Travel, transport, and other business services³ dominate the export and import of services of ASEAN in general. ASEAN's export is dominated by travel services, while ASEAN's import is dominated by transport services. In the distant fourth place, ASEAN's export is also contributed by financial services, while ASEAN's import comes from charges for the use of intellectual property. These services sectors are classified based on the 6th edition of Balance of Payments Manual of the *International Monetary Fund (IMF)*.

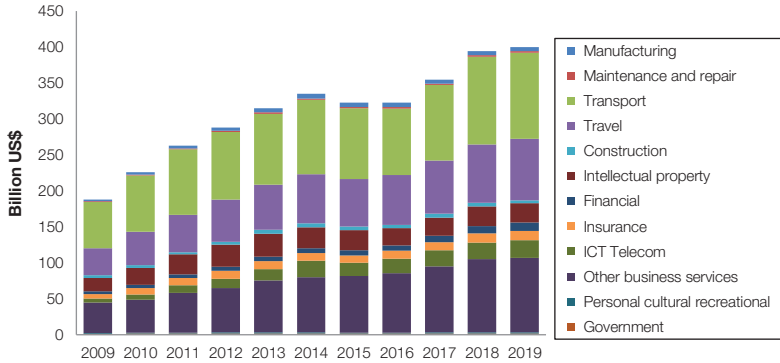
Chart 4
ASEAN's Services Export by Sectors



(Source: ASEANStats)

³ Other business services include merchandising and trade-related services; operational leasing; and business professional and technical services (such as legal, accounting, advertising, and so on).

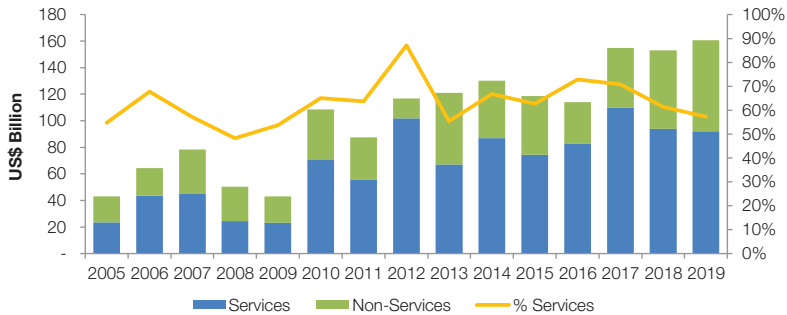
Chart 5
ASEAN's Services Import by Sectors



(Source: ASEANStats)

Services sectors have also been traditionally the largest recipient of **Foreign Direct Investments (FDI)** into the region. With few exceptions, throughout the last 15 years, services sectors have attracted 60 or higher percentage of total FDI flow into ASEAN. The highest level of FDI in the services sector to-date was recorded in 2012 at the level of US\$ 101.7 billion. As of 2019, FDI in services sectors reached the level of US\$ 92 billion.

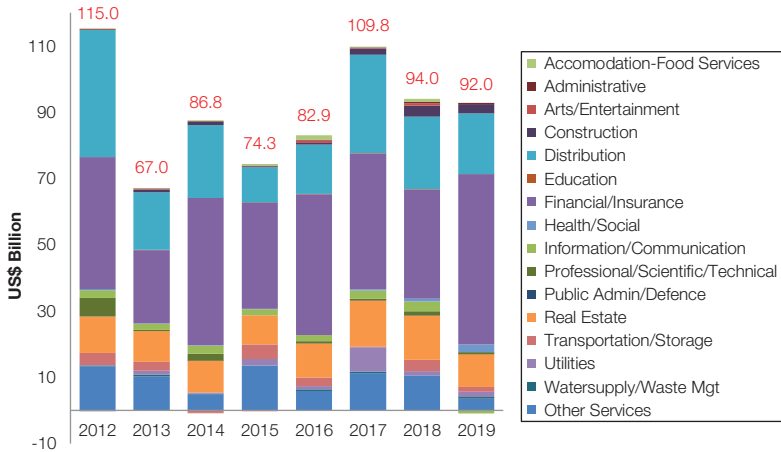
Chart 6
FDI Inflow to ASEAN by Sector



(Source: ASEANStats)

In terms of sectoral disaggregation, financial services has been consistently dominating all other services sectors in terms of FDI inflow, averaging at about 43% during this reported 2012-2019 period. At the far second and third rank are the distribution sector (i.e. wholesale and retail trade and repair services of motor vehicles) followed by Real Estates at about 23%, and 12%, respectively.

Chart 7
FDI Inflow to ASEAN by Sector



(Source: ASEANStats)

D. ASEAN Framework Agreement on Services (AFAS)

D.1. AFAS as the Mandate to Liberalise Trade in Services in ASEAN

The formal process of liberalisation of trade in services in ASEAN started with the signing of the **ASEAN Framework Agreement on Services (AFAS)**⁴ by the **ASEAN Economic Ministers (AEM)** on 15 December 1995 during the 5th ASEAN Summit in Bangkok, Thailand. Note that this development was relatively brief after the entry into of the **General Agreement on Trade in Services (GATS)** of the **World Trade Organization (WTO)** in January 1995, as discussed in section B2 above. The signing of AFAS was a gesture of recognition of ASEAN on the growing importance of services to its economy and the need to enhance and strengthen trade in services within ASEAN.

AFAS aims to:

- Enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity, and supply and distribution of services of their service suppliers within and outside ASEAN.
- Eliminate substantially restrictions to trade in services amongst Member States.
- Liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services.

AFAS provides the legal framework for setting out the broad parameters that enables Member States to progressively improve market access and provide national treatment to services suppliers of ASEAN Member States.⁵ All AFAS rules are consistent with international rules for trade in services as provided for under the GATS.

The objective of AFAS to liberalise services trade towards achieving liberalisation beyond Member States' commitments under GATS is often referred to as the **GATS-plus** principle. It means that ASEAN Member

⁴ <https://asean.org/asean-framework-agreement-on-services>.

⁵ See Appendix 2 for technical explanations of "Market Access" and "National Treatment".

States shall schedule commitments under AFAS that go beyond their GATS commitments or offer new service sectors/sub-sectors that have not been scheduled under GATS⁶.

The adoption of the **ASEAN Economic Community (AEC) Blueprint** in 2007, and subsequently its successor document the **ASEAN Economic Community (AEC) Blueprint 2025** in 2015, stepped up ASEAN's effort in economic integration, including stronger formal mandate in the liberalisation of trade in services. The AEC Blueprint adopted in 2007 provides the bi-annual targets and thresholds to open ASEAN's services trade, and this will be further discussed in section D.3.2. The AEC Blueprint 2025 adopted in 2015 set forth further works to integrate services in ASEAN including through negotiations and implementation of the **ASEAN Trade in Services Agreement (ATISA)**, and this will be further discussed in section E.

It should also be noted that in addition to the Blueprint, additional parameters for liberalisation has also been set forth by the senior officials and the Ministers to complement as well as to follow-up from the mandate of the Blueprints.

D.2. Institutional Mechanism

The **ASEAN Economic Ministers Meeting (AEM)** is the Ministerial body overseeing the implementation of AFAS and liberalisation of services sectors, except for financial services which is under the **ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM)**, and air transport services which is under the **ASEAN Transport Ministers Meeting (ATM)**.

At officials' level, the policy work of trade in services liberalisation is currently undertaken by four sectoral bodies:

- The **Coordinating Committee on Services (CCS)** which reports to the ASEAN Economic Ministers through the Senior Economic Officials Meeting (SEOM);
- The **Coordinating Committee on Investment (CCI)** which reports to the ASEAN Economic Ministers – ASEAN Investment Area Council (AEM-AIA Council) through the Senior Economic Officials Meeting (SEOM);

⁶ When AFAS was signed in 1995, Cambodia, Lao PDR, and Myanmar had not joined ASEAN, while Cambodia, Lao PDR, and Viet Nam were not WTO Members. All are now ASEAN members and have acceded to the WTO. WTO commitments have also been integrated into AFAS schedules.

- The **Working Committee on ASEAN Financial Services Liberalisation under the AFAS (WC-FSL)** which reports to the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) through the ASEAN Finance and Central Bank Deputies Meeting (AFCDM); and
- The **Air Transport Sectoral Negotiation (ATSN)** of the **Air Transport Working Group (ATWG)** which reports to the ASEAN Transport Ministers (ATM) through the Senior Transport Officials' Meeting (STOM).

D.2.1. Coordinating Committee on Services (CCS)

The **Coordinating Committee on Services (CCS)** was established in January 1996, subsequent to the signing of the **ASEAN Framework Agreement on Services (AFAS)**. The CCS comprises officials responsible for coordinating liberalisation in trade in services and are generally represented by the officials from ministry of trade/commerce or economic planning agency.

During its earlier time, CCS was tasked to undertake services integration initiatives under the AFAS with emphasis on 7 priority sectors: air transport, business services, construction, financial services, maritime transport, telecommunications, and tourism pursuant to the Bangkok Summit Declaration in December 1995⁷.

Following the decision of the Informal AEM Meeting in June 1999, there was a realignment of responsibilities with the CCS mandated to undertake work on the integration of all services sectors, except for air transport, financial services⁸, and since 2001, also excludes services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying. These services sectors were transferred to other ASEAN bodies as listed above.

⁷ The Bangkok Declaration made at the 5th ASEAN Summit that also witnessed the signing of AFAS.

⁸ The Informal AEM meeting held in June 1999 in Auckland, New Zealand, agreed that work in services sectors that fall under the purview of other Ministerial Bodies shall be led by these respective Ministerial Bodies, and areas not covered by any existing ASEAN bodies would continue to be under the purview of the CCS/SEOM/AEM. However, overall coordination of liberalisation in services would still be under the purview of the AEM/SEOM. At the 33rd AEM meeting held in September 2001 in Ha Noi, Viet Nam, it was noted that the Tourism Sectoral Working Group, Maritime Transport Sectoral Working Group, and the Telecommunication Negotiation Group indicated readiness to return to CCS for subsequent rounds of negotiations.

There have been six sectoral working groups established under the CCS process, covering business services, construction, healthcare, logistics and transport services, telecommunication and IT services, and tourism, plus a caucus on education services. At present, only the business services, healthcare, logistics and transport services, and telecommunication and IT services sectoral working groups actively meet back-to-back with the CCS. Each of the business services and healthcare services sectoral working groups also oversee the related implementing committees for the various **Mutual Recognition Arrangements (MRAs)** and their other sub-groups who actively meet back-to-back with these sectoral working groups as well. See section G.1 for further details on the MRAs.

Notwithstanding these formalised sectoral arrangements, ASEAN Member States shall still undertake integration activities and/or liberalise the whole range of the other services sectors.

