

Chapter 1

Transforming the ASEAN Economic Community (AEC) into A Global Services Hub: Enhancing the Competitiveness of the Health and Wellness and Creative Services Sector – An Integrative Report-

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CHAPTER 1

Transforming the ASEAN Economic Community (AEC) into A Global Services Hub: Enhancing the Competitiveness of the Health and Wellness and Creative Services Sectors

An Integrative Report

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1. Introduction

The services sector plays a critical role in the economy as it makes available to other productive sectors an environment to be more efficient by providing inputs in their production and distribution activities. The quality of the provision of credit, transportation services, telecommunication to business and professional services can define the competitiveness of the agricultural, industrial and the services sectors. On the other hand, the growth of household income has placed pressure on the services sector to improve in providing individuals and households with a variety and enhanced services from health, education, recreation and other personal services.

However, in a globalized setting, a more efficient services sector does not only serve domestic industries but the global market as well. The expansion of global trade in recent years has seen a phenomenal rise in trade in services. Several key factors contribute to this growth. First, the services sector is becoming the most prominent economic sector in many countries today in terms of income and employment generation and it will continue to dominate the economic activities of these countries in the future. Second, the rapid improvements in information and communication technology (ICT) have tackled the non-tradability of services by separating production and consumption of a service across space. Third, the intense competition among key players in major industries has forced several global companies to segment production and distribution activities and placed them in locations that will minimize cost. In

addition, liberalization measures allowed provision of services either through the movement of producers or consumers.

One of the key responses undertaken by firms in such a competitive backdrop is to outsource non-core business activities including shared accounting and financial services, auditing, data processing, research and development, and contact services that in turn enlarged cross border transactions. On the other hand, the lower cost of travel brought about by competition and the information available to the consumers, the supply mode of consumption abroad has expanded beyond tourism. Health and educational services are increasing opportunities for consumption abroad. With the deregulation and liberalization measures the entry of foreign companies has encouraged commercial presence. Meanwhile the movement of natural persons were brought about by the increasing entry of foreign firms establishing commercial presence and bringing with them managers and technical staff from across the globe.

The commitments made by acceding countries and economies in the General Agreement on Trade in Services (GATS) are meant primarily to address the liberalization measures along the four modes of supply including cross border transactions, consumption abroad, commercial presence and movement of natural persons that further enhanced trade in services at the global level. Service has usually been a non-tradable commodity in the past mainly because of the simultaneity of production and consumption. However, this characteristic of services has been addressed through the developments in information and communications technology where production and consumption of a service can be done in real time across national boundaries. But the more pressing issue in the non-tradability of services is the brought about by extensive domestic regulations governing services due to the asymmetry of information between service providers and consumers as well as the promotion of public interest like maintenance of sovereignty and the public good character of services in general particularly education and health. These issues are being addressed in various articles of the GATS including domestic regulation, recognition and a host of exemptions in market access and national treatment across all sectors and specific modes of supply.

At the regional level, the ASEAN Framework Agreement on Services (AFAS) has been pursued to serve as an institutional driving force in expanding trade in services.

Countries, likewise, enter into bilateral preferential agreements to expand trade in services (Tullao & Cortez, 2006). The liberalization of trade in services in the ASEAN has utilized as a platform for greater economic integration as envisioned in the ASEAN Vision 2020. The ASEAN Framework Agreement on Services (AFAS) aims at liberalizing trade in services by expanding the depth and scope of liberalization through the elimination of discriminatory measures and market access liberalization. To enhance trade in services, the AFAS commitments are meant to go beyond the commitments made by member countries in the General Agreement on Trade in Services (GATS). Since 1996, seven packages of commitments have been concluded, including business services (aseansec.org).

Aside from the formation of regional accords the economic integration in the East Asian region has been influenced by several factors including market well as other institutional drivers (Urata, 2004), and the need to address regional public goods, (Tullao, 2007). The market-driven forces refer to the impact of economic of growth, globalization, improvements in information technology and increasing competition on the rapid expansion of trade, investments and flows of people across the region. Institutional factors consist of the role of trade negotiations at multilateral, regional and bilateral levels in facilitating the expansion of trade, investment and flows of workers. Addressing regional public goods, on the other hand, is due to the spill over effects across national boundaries within the region brought about enhanced globalization including movement of goods, services and people (Tullao, 2007).

Thus, the aim of transforming ASEAN Economic Community into a Global Service Hub is not only to further expand trade in services and reap the opportunities in global and regional trade in services but ultimately to be one of the useful avenues that will link the economies in the region in realizing the goal of regional integration and eventually the formation of an economic community.

The health care and wellness sector has been identified as one of the priority sectors in the ASEAN because of its potentials for growth and as an important driver for enhancing regional integration. Improvement in economic performance of the economies, longer life expectancy of people in the region and increasing population are the major economic and demographic factors that influence the demand for health services. Aside from these factors, institutional as well as developments in information