D.2.2. Coordinating Committee on Investment (CCI)

The Coordinating Committee on Investment (CCI) was established at the inaugural meeting of the **ASEAN Investment Area (AIA) Council** in October 1998, and tasked to assist the Council in implementing the AIA Agreement⁹. Through a Protocol to Amend the Framework Agreement on the ASEAN Investment Area¹⁰ signed in 2001, the portfolio on the economic integration of services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying was transferred to the AIA process (i.e. the CCI) in order to ensure coherence with CCI's existing work portfolio in investment in the manufacturing, agriculture, fishery, forestry, and mining and quarrying sectors.

In 2008, ASEAN concluded the **ASEAN Comprehensive Investment Agreement (ACIA)**¹¹ which consolidated the AIA and the 1987 ASEAN Agreement for the Promotion and Protection of Investments and its protocols. Under the ACIA, investment in all sectors, including these services sectors,

⁹ [https://www.asean.org/wp-content/uploads/images/2012/Economic/AIA/Agreement/Framework%20Agreement%20on%20the%20ASEAN%20Investment%20Area%20\(AIA\)%201998.pdf](https://www.asean.org/wp-content/uploads/images/2012/Economic/AIA/Agreement/Framework%20Agreement%20on%20the%20ASEAN%20Investment%20Area%20(AIA)%201998.pdf)

¹⁰ <https://www.asean.org/wp-content/uploads/images/2012/Economic/AIA/Agreement/Protocol%20to%20Amend%20the%20Framework%20Agreement%20on%20the%20ASEAN.pdf>

¹¹ <http://agreement.asean.org/media/download/20140119035519.pdf>

would be deemed liberalised unless reservations are scheduled in respect of national treatment and senior management and board of directors in these sectors.

D.2.3. Working Committee on ASEAN Financial Services Liberalisation under the ASEAN Framework Agreement on Services (WC-FSL)

The **Working Committee on ASEAN Financial Services Liberalisation under the ASEAN Framework Agreement on Services (WC-FSL)** was established at the 4th ASEAN Finance Ministers Meeting (AFMM) held on 25-26 March 2000 in Bandar Seri Begawan, Brunei Darussalam. It was known by its abbreviated name of the “WC-AFAS” until the decision of its 12th Meeting held on 26 February 2007 in Pattaya, Thailand, to adopt the abbreviation “WC-FSL/AFAS”, and subsequently referred to in short as “WC-FSL”. WC-FSL reported to the **ASEAN Finance Ministers Meeting (AFMM)** through the ASEAN Finance and Central Bank Deputies Meeting (AFDM).

Following the decisions of the ASEAN Finance Ministers, Central Bank Governors, and their Deputies at their meetings on 21 and 19 March 2015 in Kuala Lumpur, Malaysia to adopt new names; WC-FSL now reports to the **ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM)** through the **ASEAN Finance and Central Bank Deputies Meeting (AFCDM)**.

D.2.4. Air Transport Sectoral Negotiations (ATSN)

The Air Transport Sectoral Negotiations (ATSN) is a specific negotiating group under the **Air Transport Working Group (ATWG)** which undertakes work on the liberalisation of air transport services under AFAS. It was established in January 2000 following the instructions of the 5th **ASEAN Transport Ministers (ATM)** Meeting in September 1999 in Ha Noi, Viet Nam, which tasked the **Senior Transport Officials Meeting (STOM)** process to include AFAS transport services liberalisation in their work programme through the relevant Working Groups.

D.3. AFAS Liberalisation under the ASEAN Economic Ministers (AEM)

AFAS Article IV requires ASEAN Member States to enter into negotiations on measures affecting trade in specific service sectors, and the results shall

be set out in schedules of commitments. Initially, the negotiations were organised through rounds of negotiations, each round lasted for three-year. Approach and parameter for liberalisation were set for each respective round. After four rounds, liberalisation was undertaken based on a set of targets and timelines stipulated in the **ASEAN Economic Community (AEC) Blueprint** (see section D.3.2 below for details) as well as other applicable decisions of the AEM. These subsequent packages no longer made reference to the rounds.

The results of negotiations are formalised as Packages of Schedules of Commitments under the AFAS, which provide for details of the liberalisation commitments made by each Member States in the various services sectors and sub-sectors¹². AFAS Packages are then implemented via Protocols signed by the AEM. ASEAN has so far concluded ten packages of commitments in a wide range of services sectors under the purview of ASEAN Economic Ministers (AEM), as follows:

Round 1 (1996 - 1998)

- 1st Package, signed on 15 December 1997 in Kuala Lumpur, Malaysia; and
- 2nd Package, signed on 16 December 1998 in Ha Noi, Viet Nam.

Round 2 (1999 - 2001)

- 3rd Package, signed by 31 December 2001 (Ad-Referendum Signing).

Round 3 (2002 - 2004)

- 4th Package, signed on 3 September 2004 in Jakarta, Indonesia.

Round 4 (2005 - 2006)

- 5th Package, signed on 8 December 2006 in Cebu, the Philippines; and
- 6th Package, signed on 19 November 2007 in Singapore.

2007 - 2018

- 7th Package, signed on 26 February 2009 in Cha-am, Thailand;
- 8th Package, signed on 28 October 2010 in Ha Noi, Viet Nam;
- 9th Package, signed by 27 November 2015 in Makati City, the Philippines; and
- 10th Package, signed on 11 November 2018 in Singapore.

¹² See Appendix 2 for technical explanations on the schedules of services commitments.

All of these AFAS services commitments of each ASEAN Member State can be downloaded from the ASEAN Secretariat website¹³. Each succeeding Package contributes to progressively deeper level and wider coverage of ASEAN Member States' commitment to substantially eliminate restrictions to trade in services among them. It should be noted that starting from the 5th Package, all the GATS and previous AFAS commitments were consolidated into a single comprehensive schedule¹⁴ along with new and improved commitments made under this and subsequent packages.

D.3.1. Approach of AFAS Liberalisation Prior to the AEC Blueprint

First Round (1996-1998)

The Bangkok Declaration of the 5th ASEAN Summit in 1995 called for immediate commencement of the first round of negotiations starting 1 January 1996 to be concluded no later than 31 December 1998. The negotiations will give emphasis to financial services, maritime transport, telecommunications, air transport, tourism, construction, and business services. During this round, ASEAN adopted the **Request and Offer Approach** for its services liberalisation, similar to the approach undertaken under the GATS. ASEAN Member States exchanged information among them on each other's GATS commitments and services trade regime, and then request each other for further liberalisation in the above-listed sectors.

Second Round (1999-2001)

ASEAN adopted a **Common Sub-Sector Approach** in this round as per **Parameters to Guide Liberalisation in Trade in Services** endorsed by the 31st ASEAN Economic Ministers (AEM) at their 31st Meeting held on 30 September 1999 in Singapore, which stipulates that:

- In the short-term, the target will be for all Member States to make commitments in the common sub-sectors. A common services sector/sub-sector is defined as a service sector/sub-sector in which four or more ASEAN Member States have made commitments under the GATS or previous AFAS packages.
- In the long-term, the target will be to achieve free flow of services in all services sectors and all modes of supply.

¹³ <https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/agreements-declarations/>

¹⁴ Excluding commitments made in financial services, air transport, and services incidental to manufacturing, agriculture, fishery, forestry, and mining and quarrying. Please cross-refer to the previous section D.2 above on the institutional mechanism.

Under this approach, Member States were requested to schedule commitments at least in the identified common sub-sectors, which shall be extended to all other ASEAN Member States on MFN basis.

Third Round (2002-2004)

ASEAN adopted the ***Modified Common Sub-Sector Approach*** in this round. The approach is basically the same as the Common Sub-Sector Approach explained above, except that the threshold was made more rigorous to include sub-sectors where three (3) or more Member States had made commitments under the GATS and/or previous AFAS packages, instead of four or more Member States; thus increasing the number of sub-sectors being requested to be liberalised.

During this period, ASEAN also came up with a new approach of ***ASEAN Minus X Formula*** for negotiating services liberalisation. Under this approach, two or more Member States may proceed to liberalise an agreed services sector/sub-sector and without having to extend the concessions to non-participating Member States. Other Member States may join at a later stage or whenever they are ready to participate. This approach originated from the decision of the AEM Retreat held on 6 July 2002 in Genting Highlands, Malaysia, with the intent to further accelerate liberalisation of services in ASEAN. A set of parameters to implement this formula was subsequently formalised through a ***Protocol to Amend the ASEAN Framework Agreement on Services***¹⁵ signed by the AEM at their 35th Meeting held on 2 September 2003 in Phnom Penh, Cambodia. To-date, this approach only results in 2 agreements:

- Agreement between Lao PDR and Singapore on Education Services, signed on 9 December 2005 in Kuala Lumpur, Malaysia; and
- Agreement between Brunei Darussalam and Singapore on Telecommunication Services, signed on 10 September 2014 in Brunei Darussalam.

This ASEAN Minus X provision is also invoked in the ***ASEAN Banking Integration Framework (ABIF)*** undertaken under the financial services liberalisation process. See section D.5 for further details.

¹⁵ https://asean.org/wp-content/uploads/images/archive/AFAS_Amendment_Protocol.pdf

Fourth Round (2005-2007)

The fourth round of AFAS negotiations was even more progressive than previous rounds. It required Member States to schedule a number of subsectors from an agreed list of subsectors based on certain thresholds, consisting of:

- Scheduling **“None”** for Modes 1 and 2 commitments¹⁶ i.e. there shall be no limitations on market access and national treatment in these two modes. In sub-sectors where a Member State is not able to schedule such a commitment, justifiable reasons have to be provided.
- Scheduling Mode 3 foreign equity participation targets of 49% for the priority services sub-sectors, 51% for the construction sub-sector, and 30% for the other services sectors.

D.3.2. Mandate of the ASEAN Economic Community (AEC) Blueprint in Achieving Free Flow of Services

For the period of 2008 up to 2015, ASEAN Member States undertook their liberalisation commitments based on targets and timelines as outlined in the A2 (free flow of services) section of the ***ASEAN Economic Community (AEC) Blueprint***¹⁷, as well as subsequent decisions from the AEM related to trade in services, including those decisions made also pursuant to the mandate of the AEC Blueprint.

The AEC Blueprint is a document adopted by ASEAN Heads of State/ Government during the 13th ASEAN Summit held on 20 November 2007 in Singapore, which provides for the characteristics and elements of the AEC to be established by 2015, with clear targets and timelines for implementing various measures to achieve those characteristics and elements.

Free flow of trade in services is one of the important elements in realising ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations. In liberalising services, there should be no back-loading of commitments, and pre-agreed flexibility shall be accorded to all ASEAN

¹⁶ See also Appendix 2 for technical explanations of “None” and Modes of Supply.