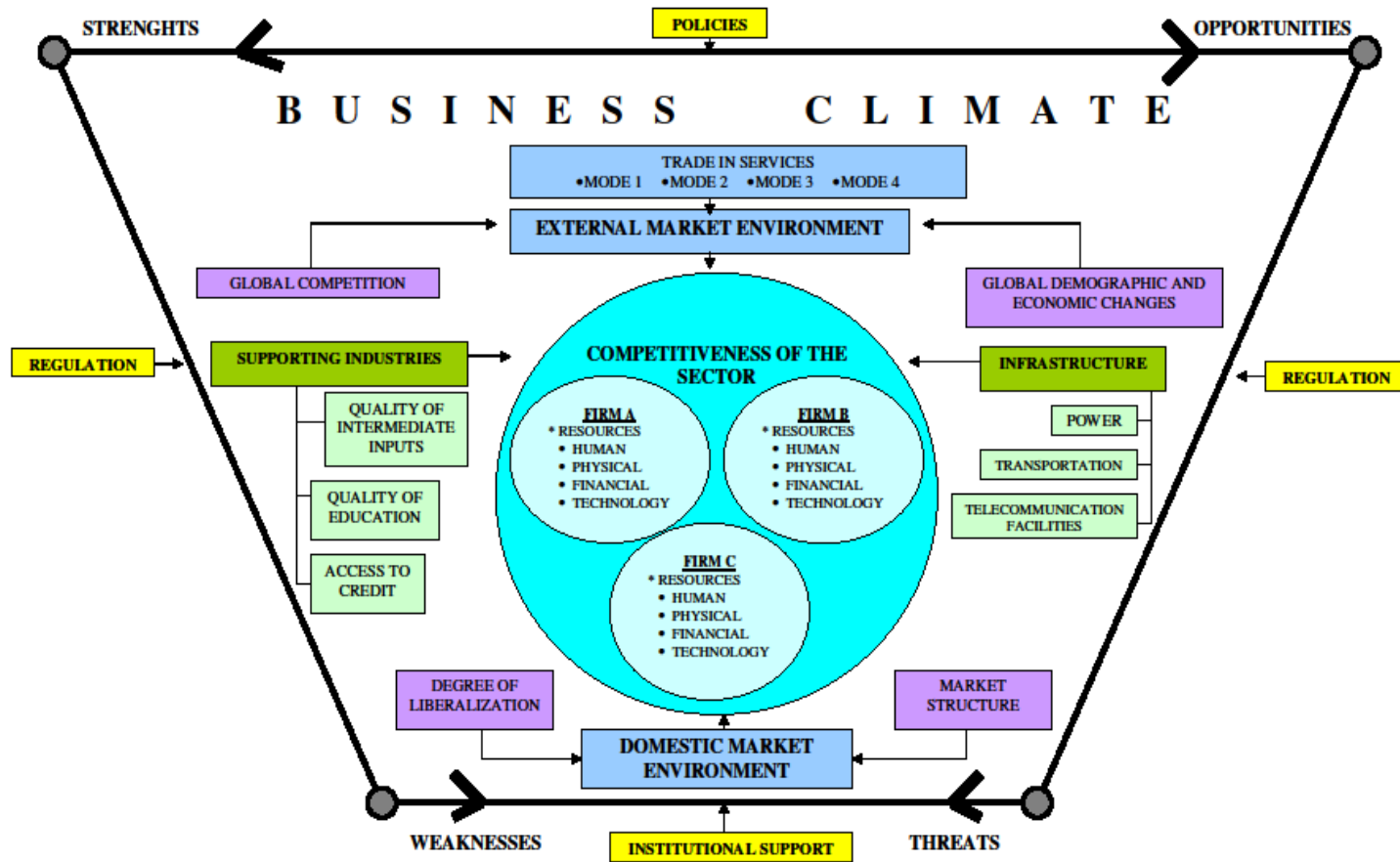
technology are likewise increasing not only the internal demand for health services but also the global trade in health services.

The creative services including animation, fashion design, printing and publishing, on the other hand, is another key sector in the ASEAN with a huge potentials for development as a global hub given the growing prominence of the business process outsourcing (BPO) in several countries in the region. This phenomenal growth was been facilitated largely by improvements in ICT infrastructure of the region, the availability of a pool of creative talents, and the cost advantages of some the economies in the region to compete with the rest of the world.

2. Developing AEC into a Global Services Hub: Framework of Analysis

The overall framework of analysis in this study is depicted in the structural chart below and the detailed description is in section 2.1. Suffice it to say that the strengths and weaknesses of the sector/industry are influenced mainly by the internal factors as well as some external factors particularly supporting industries and the infrastructure. On the other hand, the opportunities and threats that may affect the sector/industry are mostly coming from external factors specifically from domestic and external market environments.

**DEVELOPING AEC INTO A GLOBAL SERVICES HUB
FRAMEWORK OF ANALYSIS**



Through this structural diagram the SWOT analysis will proceed. First, through the internal and external factors, we will identify the strengths, weaknesses, opportunities and threats that may describe of the sector/industry. Beyond description and identification, the second level of analysis will inquire on how these strengths and opportunities are expanded, on the one hand, and how the weaknesses and threats mitigated, on the other hand. The second level of analysis will be done through the analysis of the roles played by macro factors including government policies, regulations and institutional support on the internal and external factors constituting the business climate.

2.1. An analysis of overall business climate of the sector

For the ASEAN Economic Community (AEC) to become a global services hub it is imperative that the business climate within the targeted sector must be favourable. A promising business climate, in turn, consists of firms and industries within the services sector that are competitive and their external environment encouraging and supportive in maintaining this competitiveness. This means that these companies can continue to provide excellent services at low cost even in the future.

There are two main factors affecting the ability of the sector to provide competitive services- internal characteristics of the sector as well as the external factors. These sets of factors define a favourable business climate for the provision of a competitive service.