¹⁷ <https://www.asean.org/wp-content/uploads/images/archive/5187-10.pdf>

Member Countries. The actions to achieve free flow of services contained in the AEC Blueprint provides for a progressively higher level of liberalisation, as follows:

- i. Remove substantially all restrictions on trade in services for 4 priority services sectors, air transport, e-ASEAN, healthcare and tourism, by 2010 and the fifth priority services sector, logistics services, by 2013;
- ii. Remove substantially all restrictions on trade in services for all other services sectors by 2015;
- iii. Undertake liberalisation through consecutive rounds of every two years until 2015, i.e. 2008, 2010, 2012, 2014 and 2015;
- iv. Target to schedule minimum numbers of new sub-sectors for each round: 10 sub-sectors in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and 7 in 2015, based on GATS W/120 universe of classification;
- v. Schedule packages of commitments for every round according to the following parameters:
 - No restrictions for Modes 1 and 2, with exceptions due to bona fide regulatory reasons (such as public safety) which are subject to agreement by all Member States on a case-by-case basis;
 - Allow for foreign (ASEAN) equity participation of not less than 51% by 2008, and 70% by 2010 for the 4 priority services sectors; not less than 49% by 2008, 51% by 2010, and 70% by 2013 for logistics services; and not less than 49% by 2008, 51% by 2010, and 70% by 2015 for other services sectors; and
 - Progressively remove other Mode 3 market access limitations by 2015¹⁸.
- vi. Set the parameters of liberalisation for national treatment limitations, Mode 4 and limitations in the horizontal commitments for each round by 2009¹⁹;
- vii. Schedule commitments according to agreed parameters for national treatment limitations, Mode 4 and limitations in the horizontal commitments set in 2009;

¹⁸ The modality for elimination of other Mode 3 Market Access limitations (other than foreign equity participation) was endorsed at the 39th AEM held on 24 August 2009 in Makati City, the Philippines.

¹⁹ The parameters for the liberalisation of Mode 3 National Treatment limitations in the sector-specific and horizontal section was endorsed at the 42nd AEM held on 24-25 August 2010 in Ca Nang, Viet Nam. For Mode 4, ASEAN decided to come out with an ASEAN Agreement on Movement of Natural Persons (MNP) instead, which was eventually signed on 19 November 2012 in Phnom Penh, Cambodia. See Section G2.

- viii. Complete the compilation of an inventory of barriers to services by August 2008;
- ix. Allow for overall flexibilities²⁰, which cover the sub-sectors totally excluded from liberalisation and the sub-sectors in which not all the agreed parameters of liberalisation of the modes of supply are met, in scheduling liberalisation commitments. The scheduling of liberalisation commitments in each round shall be accorded with the following flexibilities:
 - Possibility of catching up in the next round if a Member State is not able to meet the parameters of commitments set for the previous round;
 - Allowing for substitution of sub-sectors that have been agreed to be liberalised in a round but for which a Member State is not able to make commitments, with subsectors outside of the agreed sub-sectors; and
 - Liberalisation through the ASEAN Minus X formula.
- x. Strengthen human resource development and capacity building in the area of services.

In facilitating towards the free flow of services, the AEC Blueprint also mandated ASEAN to work towards recognition of professional qualifications with a view to facilitate their movement within the region, with a number of actions to achieve this. This topic will be further discussed in Section G.1.

D.4. AFAS Liberalisation in Financial Services

The commitments of ASEAN Member States in financial services under the AFAS start to appear in the 2nd Package of Commitments signed by the ASEAN Economic Ministers in 1998 (see section D.3 above). Following the decision of realignment of responsibilities as decided by the Informal AEM Meeting in June 1999 (See section D.2), succeeding rounds of negotiations on financial services were pursued under the ASEAN Finance Ministers' track commencing since 2000. Hence, the resulting subsequent commitments in financial services under AFAS are signed by ASEAN Finance Ministers²¹.

²⁰ The modality for overall flexibility of up to 15% was subsequently endorsed at the 41st AEM meeting held on 13-14 August 2009 in Bangkok, Thailand.

²¹ Note that since 2015, ASEAN Finance Ministers meet jointly with the Central Bank Governors as ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM), as discussed in Section D.2.3 above.

In terms of the mandate for liberalising financial services, the ASEAN Economic Community (AEC) Blueprint (as elaborated in section D.3.2 above) stipulated that the liberalisation measures of the financial services sector should allow members to ensure orderly financial sector development and maintenance of financial and socio-economic stability²². Member States would be guided by the following principles in pacing their liberalisation measures:

- a. Liberalisation through ASEAN Minus X formula where Member States that are ready to liberalise can proceed first and be joined by others later; and
- b. The process of liberalisation should take place with due respect for national policy objectives and the level of economic and financial sector development of the individual Member States.

The AEC Blueprint contains the following actions for the liberalisation of financial services:

- i. Progressively liberalise restrictions in sub-sectors or modes as identified by each Member State by 2015; and
- ii. Progressively liberalise restrictions in the remaining sub-sectors or modes, which are not identified under “pre-agreed flexibilities”, by 2020.

To-date, seven (7) additional packages of AFAS commitments in financial services had been signed by the ASEAN Finance Ministers²³:

- 2nd Package, signed on 6 April 2002 in Yangon, Myanmar;
- 3rd Package, signed on 6 April 2005 in Vientiane, Lao PDR;
- 4th Package, signed on 4 April 2008 in Da Nang, Viet Nam;
- 5th Package, signed on 4 May 2011 in Ha Noi, Viet Nam;
- 6th Package, signed on 20 March 2015 in Kuala Lumpur, Malaysia;
- 7th Package, signed on 23 June 2016 in Ha Noi, Viet Nam; and
- 8th Package, signed on 5 April 2019 in Chiang Rai, Thailand.

²² All measures for the financial services sector will be subject to prudential measures and balance of payment safeguards as provided for under the WTO General Agreement on Trade in Services.

²³ These financial services AFAS packages, along with other ASEAN agreements on finance are available at <https://asean.org/asean-economic-community/asean-finance-ministers-meeting-afmm/agreements-declarations/>

It should be noted that the commitments in financial services made earlier under the 2nd AFAS Package signed by the ASEAN Economic Ministers were considered as the 1st Package, hence the numbering of the AFAS Packages signed by the ASEAN Finance Ministers starts from the 2nd Package. Also to be noted, that starting from the 5th Package, all the GATS and previous AFAS commitments in financial services were consolidated into a single comprehensive schedule along with new and improved commitments made under this and subsequent packages.

A new additional feature of the 6th and subsequent Packages of Commitments on Financial Services under AFAS is the inclusion of provision to enable the implementation of **ASEAN Banking Integration Framework (ABIF)** conducted by ASEAN Central Bank process, which invokes the ASEAN Minus X provision allowed under the Protocol to Amend the AFAS (See Section D.3.1 on the third round). Paragraph 5 of these Protocols states that:

For the purpose of deepening regional banking integration, in accordance with Article IV bis of the AFAS and guided by the principles and governance of ABIF as approved by the ASEAN Central Bank Governors Meeting (ACGM), two or more Member States may conduct negotiations and agree to liberalise their banking sectors. Notwithstanding Article X of the AFAS that sets a minimum three-year requirement for modification or withdrawal of Schedules of Specific Commitments, each participating Member State may conclude negotiations at any time and shall inscribe its commitments in banking sectors in its respective Consolidated Schedule of Specific Commitments on Financial Services as referred to in paragraph 3. Any extension of preferential treatment in the banking sector to the remaining Member States on an MFN basis shall be voluntary on the part of the participating Member States.

D.5. AFAS Liberalisation in Air Transport Services

Liberalisation of air transport services has been undertaken since the beginning of AFAS. Until the realignment of responsibilities as decided by the Informal AEM Meeting in June 1999 (See section D.2. above), the liberalisation commitments made by ASEAN Member States in air transport services were included in the first three AFAS Packages signed by the ASEAN Economic Ministers (see section D.3. above).

To-date, there have been eight additional packages of commitments in air transport under AFAS as signed by the ASEAN Transport Ministers²⁴:

- 4th Package, signed on 23 November 2004 in Phnom Penh, Cambodia;
- 5th Package, signed on 8 February 2007 in Bangkok, Thailand;
- 6th Package, signed on 10 December 2009 in Ha Noi, Viet Nam;
- 7th Package, signed on 16 December 2011 in Phnom Penh, Cambodia;
- 8th Package, signed on 20 December 2013 in Pakse, Lao PDR;
- 9th Package, signed on 6 November 2015 in Kuala Lumpur, Malaysia;
- 10th Package, signed on 13 October 2017 in Singapore; and
- 11th Package, signed on 15 November 2019 in Ha Noi, Viet Nam.

Also to be noted, that starting from the 7th Package, all the GATS and previous AFAS commitments in air transport services were consolidated into a single comprehensive schedule along with new and improved commitments made under this and subsequent packages.

While not undertaken under the AFAS, other important ASEAN agreements that facilitate the liberalisation and integration of air transport services in ASEAN include the following:

- ASEAN Multilateral Agreement on Air Services, 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.

²⁴ These packages, along with other ASEAN agreements on transport are available at <https://asean.org/asean-economic-community/asean-transport-ministers-meeting-atm/agreements-and-declarations/>

E. Extent of Liberalisation under AFAS

Through each of the successive liberalisation packages, ASEAN has progressively create a freer flow of trade and investment in the various services sectors through increasingly higher levels of commitments and more certain and predictable rules in all sub-sectors that have been committed.

As of the 10th AFAS Package signed by the ASEAN Economic Ministers (AEM), ASEAN Member States have made commitments to liberalise almost all of the services sectors and subsectors under the purview of the AEM²⁵, ranging from 111 to 122 subsectors out of total universe of 128 subsectors, typically only leaving out those sensitive and/or commercially not significant subsectors. Likewise, the successive AFAS Packages signed by ASEAN Finance Ministers and ASEAN Transport Ministers provide for increasingly wider and deeper commitment in financial and air transport services, respectively.

The wide range of services sectors and subsectors covered across all AFAS Packages by all Ministerial bodies include activities such as:

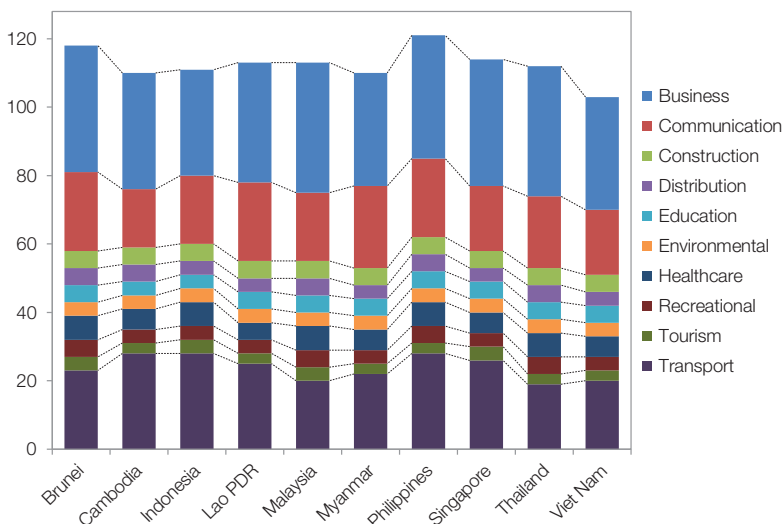
- Business services: IT services, accounting, legal, architecture, engineering, research and development, computer-related services, real estate, rental and leasing, advertising, etc.
- Construction: construction of commercial buildings, civil engineering, installation works, rental of construction equipment, etc.
- Distribution: commission agent services, wholesale trade, retail trade, franchising, etc.
- Education: primary education, secondary education, higher education, vocational education, etc.
- Environment: sewage, sanitation, noise abatement, nature and landscape protection services, etc.
- Financial services: banking, insurance, money broking, financial leasing, etc.
- Healthcare: medical and dental services, hospital services, nursing, ambulance, etc.

²⁵ Please refer to Appendix 3 on the Classification of Services Sectors and Sub-Sectors. Total number of subsectors is 155. Deduct the number of subsectors for financial services and air transport-related services, would result in 128 subsectors.

- Telecommunication: voice telephone services, mobile phone services, business network services, data and message transmission, e-mail, etc.
- Tourism: hotel and lodging services, food serving, tour operator, travel agency, etc.
- Transport: international passenger and freight transport, maintenance and repair of transport equipment, storage and warehousing, freight forwarding, etc.
- Air transport: sales and marketing of air transport services, computer reservation, aircraft repair and maintenance, etc.

A snapshot of the range of services sectors and subsectors committed by ASEAN Member States under the 10th AFAS Package signed by ASEAN Economic Ministers (AEM) are as shown below:

Chart 8
Subsectors Scheduled under the 10th AFAS Package signed by the AEM



Note: Subsectoral coverage does not reflect the level of openness of any sector since that each country may make varying degree of openness in their commitments in the different modes of supply in each services subsector. The relative size of the sectoral coverage does not necessarily reflect the relative commercial significance of the sectors either.

Source: ASEAN Secretariat assessment.

Services suppliers in ASEAN wishing to seek opportunities to provide cross-border services in another ASEAN Member States should find it increasingly easier and more transparent to do so over the years. Details of commitments of each ASEAN Member State to open up each services sector and subsector could be found in the latest AFAS Package available at www.asean.org and as elaborated in section D.3 above.

F. ASEAN Trade in Services Agreement (ATISA)

Following decades of liberalisation of services under the AFAS, given various developments in ASEAN's and world's economy as well as ASEAN's growing experience and engagement in **Free Trade Area (FTA)** negotiations, time has come for ASEAN to work on its next phase of integration in trade in services.

In April 2012, the **ASEAN Economic Community (AEC) Council** mandated the review and enhancement of the AFAS into a comprehensive agreement. ASEAN subsequently agreed that the enhanced AFAS will be called the **ASEAN Trade in Services Agreement (ATISA)**.

At the 27th ASEAN Summit held on 22 November 2015 in Kuala Lumpur, Malaysia, ASEAN Heads of States/Governments issued the **Kuala Lumpur Declaration on the Establishment of the ASEAN Community**²⁶ welcoming the formal establishment of the ASEAN Community 2015 comprising the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC). With that they also adopted a number of key documents including the **ASEAN Economic Blueprint 2025**²⁷ to succeed the previous Blueprint.

In terms of trade in services, the 2025 Blueprint set an overall objective 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. The Blueprint sets ASEAN's next agenda to facilitate the negotiations and implementation of the ASEAN Trade in Services Agreement (ATISA) as the legal instrument for further integration of services sectors in the region.

Following series of discussions on the framework and principles of the ATISA, a Task Force on ASEAN Trade in Services Agreement (TF-ATISA) was established in 2017 to negotiate the details of the Agreement. The ATISA text, which was substantially concluded in 2017, was finalised in August 2018 and was signed by all ASEAN Member States on 7 October 2020 in Manila, the Philippines.

²⁶ <https://asean.org/kuala-lumpur-declaration-on-the-establishment-of-the-asean-community/>

²⁷ https://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf

F.1. Features of the ASEAN Trade in Services Agreement (ATISA)

The ATISA provides greater clarity compared to the AFAS, by stipulating all of the obligations within the agreement. The obligations under the ATISA are also strengthened, building on existing achievements and decisions made under the AFAS process to-date as well as other relevant decisions and developments, especially from ASEAN's **Free Trade Area (FTA)** and/or **Comprehensive Economic Partnership (CEP)** agreements with its major Dialogue Partners (see section H).

Most importantly, the ATISA provides specific timelines for all ASEAN Member States to transition their final AFAS commitments which have been scheduled using GATS-type positive list scheduling of specific commitments, into a negative-list scheduling of reservations, or technically referred to as Schedules of **Non-Conforming Measures (NCM)**. The negative listing approach provides greater transparency on the details of current services regime, by listing down all measures that are not “conforming” to, or in compliance with, obligations under the ATISA. Therefore, the ATISA increases transparency and predictability, thus providing service-suppliers with higher level of confidence in the economy of the region. Upon the specific timelines for transition into the negative-list scheduling, ATISA will supersede the AFAS, including all of its Implementing Protocols as signed by ASEAN Economic Ministers, ASEAN Transport Ministers and ASEAN Finance Ministers.

There are three sectoral annexes under ATISA, namely: Annex on Financial Services, Annex on Telecommunication Services and Annex on Air Transport Ancillary Services. These annexes include sector-specific obligations intended for deeper commitments and strengthened regulatory cooperation.

The **ASEAN Economic Ministers (AEM)** will be responsible for coordinating and overseeing the implementation of the ATISA. The ASEAN Coordinating **Committee on Services (CCS)** and other relevant government officials shall assist the AEM in implementing this Agreement.

ATISA is ASEAN's response to global developments in services. With its comprehensive and improved features, ATISA aspires to boost trade in services within the region, transforming the region into a highly competitive services economy.

G. Mobility of Service Suppliers in ASEAN

Mobility of service suppliers is an important component of services trade integration. As detailed in Appendix 2, there are four ways through which services can be supplied across national borders (technically known as the four “Modes of Supply”). **Movement of Natural Persons (MNP)**, otherwise known as **“Mode 4”**, refers to the supply of services through individual persons who travel from one country to another on a temporary basis, that is, without the intent to work and migrate permanently. 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 MNP** in November 2012. Therefore, liberalisation and scheduling of MNP commitments are important initiatives to provide certainty in facilitating mobility of people within the region in providing services across national borders.

Another related initiative to facilitate mobility of service suppliers is **Mutual Recognition Arrangements (MRAs)** which deals with the recognition of qualifications of service suppliers among different Member States for specific occupations. This mechanism has already been recognised under the GATS and AFAS, and subsequently implemented in ASEAN.

ASEAN also embarked on another related initiative, the **ASEAN Qualifications Reference Framework (AQRF)** which deals more with comparability of qualifications across ASEAN Member States.

The following sections will discuss each of these initiatives in a chronological order.

G.1 Mutual Recognition Arrangement (MRA)

Mutual Recognition Arrangements (MRAs) is the first important initiative in ASEAN integration dealing with mobility of services suppliers. An MRA facilitates trade in services by mutual recognition of authorisation, licensing, or certification of professional service suppliers obtained in one ASEAN Member State by other ASEAN Member States.

An MRA therefore facilitates cross-border flows of professionals through elimination of the processes typically required for foreign professionals

to have their qualifications certified or licensed in order to supply their services in another country. It needs to be emphasised that MRA does not warrant unrestricted free flow of foreign professionals, as relevant domestic regulations (especially those regulations related to maintenance of public safety), as well as market demand, still apply.

At the 7th ASEAN Summit held on 5 November 2001 in Bandar Seri Begawan, Brunei Darussalam, ASEAN Heads of States/Governments mandated the start of negotiations on MRAs to facilitate the flow of professional services under AFAS. The ASEAN Coordinating Committee on Services (CCS) established an **Ad-hoc Expert Group on MRAs** under its **Business Services Sectoral Working Group (BSSWG)** in July 2003 to begin negotiations on MRAs in services. Subsequently, the **Healthcare Sectoral Working Group (HSSWG)** was established in March 2004, whose works include negotiations on MRAs in the healthcare sector.

The **ASEAN Economic Community (AEC) Blueprint**, as adopted by ASEAN Heads of State/Government in November 2007 (See Section D.3.2), recognised the importance of working towards recognition of professional qualifications with a view to facilitate their movement within the region, and ultimately facilitate towards the free flow of services by 2015. The Blueprint stipulates the following actions to achieve this mandate:

- i. Complete mutual recognition arrangements (MRAs) currently under negotiation, i.e. architectural services, accountancy services, surveying qualifications, medical practitioners by 2008, and dental practitioners by 2009;
- ii. Implement the MRAs expeditiously according to the provisions of each respective MRA; and
- iii. Identify and develop MRAs for other professional services by 2012, to be completed by 2015.

MRAs in 7 (seven) professional services have been concluded and signed by the ASEAN Economic Ministers (AEM)²⁸:

- MRA on Engineering Services (9 December 2005 in Kuala Lumpur, Malaysia);
- MRA on Nursing Services (8 December 2006 in Cebu, the Philippines);

²⁸ The texts of these MRAs are available at <https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/agreements-declarations/>

- MRA on Architectural Services (19 November 2007 in Singapore);
- Framework Arrangement for the Mutual Recognition of Surveying Qualifications (19 November 2007 in Singapore);
- MRA on Medical Practitioners (26 February 2009 in Cha-am, Thailand);
- MRA on Dental Practitioners (26 February 2009 in Cha-am, Thailand); and
- MRA Framework on Accountancy Services (26 February 2009 in Cha-am, Thailand), subsequently amended as MRA on Accountancy Services (13 November 2014, Nay Pyi Taw, Myanmar).

In addition, there is also an ASEAN Mutual Recognition Arrangement on Tourism Professionals signed by the ASEAN Tourism Ministers on 9 November 2012 in Bangkok, Thailand²⁹.

ASEAN is focusing effort on implementing the MRAs and improve mobility of the professionals in all of these services.

G.1.1 MRAs under the Business Services Sectoral Working Group

The **Business Services Sectoral Working Group (BSSWG)** under the ASEAN **Coordinating Committee on Services (CCS)** oversees and coordinates the implementation of the MRAs on engineering, architecture, accountancy, and surveying. The BSSWG typically meets back-to-back with the meetings of the implementing committees of each of these four MRAs.

MRA on Engineering Services

The MRA on Engineering Services is the first MRA in the area of trade in services established under the CCS. The recognition mechanism is undertaken through ASEAN-wide registration system which allows registered **Professional Engineers (PE)** in an ASEAN Member State to be certified as **ASEAN Chartered Professional Engineers (ACPE)** and finally work as **Registered Foreign Professional Engineers (RFPE)** in other ASEAN Member State in collaboration with designated Professional Engineers in the Host Country.