2.1.1. Internal Factors

Internal factors consist of resources and other characteristics inherent to the firms within the sector. It includes the quality of human, physical and financial resources, as well as the availability of appropriate technology to compete in a highly competitive global market. Firms with potentials in enhancing the competitiveness of the sector usually have talented and productive workforce, efficient managers, ample funds that can be sourced internally and outside, and access and capability to implement state of the art technologies. Since these qualities are internal to the firms within the sector/industry, firms can contribute to the competitive edge of the sector/industry through direct corporate strategic decisions and policies. The features of the internal factors largely define the strengths and weaknesses of the sector.

2.1.2. External Factors

External factors, on the other hand, consist of a set of features of the environment where the firms and sectors operate. Although these external features directly affect the competitiveness of the firms within the sector; they, however, cannot be directly influenced by decisions of the firms, individually and collectively. These external factors include the external market environment, domestic market environment, presence of supporting industries and the state of infrastructure. As mentioned earlier, supporting services and the state of infrastructure, although considered as external factors will largely contribute to the strengths and weaknesses of the sector. On the other hand, the purely external factors like external market environment and domestic market environment may present opportunities and threats to the sector.

a. External market environment

The external market environment is described by three indicators in the framework: global competition, demographic and economic changes as well as the expansion of the trade in services. Global competition refers to the extent to which domestic players compete with foreign players in the international market. For example, the presence of big players in the global market for the targeted services may pose difficulties for AEC firms to compete internationally. Demographic and economic changes, on the other hand, consist of global developments in population and trends in the growth of the global economy that may affect the demand for various types of services. Related to this, an aging population in developed countries and its accompanying labor shortages and higher wages can put pressure on richer countries to demand some of their health and medical services from other regions including AEC. In addition, the expansion of trade of services through cross border transactions (mode 1), consumption abroad (mode2), commercial presence (mode 3) and movement of natural persons (mode4) can enhance the demand for services. In this light, a relatively lower cost of medical treatment in some of the ASEAN countries can boost consumption abroad or mode 2 as an increasing number of foreign patients seek treatment in some of the best hospitals in the ASEAN region.

b. Domestic market environment

Domestic market environment is characterized by the degree of liberalization and market structure. Degree of liberalization is the extent to which foreign players compete with the

domestic players in the domestic market. For example, the removal of tariffs for imported equipment including computers as a consequence of liberalization measures allows domestic players with cheap capital equipment that can boost their competitiveness in providing services. Market structure, on the other hand, refers to the degree of competition as indicated by the ease of entry into the market or industry. In the provision of service enhanced competition resulting from ease of entry into the market can provide services at cheaper cost. This result has been shown in the deregulation of the telecommunications industry in the Philippines. Deregulation allowed the entry of new players significantly and increased the competition in the telecommunications market, thus driving costs down.

c. Infrastructure

Infrastructure refers to the quality and cost of power, access to various means of transportation and the provision of telecommunications facilities. Cheap power, for example, is very important for the operations of BPOs that are operating on 24/7 basis using a lot of electricity to reap the opportunities of time differences across the globe. In addition, aside from being cheap, the supply of electricity should be reliable for longer periods since cross border transactions or mode 1 can only be facilitated with consistency of delivery. Brown outs and unreliable supply of electricity are threats to the competitiveness of business process outsourcing. Efficient ICT facilities are crucial too in competing globally. The Philippines, for example, has contested the market dominance of India in the BPO market when its standard high bandwidth telephone lines became much cheaper as well as the international phone calls. But reforms in the telecoms in other regions may take away this competitive edge.

d. Supporting industries

Another important external factor is supporting industries. In the services sector this includes backward linkages of the sector where it is sourcing its intermediate inputs as well as other productive inputs. It may include the quality of intermediate inputs, quality of education, and access to credit. As discussed previously, the reliability of power is one main intermediate inputs used in the supply of BPO services. In health and wellness services the quality of human resources is a major determinant of its competitive edge. The quality of human resources in this sector is shaped primarily by the quality of education in medical and other allied health fields. Both BPO and health and wellness sectors need the necessary

financial resources to augment and improve its facilities to be at par with global standards. This will be influenced by the access to credit.

2.2. Macro Environment

The interactions between the sets of internal factors and external factors affecting the competitiveness of the firms within the sector/industry are described in the framework as the business climate. But these internal and external factors as well as their interactions are in turn influenced by a set of even broader macro policies, regulations and institutional support initiated and promulgated largely by the government.

2.2.1. Policies

In general, macro-economic policies are strategic plans of the government in stabilizing the economy. There are also set course of actions that the government may undertake to propel economic growth. Likewise, there are guidelines made by the government in the development of specific sectors and productive inputs. Policies for stabilization, growth, employment generation, industrial development, human resource development and others can affect the competitiveness of the firms directly as they impact on the quality of their resources. Indirectly, the firms are likewise affected since these policies can influence the various external factors that in turn affect the firms. For example, the trade and industrial policies of the government can influence the external market environment as well as the domestic market environment through liberalization and deregulation measures. Human resource development policy of the government can affect the supporting industries of the sector through the human capital formation. Fiscal policies and tax holidays intended for public capital expenditures can affect the quality of infrastructure.