²⁹ http://www.asean.org/wp-content/uploads/images/2013/economic/matm/MRA_Tourism_Professionals_bw.pdf

The administration of the MRA at ASEAN level is undertaken by **ASEAN Chartered Professional Engineer Coordinating Committee (ACPECC)**, consisting of the **Monitoring Committees (MCs)** of all ASEAN Member States. The chairmanship of ACPECC rotates among Member States every two year. The ACPECC has a permanent secretariat located in Jakarta, and is operated by Indonesia's Professional Regulatory Authority (PRA). The ACPECC secretariat also manages the ACPECC website: www.acpecc.net.

All ASEAN Member States have officially participated in the MRA, have established the required institutions and completed the procedures to implement the ACPE certifications. As of November 2020, there had been 4,306 ACPEs registered from all Member States, and 32 of the ACPEs from 5 AMS had been registered as RFPEs.

In an effort to further promote and address applicable issues in the mobility of ASEAN engineers, ACPECC established a pro tem **Technical Working Group on Mobility of ASEAN Engineers (TWG-MAE)** which had commenced its work in October 2019.

MRA on Architecture Services

The recognition mechanism is also undertaken through ASEAN-wide registration system which allows registered Architects in an ASEAN Member State to be certified as **ASEAN Architects (AA)** and finally work as **Registered Foreign Architects (RFA)** in other ASEAN Member States, either in independent practice or in collaboration with one or more licensed Architects of the Host Country.

The administration of the MRA at ASEAN level is undertaken by **ASEAN Architect Council (AAC)**, consisting of the **Monitoring Committees (MCs)** of all ASEAN Member States. The chairmanship and Secretariat of AAC rotate among Member States every two year. However, since the handover of the Chairmanship and Secretariat of the AAC to Indonesia in September 2015, the AAC agreed that Indonesia will host the Secretariat permanently. The AAC secretariat also manages the AAC website, which is now located at <https://aseanarchitectcouncil.net/>.

All Member States have officially participated in the MRA, have established the required institutions and completed the procedures to implement the AA certifications. As of November 2020, there had been 608 AA registered from all AMS.

In an effort to promote best practices in the Architectural Education, as well as to promote the exchange of ideas in the areas of teaching and research of architecture and to develop architectural training in ASEAN, an **ASEAN Architect Education Committee (AAEC)** had been established under the AAC since September 2012.

MRA on Accountancy Services

The MRA on Accountancy Services was first signed in February 2009 in the form of MRA framework to encourage ASEAN Member States who are ready, to enter into bilateral or multilateral negotiations on MRAs on Accountancy Services. The MRA framework was subsequently amended to become a full-fledge ASEAN MRA on Accountancy Services applicable to all ASEAN Member States for accountancy-related services following the consensus reached to exclude the signing off of the independent auditor's report and other accountancy services that requires domestic licensing in ASEAN Member States from the scope of the MRA.

The amended MRA also adopts recognition mechanism through an ASEAN-wide registration system which allows registered **Professional Accountant (PA)** in an ASEAN Member State to be certified as **ASEAN Chartered Professional Accountant (ACPA)** and finally work as **Registered Foreign Professional Accountant (RFPA)** in other ASEAN Member States.

The administration of the MRA at ASEAN level is undertaken by **ASEAN Chartered Professional Accountant Coordinating Committee (ACPACC)**, consisting of the **Monitoring Committees (MCs)** of all ASEAN Member States. As of November 2020, there had been 4,783 ACPAs registered from 7 AMS.

MRA on Surveying Services

The MRA provides a framework to facilitate ASEAN Member States who are ready to enter into bilateral or plurilateral negotiations of MRAs on surveying qualifications among them as well as to promote the exchange of information, expertise, and best practices suited to their specific needs.

The Competent Authorities of the Framework MRA on Surveying Qualifications meets regularly to discuss AMS' implementation of the Framework MRA and activities to facilitate the mobility of ASEAN surveying professionals. An

Assessment Statement for ASEAN Registered Surveyor (ARS) have already been completed along with its registration procedures. In November 2020, the Competent Authorities of the Framework Arrangement for the Mutual Recognition of Surveying Qualifications) into ASEAN Competent Authority Committee on Surveying (ACACS) starting from its next meeting, of which work will include registration of ASEAN Registered Surveyor (ARS).

G.1.2 MRAs under the Healthcare Services Sectoral Working Group

The implementation of the MRAs on nursing, medical practitioner, and dental practitioner, are undertaken by their respective **ASEAN Joint Coordinating Committees (AJCCs)** as stipulated in the MRAs, which are overseen and coordinated by the **Healthcare Services Sectoral Working Group (HSSWG)** under the ASEAN **Coordinating Committee on Services (CCS)**. The three AJCCs are:

- ASEAN Joint Coordinating Committee on Medical Practitioners (AJCCM);
- ASEAN Joint Coordinating Committee on Nursing (AJCCN); and
- ASEAN Joint Coordinating Committee on Dental Practitioners (AJCCD).

The objectives of these three (3) healthcare-related MRAs are to:

- facilitate mobility of professionals within ASEAN;
- exchange information and enhance cooperation in respect of mutual recognition of these professionals;
- promote adoption of best practices on standards and qualifications; and
- provide opportunities for capacity building and training.

In line with the objectives of these MRAs, works being undertaken by the AJCCs are to:

- Exchange information with regards to laws, practices and developments in the healthcare practice;
- Exchange information with regards to procedures for registration and licensing of domestic and foreign practitioners in each ASEAN Member State;
- Discuss required qualifications;
- Identify and undertake exchange programs;

- Identify potentials areas to facilitate further mobility; and
- Review the MRAs as mandate.

MRAs in the healthcare services do not adopt ASEAN-wide registration system unlike those under the business services. Appropriate form of mobility of healthcare practitioners continued to be explored taking into account patient safety as the paramount consideration. Information on the procedures for registration and licensing of foreign practitioners in each ASEAN Member State has been shared to facilitate registration and licensing of healthcare professionals in ASEAN.

The AJCCs have been focusing their work on improving qualifications of ASEAN healthcare professionals through adoption of minimum standards of qualifications, competencies and best practices, such as:

- ASEAN Nursing Common Core Competencies;
- ASEAN Minimum Common Competency Standard for dental undergraduate education including the scope of performing abilities for each competence; and
- ASEAN's Dental Practice Standard.

Further information, including available information on the procedures for registration and licensing of foreign practitioners in each ASEAN Member State, is available at the ASEAN healthcare services website at <http://aseanhealthcare.org/index.php/> as well as at <http://www.asean.org/communities/asean-economic-community/category/healthcare-services>.

G.1.3 MRA on Tourism Professionals

The **Mutual Recognition Arrangement on Tourism Professionals (MRA-TP)** was adopted by the ASEAN Tourism Ministers (ATM) as a key ASEAN tourism initiative to support the establishment of the ASEAN Economic Community 2015. The MRA-TP is an arrangement among ASEAN Member States designed to facilitate free movement and employment of qualified and certified **ASEAN Tourism Professionals (ATPs)** under the **Common ASEAN Tourism Curriculum (CATC)** within the region.

An ASEAN tourism professional may be recognised by other ASEAN Member States and be eligible to work in a host country, provided that he/she possesses a valid tourism competency certificate in a specific tourism

job title specified in the **ASEAN Common Competency Standards for Tourism Professionals (ACCSTP)**, issued by the **Tourism Professional Certification Board (TPCB)** in an ASEAN Member State. The eligibility to work in a host country will be subjected to prevailing domestic laws and regulations of the host country. The overall implementation of MRA is overseen by the **ASEAN Tourism Professional Monitoring Committee (ATPMC)**.

At present, there are six areas where ASEAN tourism professionals may find employment in other ASEAN Member States: Front Office, Housekeeping, Food Production, Food and Beverage Services (for Hotel Services), Travel Agency, and Tour Operations. In delivering this programme, there are 242 toolboxes that will be developed within 2015. Each toolbox contains: competency standards, trainee manual, trainer manual, assessor manual, third party statement, observation checklist, evaluation materials and sample unit including trainee notes and PowerPoint slides.

In maintaining quality assurance for those workers receiving certificates, an **ASEAN Tourism Professionals Registration System (ATPRS)** was developed to facilitate registration process of those workers possessing the ASEAN certificates so as to well document all necessary information. The ATPRS serves as a job-matching platform between industry and ASEAN Tourism Professionals (ATPs) across ASEAN. It is important to note that the recognition of skilled labour is voluntary and governed by each ASEAN Member State's domestic regulations, laws, and policies. This includes visa, employment, and working permit requirements.

A Regional Secretariat was also established through an agreement signed by all ASEAN Tourism Ministers on 30 December 2015. The Regional Secretariat, stationed in Jakarta, Indonesia, has the following functions:

- To enhance awareness and provide capacity building on the implementation of the MRA TP including marketing and promotion of the services offered by the Secretariat;
- To develop, maintain and update the ATPRS including its database management and resources for implementation of the MRA;
- To formulate, update and recommend the necessary mechanism including certification and assessment to enable the smooth implementation of the MRA-TP;

- To ensure effective and efficient use of human, financial and capital resources of the Secretariat; and
- To perform such other functions and responsibilities that may be assigned to it by the Governing Council.

The Protocol to Amend the MRA on Tourism Professionals is currently being signed, which amends Article II (Definitions and Scope) of the MRA-TP to allow for future expansion of competency standards without having to constantly revise the MRA-TP through update on the Appendix of the MRA-TP.

Further details on the mechanisms and requirements instituted by the MRA are explained in the Handbook of ASEAN MRA on Tourism Professional³⁰.

G.2 ASEAN Agreement on Movement of Natural Persons

The **ASEAN Agreement on Movement of Natural Persons (MNP)**³¹ was signed by ASEAN Economic Ministers (AEM) on 19 November 2012 in Phnom Penh, Cambodia. It is intended as a legal framework 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. It is also intended to be the mechanism to further liberalise and facilitate movement of natural persons towards free flow of skilled labour in ASEAN through close cooperation among related ASEAN bodies in the areas, including trade in goods, trade in services, investment, immigration, and labour.

The objectives of MNP Agreement are to:

- Provide rights and obligations in relation to the MNP as set out in ASEAN Framework Agreement on Services (AFAS).
- Facilitate the movement of natural persons engaged in the conduct of trade: in goods, trade in services and investment.
- Establish streamlined and transparent procedures for immigration applications.

³⁰ <https://asean.org/wp-content/uploads/2012/05/ASEAN-MRA-TP-Handbook-2nd-Edition-2018.pdf>

³¹ http://www.asean.org/images/2012/Economic/sectoral_aem/service/agreement/ASEAN%20AGREEMENT%20ON%20THE%20MOVEMENT%20OF%20NATURAL%20PERSONS.pdf

- Protect the integrity of Member States' borders and protect the domestic labour force and permanent employment in the territories of Member States.