2.2.2. Regulation

Regulations are government initiatives primarily intended to correct distortions brought about by market imperfections, externalities and the asymmetry of information among others. However, these standards for the promotion of public interest can have adverse effects on the competitiveness of the firms as well as on the external factors leading to an unfavourable business climate. For example, many of the domestic regulations governing the provision of services including the practice of professions in many countries can discriminate foreigners in the name of public interest. The difficulties of harmonizing standards through Mutual Recognition Agreements (MRA) may prevent, for example, foreign medical specialists to

conduct an operation in one of medical centers in the ASEAN which in turn may thwart the competitiveness of the health services in the region. Moreover, constitutional and legal provisions on land ownership as well as the various limitations on market access and national treatment can discourage of the flow of investments in targeted services sector. On the other hand, standards and other regulatory measures can improve the quality of infrastructure, and supporting industries as the domestic firms benchmark with global best practices and standards.

2.2.3. Institutional Support

Similar to government policies and regulations, institutional support by the government in terms of the provision of the soft infrastructure like the administration of justice, peace and order, security, and provision of necessary human capital can likewise affect the overall business climate and the competitiveness of the sector. Rule of law is a very important element sought by foreign investors when supplying services under commercial presence or mode 3. On the other hand, political instability, insurgency, deteriorating peace and order, corruption and government red tape can adversely affect the domestic market environment, the supporting industries and the quality of infrastructure.

2.3.SWOT Analysis of the Sector

Given the framework drawn in section 2.1 and described extensively in sections 2.2 and 2.3 the potentials of transforming the health services and wellness sector, on the one hand, and the creative services sector, on the other hand, can be evaluated in terms of the analysis of the strengths, weaknesses, opportunities and threats of the sector.

2.3.1. Identification of Strengths, Weaknesses, Opportunities and Threats

The SWOT analysis is meant to identify existing strengths and weaknesses arising from the features of internal factors, and some external factors, specifically supporting industries and infrastructure, as well as the opportunities and threats that the sector may face given the domestic and external market environments.

For the strengths and weaknesses the analysis will involve the identification of the internal characteristics of the firms in the sector/industry that may contribute to its competitive edge. This may include the quality of the work force including the managerial talents of the firms, the type of equipment and technology utilized and sufficiency of

financial resources to fund plant expansion, acquisition of new equipment and payment of competitive compensation to its work force.

Together with these internal features, the description on role of supporting industries and infrastructure in enhancing the competitiveness of the sector will be conducted. This may cover the description on the role of supporting industries, business associations, access to credit, quality of intermediate inputs, source of reliable and efficient power, and most importantly the quality of telecommunications infrastructure in shaping the competitiveness of the sector and the overall business climate.

For the identification of opportunities and threats the analysis will involve a description on the role of the domestic and external market environments in shaping the competitiveness of the sector/industry. This will require an explanation on how external market factors including demographic and economic changes, global competition, and expansion of trade in services are creating opportunities and threats to the sector/ industry. Similarly, we need to account on how liberalization, deregulation measures and other domestic market factors are creating opportunities or threats to the sector/industry.

2.3.2. Enhancing the Strengths and Opportunities and Mitigating Weaknesses and Threats: Roles of Policies, Regulations and Institutional Support

Beyond an accounting of the strengths, weaknesses, opportunities and threats of the sector/industry the SWOT analysis will require an evaluation on how the current strengths and opportunities in the sector/industry are enhanced and current weaknesses and threats mitigated. This will be done through an examination on how the broad macro forces are creating favourable or adverse effects on the competitiveness of the firms and the sector/industry and the overall business climate. Positive direct impacts on the internal factors and some external factors may further strengthen the competitiveness of the sector while adverse effects may weaken the sector and its competitiveness. On the other hand, the positive impact made by the domestic and external market environments as well as the broad macro forces may open up opportunities to the sector that can expand its competitiveness.

The roles of government policies, regulations and institutional support will be crucial in the laying down the foundations for a global services hub in AEC in the health and wellness sector as well as for the creative services sector. In section 2.1 the overall business climate was illustrated as a trapezoid with longer horizontal lines for strengths and opportunities. The movement of the arrows are outward implying expansion of strengths and opportunities. On the other hand, the horizontal line for the weaknesses and threats is shorter and the arrows

are pointing inwardly implying the need to minimize and mitigate the weaknesses and threats to the sector.

The analysis would involve an evaluation on how policies and regulations of the government can affect the competitiveness of individual firms in enabling them to develop into regional players, in enhancing the efficiency of supporting industries and in improving the quality of infrastructure. In addition, the analysis will cover how government policies and regulations affect in creating a competitive domestic market environment so that firms can compete in the external market environment. Lastly, the analysis will highlight the extent to which government policies and regulations are opening up opportunities or generating threats to the sector/industry.

For institutional support, the analysis will cover a discussion on the effectiveness of institutional support for the designated services industr(ies) including the adequacy of the educational system, the administration of justice, peace and order, and security in enhancing the competitiveness of the firms in the sector/industry. Lastly, the analysis will involve an examination on how these set of institutional support are creating opportunities or spawning threats to the sector/industry.

3. Analysis of the Competitiveness of the Sectors

3.1. Health and Medical Services

3.1.1. Basis for Promoting Medical and Health Tourism

The commitment of a number of countries in the region to pursue medical and health tourism is founded on the potential economic impact this sector can generate in terms of income and employment. In Malaysia, for example, the health and tourism sectors were included among the 12 National Key Economic Areas (NKEA). Because these key sectors are expected to make substantial contributions to Malaysia's economic performance in the medium and long term the government has made a strong commitment for public investment and policy support. Tourism sector has been included in the 12 NKEA because of the importance of the industry to the Malaysian economy with the generation of RM37 billion in GNI in 2009 making it the fifth largest industry in the economy. Because Malaysia is one of the world's top destinations in terms of arrivals and revenues the industry is expected to grow in the future with arrivals expected to reach 36 million in 2020. On the other hand, the inclusion of the healthcare industry in the NKEA is premised on demographic changes and

the increase incidence of lifestyle diseases that would contribute significantly in the increase in the sector's demand that in turn make it a powerful engine of growth. (Dahlui & Aziz, 2012)

For almost a decade now Singapore has recognized the value of medical tourism with a government announcement of targeting to attract medical tourists and promoting the export of health services globally. In 2003, the "Healthcare Services Working Group (HSWG) of the Economic Review Committee recommended that Singapore attract one million foreign patients by 2012". To achieve this goal, the Singapore Tourism Board (STB), along with the Economic Development Board (EDB) and International Enterprise (IE) Singapore, launched "Singapore Medicine in 2003, a multi agency initiative that aims to promote, develop, and maintain Singapore as an international medical hub". (Phua & Pocock, 2012)

The development of Singapore as an international medical hub should be seen in the light of the role of healthcare services in the development of the biomedical industry which is considered one of the pillars of the new economy that will drive and sustain the growth of the Singaporean economy in the future. The influx of foreigners to avail of the quality health and medical services can "create value added of roughly 1% to 3 % of GDP and generating 13,000 new jobs". More than these direct economic gains the development of the health care industry through the promotion of medical tourism has the potentials of creating backward and forward linkages that may affect the pharmaceutical, medical devices and biotechnology, the other components of the biomedical industry. (Phua & Pocock, 2012)

While the government agencies were instrumental in the promotion of medical and health tourism in Malaysia and Singapore, the healthcare travel industry in Thailand, on the other hand, started as a response to the debilitating impact of the Asian financial crisis in the late 1990's. The decline in bed occupancy in high-end private hospitals impelled hospital managers to seek patients from all over the world to recoup the heavy investments made in these hospitals in the previous years. Since then, it has become an official policy to promote medical tourism as an option for the viability of private hospitals and to generate foreign exchange for the country. "Thailand is proud for being the first developing country where citizens from developed country seek medical treatment through medical tourism". As a result of this official support the country is now the leading country in the region receiving the highest number of tourists seeking various health and medical services. In 2009, close to 1.5 million foreign patients were registered generating substantial revenues for the country. Although the number is still huge and growing the growth rate of medical tourists has

declined in the last few years because of the internal problems in Thailand as well as the economic recession in major developed countries. (Supakankunti & Herberholz, 2012)

3.1.2. Opportunities for Medical and Health Tourism in the Region

The development of ASEAN Economic Community as global hub in medical and healthcare services is premised on a number of developments that serve as opportunities that can be tapped and explored by the economies in the region. First, in all of these countries tourism is a major industry attracting millions of foreigners every year. The flow of foreign visitors in the region and the positive impressions fostered on their visits can trigger subsequent positive reactions including the repeat and flow of foreign investments. This can likewise create subsequent consumption abroad in various fields including medical and healthcare services. Thailand developed its health and medical travel industry on the basis that it is the leading tourist destination in the region as well as the residence of a huge number of expatriates. The fact that Thailand is one of the leading tourist destinations in the ASEAN it can readily expand its niche in healthcare, medical and wellness tourism. (Supakankunti & Herberholz, 2012)

In the same manner Malaysia has realized the potential huge returns from healthcare travel industry with an increasing number of tourists and huge revenues generated by the sector. As a consequence, the Ministry of Health has been continuously bringing potential buyers of healthcare travel services to Malaysia by providing foreign facilitators, insurance brokers and agents exposure tours to various healthcare facilities in major cities of the country. In addition, the fact that Malaysia is considered the Halal hub in the region has attracted Moslem tourists from the region as well as from the Middle East and North Africa. (Dahlui & Aziz, 2012)

In Singapore tourism accounts for at least 5% of the country GDP and around 0.5% goes to medical tourist spending. Although still insignificant this share is projected to increase in the future. However, despite differing views on medical tourism Singapore has remained a leading player in attracting foreign patients seeking medical treatment in the region generating USD 1.2 billion in 2007 for the Singaporean economy (Phua & Pocock, 2012). In addition, Aside from being a major tourist destination in the region, Singapore is host to a number regional headquarters of foreign companies with its liberal investment policies and residence to thousands of expatriates employed in many of its companies. This can likewise serve as an opportunity for greater expansion of medical and healthcare tourism.

Another opportunity that can be harnessed by the countries that will have a bearing on the development of medical and healthcare tourism in the region is the changing demographic landscape with an aging population accompanied by the rise of chronic and non-communicable diseases. These demographic and morbidity changes can differentiate the provision of medical and healthcare services beyond primary and preventive medicine. The healthcare needs of expanding aging population will have to be addressed. As a consequence, the health sector of the countries in the region will have to respond because of the prominence of chronic and non-communicable diseases among this age cohort and provide other healthcare services beyond primary healthcare. In addition, with the mobility of people and the limited income of this aging population, they would prefer to secure medical and healthcare services at the most cost-efficient way. Aside from the quality of service, the healthcare services should be relative inexpensive to attract foreign patients.