MNP only deals with the temporary movement of natural persons to other countries engaged in the conduct of trade in goods, trade and investment, and therefore it does not cover cross-border entry by natural persons for the purpose of permanent employment nor permanent migration (such as for permanent residency or citizenship). MNP only covers those types of service suppliers inscribed in the Schedule of Commitment and therefore not all types of persons (such as unskilled labour) are covered by this Agreement.

The scope of MNP Agreement applies to **Business Visitors (BV)**, **Intra-Corporate Transferees (ICT)**, and **Contractual Service Suppliers (CSS)** as defined in the Agreement, as well as other categories as may be specified in the Schedules of Commitments for the temporary entry and temporary stay of natural persons of the Member States.

With entry into force of this agreement, Mode 4 commitments made by Member States under the previous AFAS packages, including those signed by the AEM, ASEAN Finance Ministers (AFMM), and ASEAN Transport Ministers (ATM), will be superseded by the Schedule of Commitments of Member States under this MNP Agreement.

Works are now on-going to review, update, and standardise the MNP Schedules of Commitments across all AMS and the works are expected to be completed within 2021.

G.3 ASEAN Qualifications Reference Framework (AQRF)

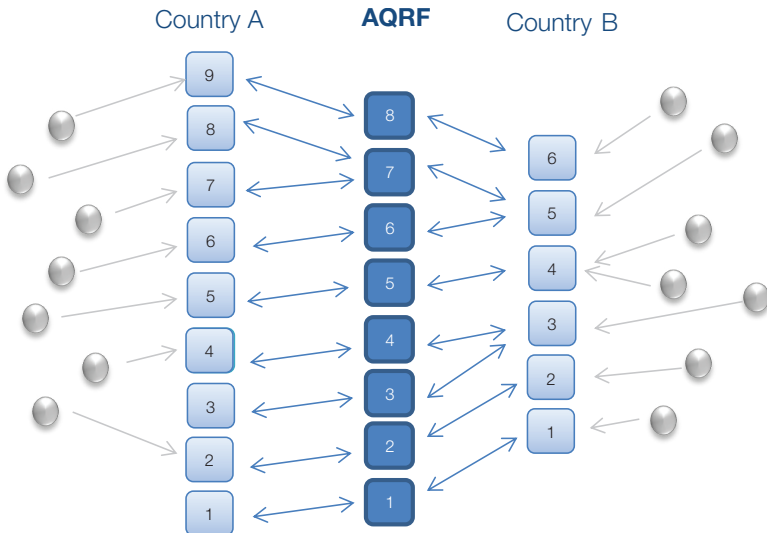
Another important development in ASEAN's effort to promote education and mobility of learner and worker is the **ASEAN Qualification Reference Framework (AQRF)**. The AQRF was endorsed by **ASEAN Economic Ministers (AEM)** in August 2014, by **ASEAN Education Ministers Meeting (ASEM)** in September 2014, and ad-referendum endorsement by **ASEAN Labour Ministers Meeting (ALMM)** completed in May 2015.

AQRF is a common reference to enable comparisons of qualifications across ASEAN Member States. It covers all education and training sectors.

It consists of 8 levels of complexity of learning outcomes based on (a) knowledge and skills, and (b) application and responsibility.

Through the AQRF, ASEAN Member States would be able to undertake **Referencing**, which is a process to establish the relationship between the eight levels on the AQRF with the levels on their NQF or qualifications system.

Diagram 2
Referencing Process under the AQRF



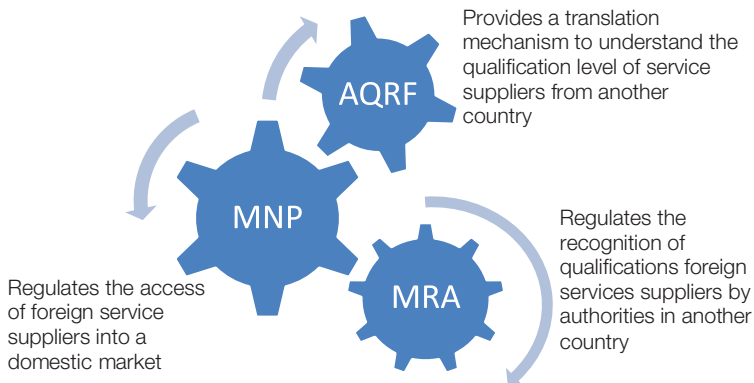
For example, an engineer from Country A who hold a certain qualification from his/her country's qualification framework is going to work in Country B. AQRF will translate such level of qualification into an equivalent level in the national qualification framework of Country B.

AQRF is based on agreed understanding between Member States and, by design, has a neutral influence on national qualifications frameworks (NQFs) of ASEAN Member States. It invites voluntary engagement from countries and does not require changes to national qualifications systems.

AQRF supports and enhances each country's NQF while providing a mechanism to facilitate comparison, transparency and higher quality

qualifications systems. It is underpinned by agreed quality assurance principles and standards, and requires countries to describe their education and training quality assurance systems.

Diagram 3
Conceptual Linkages of MRA, MNP and AQRF



Following the adoption of the AQRF in 2015, another important follow-up document namely the AQRF Governance and Structure document was endorsed by the ALMM and ASED in May 2016, and by the AEM in August 2016. This document provided the basis for the establishment of an AQRF Committee, the ASEAN Body responsible for implementation of the AQRF.

One of the main functions of the AQRF Committee is to consider whether or not a referencing report submitted by each National AQRF Committee meets the AQRF referencing criteria and advises the National AQRF Committee on how all the criteria could be met.

As of 2020, 4 ASEAN Member States had successfully referenced their NQF to AQRF, namely: Malaysia (2019), the Philippines (2019), Indonesia (2020) and Thailand (2020). The other AMS are in various stages of developing their referencing report, explaining their education system, quality assurance and mapping their NQF levels to the levels of AQRF.

Further information on AQRF could be found in the AQRF webpage³².

³² <https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/asean-qualifications-reference-framework/>

H. ASEAN Free Trade Agreements involving Trade in Services

ASEAN is not only integrating its economy among its Member States, but is also working beyond its region to actively engage its key Dialogue Partners through **Free Trade Area (FTA)** and/or **Comprehensive Economic Partnership (CEP)** agreements. The liberalisation of the services sector has always been an important feature of these agreements.

The first concluded services agreement under an FTA between ASEAN and a Dialogue Partner is the **Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People's Republic of China**³³, signed by ASEAN Economic Ministers and Minister of Commerce of China on 17 January 2007 in Cebu, the Philippines. The market access commitments of the Parties to this Agreement are contained in the First Package of Specific Schedule of Commitments attached to the Agreement. The second package of commitments under this FTA had been subsequently concluded and signed by the Ministers on 16 November 2011 in Bali, Indonesia. The further upgraded third package of commitments was concluded as part of overall improvement to the ASEAN-China FTA through the **Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation and Certain Agreements thereunder between ASEAN and China**³⁴, signed by the Trade Ministers on 21 November 2015 in Kuala Lumpur, Malaysia.

The second partner of ASEAN's FTA agreement in trade in services is Korea, through the conclusion and signing of the **Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of ASEAN and the Republic of Korea**³⁵ on 21 November 2007 in Singapore. The Agreement includes an Annex on Financial Services and a Letter of Understanding that clarifies the understanding of some paragraphs

³³ <http://www.asean.org/wp-content/uploads/images/archive/documents/acfta/TIS/ASEAN-CHINA-TIS.pdf>

³⁴ <https://asean.org/storage/2012/05/01-Protocol-to-Amend-the-Framework-Agreement-ACFTA-Complete.pdf>

³⁵ <http://www.asean.org/storage/images/archive/21111.pdf>

under the Agreement. The schedules of specific commitments for the first package of commitments are annexed to this Agreement.

The next major FTA Agreement is the **Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area**³⁶ which was signed on 27 February 2009 in Cha-am, Thailand. This is a comprehensive FTA agreement covering trade in goods, trade in services, investment, e-commerce, and various other areas. With respect to trade in services, the Agreement also contains a separate chapter on Movement of Natural Persons (MNP) and annexes on financial and telecommunications services. Accordingly, there are 2 separate schedules of commitments: one on specific services commitments and the other one on MNP.

The fourth completed services FTA is the **Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of India**³⁷ which was signed on 13 November 2014 in Nay Pyi Taw, Myanmar. The Agreement includes an Annex on Movement of Natural Persons (MNP). The schedules of specific commitments are annexed to this Agreement.

Next is ASEAN's FTA with Hong Kong, through the **ASEAN-Hong Kong Free Trade Agreement**³⁸ which was signed on 28 March 2018 in Nay Pyi Taw, Myanmar. This is also a comprehensive Agreement covering several chapters related to trade in goods, trade in services, and intellectual property. Investment was concluded as a separate agreement, which was signed on 18 May 2018 in Ha Noi, Viet Nam.

With regard to Japan, the **Agreement on Comprehensive Economic Partnership among ASEAN and Japan**³⁹ signed on 14 April 2008 contains an article providing mandate for further negotiations on trade in services and investment to be consolidated into the Agreement. Subsequently, the **First Protocol to Amend the Agreement on Comprehensive Economic Partnership among ASEAN and Japan**⁴⁰ was signed on 24 April 2019 in Ha Noi, Viet Nam. In addition to incorporation of the expanded Chapters

³⁶ <http://asean.org/wp-content/uploads/2012/05/AANZFTA-legal-text-PRINTED-Signed.pdf>

³⁷ <http://www.asean.org/wp-content/uploads/2016/04/AI-TISA-Agreement-ASEAN-FINAL.pdf>

³⁸ <https://asean.org/storage/2012/05/AHKFTA-compressed.pdf>

³⁹ <http://www.asean.org/storage/images/archive/agreements/AJCEP/Agreement.pdf>

⁴⁰ <https://asean.org/storage/2012/05/AJCEP-Prtl-CTC.pdf>

on trade in services and investment, it also includes additional Chapter on Movement of Natural Persons (MNP) and two annexes on financial and telecommunication services. There are also 2 separate schedules of commitments: one on specific services commitments and the other one on MNP.

Most significant of all, is the ***Regional Economic Comprehensive Partnership (RCEP)*** which ASEAN negotiates since 2013 with its six FTA partners at that time (Australia, China, India, Japan, Korea, and New Zealand). The RCEP negotiation was launched by the Heads of States/Governments of ASEAN and these 6 Partners on 20 November 2012 in Phnom Penh, Cambodia. The RCEP Agreement was eventually signed on 15 November 2020 by Ministers from 15 countries, recognising that India is not in a position to sign the RCEP Agreement in 2020. Leaders of the RCEP Countries welcomed India's future accession to the Agreement in view of its participation in RCEP negotiations since 2012 and its strategic importance as a regional partner in creating deeper and expanded regional value chains.

The RCEP is a significantly broader and deeper compared to all of ASEAN's previous FTAs. In the area of trade in services, this includes a separate Chapter for MNP, 3 annexes on financial, telecommunication and professional services, and most significantly, the scheduling of market access commitments using negative list approach either at the conclusion of the negotiations or within a specific timeline after the entry into force of RCEP.

ASEAN is also actively discussing with its existing FTA Partners for possible upgrading of the current FTAs, as well as with its various other Dialogue Partners for closer economic partnership including possibility for negotiations of FTAs/CEPs.

I. Moving Forward

ASEAN has come a long way in its effort to integrate services sectors in the region, likewise the other ASEAN economic integration initiatives. Taking into account not only the diversity of economic development entrenched in the region but also the diversity of regulatory systems and standards, the myriad types of services activities, as well as the wide range of government agencies, regulators and stakeholders involved; the achievements in multiple fronts highlighted in earlier sections indeed reflect the tremendous effort of ASEAN Member States, individually and collectively, in integrating their trade in services environment.

The conclusion and completion of signing of the ASEAN Trade in Services Agreement (ATISA) in 2020 marked a historic milestone of ASEAN integration in trade and investment in services. In addition to having a stronger, clearer and more comprehensive obligations under this new agreement, ATISA also required ASEAN Member States (AMS) to transition their existing commitments under the ASEAN Framework Agreement on Services (AFAS) within specific and definite timeline at a level of liberalisation that is no less than level committed under the AFAS. This transition will imply significant work of AMS in stock-taking their policies and measures related to the services sectors required to prepare their schedules of Non-Conforming Measures (NCM). Such process is therefore expected to further improve the transparency of ASEAN governments on their services regime and facilitate trade.

Likewise, the recent conclusion and signing of the Regional Comprehensive Economic Partnership (RCEP), as one of the most significant FTA in the world, marked significant upgrade of ASEAN's economic engagement with its existing FTA partners, and even economic engagement level among these partners of ASEAN as well. The resulting Trade in Services and Temporary Movement of Natural Persons Chapters, along with the resulting market access commitments under these Chapters, have been significantly better than any of ASEAN's previous FTAs.

All these achievements do not mean that everyone can relax and become complacent. ASEAN needs to move on and chart its way to the next level of economic integration, embracing new challenges and opportunities poised

by the ever-changing dynamics of economic and technological developments in the region and beyond. Despite the significance of the RCEP, the need and potential to update or improve ASEAN's existing FTAs and CEPs call for further work. There have also been a number of ASEAN's other Dialogue Partners who have been working intensively with ASEAN to explore further deepening of economic ties including possible FTAs. Even within the RCEP, possible further enhancement and accession of other countries are likely.

However, in the past several years there are several new developments and trends that are likely to render existing approach, *modus operandi* or best practice in trade in services policies not sufficient, and in certain aspects may even be not effective. First is the growing call and need to prioritise that all economic policies contribute to achievement of all of the 17 Sustainable Development Goals (SDG), covering wide range of issues including poverty, climate action, health, gender and so on. Second is the accelerating trend of Fourth Industrial Revolution (4IR) that revolutionise the way production and consumption can be structured across national boundaries, transcending existing policy frameworks governing production and consumption processes. Third and most recently, is the COVID-19 pandemic that started to cripple global travel and economy in early 2020, which prompts significant adjustments of ways in conducting human activities (including adjustments in global value chain at a macro level, and adjustments in the workplaces at a micro level) even after the pandemic is over.

All these developments suggest that existing trade in services policy works emphasising on enhancing openness and transparency may no longer suffice in light of these recent developments. New frontiers of paradigms and approaches that balance the interest of services suppliers, consumers, governments, and even the society and environments have to be reflected, reshaped, and renegotiated.

Appendix 1: Inquiries and Contact Points

National contact points of ASEAN Member States are provided as follows:

<p>BRUNEI DARUSSALAM Trade Division Ministry of Finance and Economy 3910 Commonwealth Drive Bandar Seri Begawan BB 3910 Tel: (673) 238 3696 Email: ccs.brunei@mofe.gov.bn</p>	<p>MYANMAR Ministry of Commerce Building No. 3, Nay Pyi Taw Tel: (9567) 408 320 Fax: (9567) 408 321 Email: ccs-myanmar@googlegroups.com; dotregional@gmail.com</p>
<p>CAMBODIA Asia-Pacific Department Ministry of Commerce Lot. 19 - 61, MOC Road, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh Tel: (855) 76 626 6888/ 96 666 026/77 970 111 Email: ccs_cambodia@googlegroups.com</p>	<p>PHILIPPINES Trade, Services and Industry Staff National Economic and Development Authority 12 St. Josemaria Escriva Drive, Ortigas Center, Pasig City 1605 Tel: (632) 8631 3739 Fax: (632) 8631 3734 Email: CCS-Philippines@neda.gov.ph; SEOM-Philippines@dti.gov.ph</p>
<p>INDONESIA Directorate of Trade in Services Negotiation Ministry of Trade Jalan M.I. Ridwan Rais No.5 2nd Building, 10th Floor, Jakarta Tel: (6221) 385 8185 Fax: (6221) 345 2621 Email: ccsindonesia@kemendag.go.id</p>	<p>SINGAPORE Ministry of Trade and Industry 100, High St. The Treasury #09-01 Singapore 178494 Tel: (65) 6332 7224 Fax: (65) 6334 7113 Email: mti_ccs_singapore@mti.gov.sg</p>
<p>LAO PDR Foreign Trade Policy Department Ministry of Industry and Commerce Phonexay Road, P.O. Box 4107 Vientiane Capital Tel: (856 21) 450 065/450 066 Fax: (856 21) 450 066 Email: laotis.moic@gmail.com</p>	<p>THAILAND Department of Trade Negotiations Ministry of Commerce 563 Nonthaburi Road Bangkrasor, Muang District Nonthaburi 11000 Tel: (662) 507 7479 Fax: (662) 547 5622 Email: thailandccs@outlook.com</p>

<p>MALAYSIA ASEAN Economic Integration Division Ministry of International Trade & Industry Level 18, MITI Tower No. 7 Jalan Sultan Haji Ahmad Shah, 50480 Kuala Lumpur Tel: (603) 6200 0376 Fax: (603) 6206 1466 Email: ccsmalaysia@miti.gov.my</p>	<p>VIET NAM Services Sector Department Ministry of Planning and Investment 6B Hoang Dieu, Ha Noi Tel: (844) 804 3821 Fax: (844) 804 4934 Email: ccsvietnam@mpi.gov.vn</p>
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Inquiries can also be addressed to:

Services and Investment Division
Market Integration Directorate
ASEAN Economic Community Department
The ASEAN Secretariat
Jl. Sisingamangaraja 70A
Jakarta 12110
Indonesia
Tel: (6221) 726 2991
Fax: (6221) 739 8234
E-mail: services@asean.org

Appendix 2: Some Basic Concepts and Terms in Trade in Services

Defining “Trade in Services”: the 4 Modes of Supply

In its most basic form, international trade refers to an economic exchange between residents and non-residents, either firms or persons, and imply gain or loss of foreign exchange. For trade in goods, the concept is relatively straightforward because the producers stay in one country and the goods produced travel across a border to the consumers in another country.

For services, the situation is more complex because in many cases the supplier and the customer need to be in the same location. There are four possibilities of international provision of services:

- the service moves across the border;
- the customer moves across the border to receive the service;
- the producer moves across the border to provide the service through commercial establishment; and
- the producer moves across the border only temporarily to provide the service.

These four possibilities are known as “**Modes of Supply**” of services trade. They are referred to as Mode 1 (or the so-called **Cross-Border Supply**), Mode 2 (**Consumption Abroad**), Mode 3 (**Commercial Presence**), and Mode 4 (**Movement of Natural Persons**), respectively.

Basic Principles of Services Liberalisation

Following the conclusion of the Uruguay Round in 1994 resulting in the first-ever multilateral services trade agreement, the **General Agreement on Trade in Services (GATS)**, it is generally accepted that the key obligations governing liberalisation of international trade in services shall include the following:

- **Transparency**: Countries must notify each other of all relevant measures affecting services trade, including prompt publication, maintenance of enquiry points, and fair judicial review.
- **Most-Favoured-Nation (MFN)**: Countries must grant each other the most-favourable treatment accorded to any of their trading partners. They must treat services and services suppliers from one Country no less favourably than those from other Countries.

- **Market Access:** Services and services suppliers of any other Countries must not be restricted to access the market of the Country.
- **National Treatment:** Services and services suppliers of a Country must be permitted access to the market of another Country on the same terms as those accorded to domestic services or services providers.
- **Progressive Liberalisation:** Countries shall enter into successive rounds of negotiations, with a view to achieving a progressively higher level of liberalisation.

Scheduling of Services Commitments under the AFAS

In a GATS-based services liberalisation approach, including in AFAS, each Country sets out a **schedule of commitments** to provide details of its liberalisation commitment on the various services sectors, which comprise of the following set of documents:

- **Horizontal Commitments:** specifies a Country's commitments which are common and bound across all scheduled services sectors, unless otherwise specified.
- **Schedule of Specific Commitments:** specifies the details of a Country's commitments and/or applicable measures in the scheduled services sectors and sub-sectors.
- **List of MFN Exemptions:** specifies the details of cases where MFN obligations of a Country are exempted. Such exemptions, however, shall be subject to requirements stipulated in Article II of the GATS on MFN.

Both the horizontal commitments and schedule of specific commitments take the following format:

Sector/ Sub-Sector	Market Access (MA) Commitments	National Treatment (NT) Commitments	Additional Commitments
Name of sector/ sub-sector ⁴¹	Details of Mode 1 MA Limitations	Details of Mode 1 NT Limitations	Details of Additional Commitments (if any)
	Details of Mode 2 MA Limitations	Details of Mode 2 NT Limitations	
	Details of Mode 3 MA Limitations	Details of Mode 3 NT Limitations	
	Details of Mode 4 MA Limitations	Details of Mode 4 NT Limitations	

⁴¹ Typically listed as "All sectors" in Horizontal Commitment.

As for the specified details of limitations for each mode of supply, the following terms are widely used:

- **None**: it means that the Country does not limit market access or national treatment in the given sector/sub-sector and mode of supply, other than those prescribed in the horizontal commitments (if any).
- **Unbound**: it means the Country is not “bound” to any commitment and remains free in the given sector/sub-sector and mode of supply to introduce or maintain measures inconsistent with market access or national treatment.⁴²
- **Unbound*** or **Unbound due to Technical Feasibility**: the supply of given services sector/sub-sector may not be technically feasible for this mode of supply.⁴³

The List of MFN exemptions is detailed using the following format:

Sector/ Sub-Sector	Description of Measure	Countries to which the Measure Applies	Intended Duration	Conditions Creating the Need for the Exemption
Name of sector/ sub- sector	Detail descriptions of measure inconsistent with MFN provisions	List of Countries to which the measure applies	Intended duration of the MFN exemption	Details of reasons/ conditions creating the need for the exemption

⁴² This case is only relevant where a commitment has been made in a sector with respect to at least one mode of supply. Where all modes of supply are “unbound”, and no additional commitments have been undertaken in the sector, the sector should not appear on the schedule.