The development of the healthcare sector in Singapore has been influenced by a host of factors including the aging population, incidence of chronic diseases and the increasing income of its citizens. The government has responded to these factors by “introducing market mechanism to make the sector more competitive and efficient in the delivery of health care services including the corporatization of public hospitals and highly privatized primary health sector”. As corporatized public hospitals these “health facilities are autonomous and provide most secondary care in Singapore and account for almost three quarters of total beds. Almost a third of beds in public hospitals are highly subsidized and not more than 10% of beds can be used for private patients”. (Phua & Pocock, 2012)

To avail of the various healthcare services the government has established “various financing schemes through medical savings, health insurance, government subsidy to vulnerable groups and out of pocket payments (OPP)”. “Since OPP dominates private health spending it is considered regressive since it leads to competition in the private health care market and may exclude those with limited funds”. Moreover, medical tourist payments are dominated by OPPs, but these payments are becoming more organized as part of insurance coverage. (Phua & Pocock 2012).

This differentiation is further realized because of rising income and the expansion of the middle class. Since most of medical and healthcare services are highly differentiated, there will be a need for private financing for its provision. The expanding middle class and rising income may serve as opportunities for demand for quality of healthcare services. Since there are people willing and able to pay, the private sector may answer this emerging demand. The

rise in income will create differentiated demand for healthcare that consumers are willing to pay for services with differentiated quality.

Table 1. Strengths and Opportunities of Medical and Health Services in the ASEAN

Malaysia	<ul style="list-style-type: none"> • cheap medical cost in the country • highly-trained medical specialists, up-to-date facilities and supporting services • multi-ethnic population and culture • use of English language • stable political environment • locational advantage 	<ul style="list-style-type: none"> • strong business association • presence of quality assurance system • Halal hub in the region • tax incentives • provision of exposure tours to agents • high returns • awareness on alternative medicine
Singapore	<ul style="list-style-type: none"> • state of the art medical equipment • quality and standard of medical care • high quality of medical professional workforce • sufficient new products and service • service orientation • a large number of private hospital beds, variety of service choice • favorable domestic and external market • available local training institutes and universities 	<ul style="list-style-type: none"> • low barriers to entry • clear policy coherence between local and foreign health care service providers. • ageing population • the rise of chronic and non-communicable diseases • increase in income of the middle class in the region • the increasing popularity of the region as a medical hub
Thailand	<ul style="list-style-type: none"> • private hospitals are in place • heavy investment in modern equipment and facilities • huge number of expatriates living in Bangkok and the over 10 million tourist arrivals • investment in training and education • increasing demand for health and wellness tourism all over the region 	<ul style="list-style-type: none"> • leading tourist destinations in the region • strong local demand for cosmetic surgical procedures • changing demographic features • rise of chronic and non-communicable diseases

3.1.3. Strengths of the Medical and Health Care Sector

Is the region capable of harnessing the opportunities offered by the dynamism of the tourism sector, changes in demographic and morbidity structure as well as rise in income and expansion of the middle class? The answer to this question is found in Table 1 where a list of

strengths in the sector is given that can harness these opportunities and make the region indeed a global hub for medical and health care services.

Notwithstanding the share of Thailand and Singapore in the medical tourism market in the region Malaysia has something to offer to establish a niche in medical and health care travel industry. For one the medical cost in the country is relatively cheaper compared with regional competitors. In addition, the healthcare sector has highly-trained medical specialists, up-to-date facilities and supporting services comparable with the best in the world. These two factors has been cited as the major reasons for the increase in foreign patients from Singapore, Australia and European countries seeking health services including those in the area of cardiology, hematology, dermatology and neurology. Malaysia has also been successful in attracting patients from such countries as Indonesia, Vietnam, China, Myanmar and Cambodia. (Dahlui & Aziz, 2012).

The Malaysian healthcare sector draws its strengths from its multi-ethnic population and culture that can understand the languages and culture of Indonesia, India and China. In addition, the use of English language in many sectors of society including health and medical services can attract patients from the large English speaking world. Malaysia is likewise peaceful and has a stable political environment that attracts foreign investors as well as tourists. The proximity of Malaysia to Indonesia, Singapore and other countries in East and West Asia can likewise attract medical tourists. The modern treatment offered by many private hospitals on various specialized medical treatment is one of the major strengths of the Malaysian health care tourism industry coupled by relatively lower costs. This feature is reinforced by a strong association among private hospitals that coordinates with the government in the delivery of safe and high quality medical treatment. “Malaysia has a parallel medical system, the traditional and complementary medicine (TCM), that can attract various peoples in the region familiar with these alternative systems”. The quality of medical practice and provision of health services is maintained through a well established quality assurance system. (Dahlui & Aziz, 2012)

Despite differences in policy perspectives and the problem of financing, Singapore continues to be a leader in the healthcare and medical travel industry in the region. The attraction of Singapore as major medical tourism destination lies on its strengths which include the state of the art medical equipment as hospitals benchmark with the global players, quality and standard of medical care, high quality of medical professional workforce sufficient new products and services, service orientation, a large number of private hospital beds, variety of service choice. In addition the domestic and external market environment is

largely supportive of the expansion of health sector. Local training institutes and universities are also contributing to the formation of human resources to provide skilled medical professionals. In addition, the government commitment of maintaining low barriers to entry has attracted foreign capital to expand the healthcare sector. There is clear policy coherence between local and foreign healthcare service providers. (Phua & Pocock 2012)