⁴³ Where the mode of supply thought to be inapplicable is in fact applicable, or becomes so in the future, the entry means “unbound”.

Illustrative example of a typical schedule of horizontal commitments:

Modes of Supply: 1) Cross-border supply		2) Consumption abroad		3) Commercial presence		4) Presence of natural persons	
Sector or Subsector		Limitations on Market Access		Limitation on National Treatment		Additional Commitments	
<p>I. HORIZONTAL COMMITMENTS</p> <p>ALL SECTORS INCLUDED IN THIS SCHEDULE UNLESS OTHERWISE INDICATED</p> <p>Limitations in horizontal schedule of commitments normally apply to all sectors and sub-sectors scheduled in the Schedule of Specific Commitments</p>		<p>1) None</p> <p>2) None</p> <p>3) None, except:</p> <p>Mergers and Acquisitions: Mergers and Acquisitions require approval from the relevant authorities.</p> <p>Board of Directors: At least 50 percent of the Board of Directors must be resident.</p> <p>4) Unbound, except intra-corporate transferees.</p>		<p>1) None</p> <p>2) None</p> <p>3) None, except:</p> <p>Land Property: Foreign enterprises are allowed to own up to 5 percent of the land property.</p> <p>Corporate Tax: Additional 2 percent corporate tax applicable to enterprise with up to 60 percent foreign equity.</p> <p>4) Unbound, except indicated in the Schedule of Specific Commitments</p>		<p>National Treatment limitations applicable to Mode 3 of all sub-sectors</p>	

Illustrative example a list of MFN Exemptions:

Sector or Subsector	Description of measure indicating its inconsistency with Article II	Countries to which the measure applies	Intended duration	Conditions creating the need for exemption
All Sectors	The Member reserves the right to adopt or maintain any measures in future that accords differential treatment to countries.	All countries	Indefinite	The measures will be applied in a manner that is aligned with national development policies to maximise and maintain a healthy market competition environment.

Illustrative example of a schedule of specific commitments:

Modes of Supply:	1) Cross-border supply	2) Consumption abroad	3) Commercial presence	4) Presence of natural persons
Sector or Subsector	Limitations on Market Access			
BUSINESS SERVICES	Limitation on National Treatment			
A. Professional Services	Additional Commitments			
Accounting, Auditing and Book-keeping Services (CPC 862)	1) None 2) None 3) None, except indicated in Schedule of Horizontal Commitments 4) Unbound, except indicated in Schedule of Horizontal Commitments	1) None 2) None 3) None, except indicated in Schedule of Horizontal Commitments 4) Unbound, except indicated in the Schedule of Specific Commitments		

Step 1: Cross-check with Schedule of Horizontal Commitments and list of MFN Exemptions

Step 2: Identify the limitations on Market Access and National Treatment on each Mode of Supply in the Schedule of Horizontal Commitments (if any)

Step 3: Consolidate the limitations on Market Access and National Treatment on the Schedule of Horizontal Commitments with this Specific

Scheduling of Reservations under the ATISA

The ATISA adopts a different approach in providing details of liberalisation in the services sectors undertaken by AMS, typically known as “*negative list approach*”. As opposed to the “*positive list approach*” (as adopted under the GATS and AFAS) where countries list down the services sectors and subsectors where obligations of the agreement shall apply, in negative list approach (as adopted under the ATISA) the obligations of the agreement shall apply to all services sectors and subsectors covered under the agreement, except to those measures and/or sectors-subsectors carved out from the obligations as specified under the so-called Reservation List or Schedule of Non-Conforming Measures (NCM).

Key differences between the two approaches are as follows:

	Positive List	Negative List
Applicability of Obligations of the Agreement.	Apply only to the listed subsectors and subject to any limitations or conditions specified in the schedules.	Apply to all measures affecting services unless specifically specified in the Schedules of Non-Conforming Measures.
Structure of the Schedules.	Schedules of Commitments consist of: <ul style="list-style-type: none"> • Horizontal Commitments. • Specific Commitments. • MFN Exemptions List. 	Schedules of Non-Conforming Measures consist of: <ul style="list-style-type: none"> • Annex I (Existing Measures). • Annex II (Reservations).
Binding of Existing Measures.	Commitments may be bound at a level lower than actual measures.	Annex I locks in actual current measures. Annex II specifies the measures that are exempted from applicable obligations.

In ATISA, there are five (5) core obligations that may be reserved under the Schedules of Non-Conforming Measures. In addition to the obligations on MFN, Market Access and National Treatment as explained above, the other two additional obligations are:

- **Local Presence (LP):** A Country must not require service suppliers of other Countries to have commercial presence in its Country as a condition for them to supply service.
- **Senior Management and Board of Directors (SMBD):** Countries must not require that service suppliers from other Countries appoint senior management positions and the majority of the board of directors to be from any particular nationality or residency.

ATISA provides explicit timelines for AMS to transition their AFAS schedules into the Schedules of Non-Conforming Measures under the ATISA, which shall represent a level of trade liberalisation that is equal to, or greater than, the level of trade liberalisation committed under their AFAS Packages.

Appendix 3: Classification of Services Sectors and Sub-Sectors

The universally recognised and adopted classification of services sectors and sub-sectors is the one based on WTO Secretariat's *Services Sectoral Classification List*⁴⁴. Each sector contained in this list is identified by a corresponding **Central Product Classification (CPC)** number⁴⁵. If a Member State wishes to use its own sub-sectoral classification or definitions it should provide concordance with the CPC. If this is not possible, it should give a sufficiently detailed definition to avoid any ambiguity as to the scope of the commitment.

While the CPC coding had been updated a number of times to keep up with economic development and technology advancement, for the purposes of services trade negotiations, the so-called *Provisional CPC* published in 1990⁴⁶ remains the major reference point for classification of services sectors/sub-sectors.

Broad categories of services sectors provided in WTO Secretariat's Services Sectoral Classification List are as follows:

- Business Services
 - Professional Services
 - Computer-Related Services
 - Research and Development Services
 - Real Estate Services
 - Rental/Leasing Services without Operators
 - Other Business Services

⁴⁴ This list is contained in the WTO document coded MTN.GNS/W/120, dated 10 July 1991.

⁴⁵ CPC is a complete product classification covering goods and services published by the United Nations, and was intended to serve as an international standard for assembling and tabulating all kinds of data requiring product detail including industrial production, national accounts, service industries, domestic and foreign commodity trade, international trade in services, balance of payments, consumption and price statistics. Other basic aims were to provide a framework for international comparison and promote harmonisation of various types of statistics dealing with goods and services.

⁴⁶ Statistical Papers Series M No.77, Provisional Central Product Classification, Department of International Economic and Social Affairs, Statistical Office of the United Nations, New York, 1991.

- Communication Services
 - Postal Services
 - Courier Services
 - Telecommunication Services
 - Audio-Visual Services
- Construction and Related Engineering Services
- Distribution Services
- Education Services
- Environmental Services
- Financial Services
 - Insurance and insurance-related services
 - Banking and other financial services
- Health-Related and Social Services
- Tourism and Travel-Related Services
- Recreational, Cultural and Sporting Services
 - Entertainment services
 - News agency services
 - Libraries, archives, museums and other cultural services
 - Sporting and other recreational services
- Transport Services
 - Maritime Transport Services
 - Inland Water Transport Services
 - Air Transport Services
 - Space Transport
 - Rail Transport Services
 - Road Transport Services
 - Pipeline Transport
 - Services Auxiliary to All Modes of Transport
- Other Services not Included Elsewhere

Detail listing of services sectors and sub-sectors contained in the WTO Secretariat's Services Sectoral Classification List can be downloaded from: www.wto.org/english/tratop_e/serv_e/mtn_gns_w_120_e.doc.

Detail structure and explanatory notes for each of the provisional CPC codes can be found at: <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=9&Lg=1>.

Appendix 4: Glossary

AA	ASEAN Architect
AAC	ASEAN Architect Council
AAEC	ASEAN Architect Education Committee
ABIF	ASEAN Banking Integration Framework
ACCSTP	ASEAN Common Competency Standards for Tourism Professionals
ACIA	ASEAN Comprehensive Investment Agreement
ACPA	ASEAN Chartered Professional Accountant
ACPACC	ASEAN Chartered Professional Accountant Coordinating Committee
ACPE	ASEAN Chartered Professional Engineer
ACPECC	ASEAN Chartered Professional Engineer Coordinating Committee
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministers
AFAS	ASEAN Framework Agreement on Services
AFCDM	ASEAN Finance and Central Bank Deputies Meeting
AFMGM	ASEAN Finance Minister and Central Bank Governors Meeting
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AJCCD	ASEAN Joint Coordinating Committee on Dental Practitioners
AJCCM	ASEAN Joint Coordinating Committee on Medical Practitioners
AJCCN	ASEAN Joint Coordinating Committee on Nursing
ALMM	ASEAN Labour Ministers Meeting
AMS	ASEAN Member States
AQRF	ASEAN Qualifications Reference Framework
ASEAN	Association of South East Asian Nations
ASED	ASEAN Education Ministers Meeting (ASED)
ATISA	ASEAN Trade in Services Agreement
ATM	ASEAN Transport Ministers

ATP	ASEAN Tourism Professional
ATPMC	ASEAN Tourism Professional Monitoring Committee
ATPRS	ASEAN Tourism Professionals Registration System
ATSN	Air Transport Sectoral Negotiations
ATWG	Air Transport Working Group
BSSWG	Business Services Sectoral Working Group
CATC	Common ASEAN Tourism Curriculum
CCI	Coordinating Committee on Investment
CCS	Coordinating Committee on Services
CEP	Comprehensive Economic Partnership
CEPT	Common Effective Preferential Tariff
CPC	Central Product Classification
DDA	Doha Development Agenda
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATS	General Agreement to Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HLTF	High Level Task Force on ASEAN Economic Integration
HSSWG	Healthcare Services Sectoral Working Group
ICT	Information and Communication Technology
IMF	International Monetary Fund
MC	Monitoring Committee
MFN	Most Favoured Nation
MNP	Movement of Natural Persons
MRA	Mutual Recognition Arrangement
MRA-TP	Mutual Recognition Arrangement on Tourism Professionals
NCM	Non-Conforming Measures
RCEP	Regional Comprehensive Economic Partnership
RFA	Registered Foreign Architects
RFPA	Registered Foreign Professional Accountant
RFPE	Registered Foreign Professional Engineers
SDG	Sustainable Development Goal
SEOM	Senior Economic Officials Meeting

STOM	Senior Transport Officials Meeting
TPCB	Tourism Professional Certification Board
TWG-MAE	Technical Working Group on Mobility of ASEAN Engineers
WC-FSL	Working Committee on ASEAN Financial Services Liberalisation under the AFAS
WTO	World Trade Organisation
4IR	Fourth Industrial Revolution



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