In Thailand the competitiveness of the medical tourism industry is anchored of a number of strengths. A number of private hospitals are in place and have invested heavily in modern equipment and facilities the 1990s while availing of a number of government incentives. Another strength working for the industry is the “huge number of expatriates living in Bangkok and the over 10 million tourist arrivals” annually are the ready target market for the Thai medical and health care industry. Aside from adopting the Western medical system, the production of Thai medicines, massage and herbal products do add up to the strength and variety of services in this sector. All these positive factors have been reinforcing each other with the active support of government with policies conducive to the development of the sector including investment in technical training and higher education for the preparation of skilled health professionals. (Supakankunti & Herberholz, 2012)

3.1.4. Constraints: Weaknesses and Threats of the Medical and Health Care Sector

However, these opportunities can be hampered by a list of weaknesses and threats to the sector. Against this positive backdrop is a set of weaknesses including internal and external brain drain among health professionals from the public hospitals to private hospitals that can threaten the ability of the public hospitals to provide quality services. Although traditional and complementary medicine (TCM) is one of the positive features of the Malaysian health care travel industry it is however, “not well organized and its practice not fully regulated” that may endanger safety and quality. Although Malaysia boasts of modern health facilities and excellent health professionals there is a growing concern on the quality of health professionals particularly nurses with the proliferation of private nursing schools. There is likewise concern on the quality of training of medical doctors from local and overseas medical schools. (Dahlui & Aziz, 2012)

In terms of weaknesses, the disparity in the quality of health professionals and the quality of management staff may threaten the expansion of the health care sector. Although the country boost of highly skilled health professionals Singaporean health administrators are not up to “international standard for both large and small healthcare service providers”. Adding to the list of weaknesses is the segmentation of the health care travel industry in the region.

“The Thai and Malaysian market can compete on the basis of cost advantage and Singapore caters to high end and complex health and medical services. There is a lack of market for middle income patients which Singapore can miss given the impact of competition brought by out of pocket payments (OPP) on the price of health care services”. In addition, limited information available on the pricing of health services may present as a threat in attracting both local and foreign patients and raising demand. In contrast, “the availability of credit to corporate healthcare players is generally high but the limited access to external funds/ credit could pose a potential threat for SME expansion in healthcare”. The impact on the public health system and access for local patients can present a threat that can intensify the debate on whether health is a trade or public good issue. Public opposition to medical tourism stem from the “high cost to the public sector and local consumers in terms of public to private health worker brain drain and rising medical costs induced by a fee-for-service payments model”. (Phua & Pocock 2012)

As part of the overall healthcare sector of Thailand the medical tourism sector is likewise faced with problems affecting the entire health care sector. One of the problems includes the production of qualified health professionals to meet the increasing demand for medical tourism. The training institutions and universities may not be enough to produce the quantity and quality of health professionals needed in an expanding health care travel industry. Aside from the production issue is the problem of distribution of health professionals that currently is causing internal brain drain. The problem of internal brain drain arising from geographical imbalance may further highlight the bias towards the provision of health and medical services for foreigners at the expense of health services for the citizens. This can led to the problem of accessibility and higher medical costs for ordinary Thais in the light of stiff competition created by the demand by foreign medical tourists. (Supakankunti & Herberholz, 2012)

Table 2. Weaknesses and Threats in Medical and Health Services in the ASEAN

Malaysia	<ul style="list-style-type: none"> • internal and external brain drain among health professionals • TCM is unorganized and unregulated • quality of nurses from expanded nursing schools • quality of doctors from medical schools overseas • medical tourism may pose bio-security and nosocomial risks • financing schemes may favor foreigners over citizens
Singapore	<ul style="list-style-type: none"> • disparity in the quality of health professionals and the quality of management staff • segmentation of the health care travel industry in the region • limited information on price of health services • limited access to credit for SME • debate on economic gain vs. social service
Thailand	<ul style="list-style-type: none"> • limited number of training institutions to meet expanding demand in health care travel • internal brain drain of health professionals • impact of medical tourism on provision of public health services • inadequacies in foreign languages • regulations on treatment in foreign countries • portability of medical insurance • malpractice

Related to these weaknesses is number of threats that may weaken the health care travel industry in the medium term. The reform on the healthcare financing scheme may lead to a competition for health resources between domestic and foreign demand for health services and may favour the latter. In addition, medical tourism may pose bio-security and nosocomial risks to both patients' home country and the country providing the medical services in terms of higher rate of cross infection, spread of pandemic and transplant failures. Lastly, the health care industry may be engulfed with legal issues pertaining to the negligence of medical service providers. (Dahlui and Aziz, 2012)

The vibrancy of the sector in the future is likewise threatened by a long list of issues and problems. For example the problems with laws and regulations regarding the medical treatment in foreign countries and regulations on the hiring the foreign doctors may pose a threat to the industry. There is also ambivalence on the financial and managerial capacity of local hospitals to compete with the global players. Inadequacies in language skills of health professionals, insufficient number of health care service providers, absence of mechanisms against malpractice, limited resources to finance expansion of hospitals and the intense competition from regional players may jeopardize the dynamism of medical tourism in Thailand in the future. The universal coverage system under the National Health Insurance policy has also undermined the feasibility of the sector. On the other hand, the high cost to

public sector in promoting private HSPs in terms of brain drain and rising prices for local consumers can make the private sector inaccessible. (Supakankunti & Herberholz, 2012)

3.1.5. Key Players in Health and Medical Tourism

One of the major factors that has contributed significantly in putting the region in the global map of healthcare and medicine is the presence of several internationally competitive hospitals. In Malaysia, the sector has a number of well-known hospitals including the i) **Gleneagles Intan Medical Centre** that specializes in maxillofacial/facial cosmetic surgery, neurosurgery, plastic and reconstructive surgery; ii) **KPJ Ampang Puteri Specialist Hospital** one of the most modern of its kind in the region with MSQH accreditation and MS-ISO 9001:2000; iii) **National Heart Institute (IJN)**, with specialization in cardiovascular and thoracic medicine for adult and paediatric heart patients; iv) **Sime Darby Medical Centre Subang Jaya**, an award winning tertiary-care hospital with JCI and MSQH accreditation and ISO 9001-2000 with specialists trained in UK, Australia and USA; v) **Sunway Medical Centre** that provides professional clinical expertise for a wide range of inpatient and outpatient specialised healthcare facilities, health promotion programmes; vi) **Loh Guan Lye Specialists Centre**, a "One-Stop" Medical Centre providing a very comprehensive and up-to date quality healthcare services and facilities ranging from prevention, diagnosis and treatment of a wide range of diseases and medical conditions to aesthetic procedures and health screening packages in a warm and caring environment; vii) **Columbia Asia Hospital, Seremban** provides multidisciplinary healthcare services covering outpatient and inpatient specialist services utilizing the latest, effective and affordable medical technology. (Dahlui & Aziz, 2012)

In Singapore, the key players in the health care and medical tourism are dominated by large holding companies including the Parkway Pantai Limited, Raffles Medical Group (RMG), and the Thomson Medical Pte Ltd. The **Parkway Pantai Limited** is a holding company controlling one of the region's largest integrated private healthcare providers with a network of 16 hospitals throughout Asia, including Singapore, Malaysia, Brunei, India, China and Vietnam, and United Arab Emirates. In Singapore, the Group owns **Parkway Group Healthcare Pte Ltd** and **Parkway Hospitals Singapore Pte Ltd**, which operates three of Singapore's major healthcare providers: i) **Gleneagles Hospital**, that specializes in cardiology, gastroenterology, liver transplant, obstetrics & gynecology, oncology and orthopedics; ii) **Mount Elizabeth Hospital**, one of the largest hospitals in the region and a reputation for having the largest number of cardiology and neurology surgeries in the region;

and iii) **Parkway East Hospital**, a private general acute care hospital that has clinical expertise in surgery, pediatrics, obstetrics and gynecology, and cardiology. All these hospitals have international accreditation given by the Joint Commission International (JCI). In Malaysia, the Group owns **Pantai Holdings Berhad** which operates nine **Pantai Hospitals** and two **Gleneagles Hospitals**. Parkway Pantai Limited also operates 40 **ParkwayHealth Patient Assistance Centres (PPAC)** across the globe. (Phua & Pocock 2012)

The **Raffles Medical Group (RMG)**, on the other hand, is one of Singapore's largest private integrated healthcare providers. The group runs a network of clinics, hospitals, surgical centers, specialty units and medical laboratories throughout the country. It owns a part of the Raffles Hospital and has diversified into other business activities such as consultancy services and manufacturing its own range of health care products. RMG also operates over 50 clinics across Singapore, medical laboratories and an imaging centre. It has likewise established overseas presence overseas in Hong Kong and Shanghai. The group draws its foreign patients from the Gulf, Indonesia, Malaysia and Indochina. (Phua & Pocock 2012)

The **Thomson Medical Centre (TMC)**, now known as **Thomson Medical Pte Ltd**, is known for its specialization in the areas of obstetrics & gynaecology and paediatrics. TMC provides a comprehensive range of fully integrated services including medical, surgical, therapeutic, diagnostic and preventive healthcare, and specialised services such as fertility treatment. Thomson International Health Services Pte Ltd is the international arm of the Group that explores and develops strategic partnerships, healthcare consultancy and management projects as well as investment opportunities in the region. It has secured its first major hospital consultancy and management project in Vietnam in 2010. (Phua & Pocock 2012)

In Thailand, the list of key players in health care and medical tourism is dominated by three major hospital groups: Bangkok Hospital, Samitivej Hospital, and the Bumrungrad Hospital PLC. The **Bangkok Hospital** is owned by the Bangkok Dusit Medical Services PLC (BGH). BGH is the largest private hospital operator in Thailand and has a very strong network of brand hospitals. In 2011, the company owned 28 hospitals, of which 7 have achieved JCI accreditation, with a total of 3,929 registered beds (TRIS, 2011a as cited in Supakankunti & Herberholz, 2012). Aside from its personalized medical services, the Bangkok Hospital offers a full range of support services are provided for patients, which include limousine transfer to and from any destination in Bangkok, accommodation

arrangements, visa extension services, and even tours for patients' families. Bangkok Hospital is accredited by JCI. (Supakankunti & Herberholz, 2012)

Samitivej Hospital and its network facilities provide healthcare services for mid- and high-end patients. Like the Bangkok Hospital, Samitivej Hospital is a leading provider of medical care in Thailand and also serves international tourists. Samitivej Hospital offers comprehensive health service through a team of physicians in all areas of specialty along with modern medical instruments and warm services. Samitivej Hospital is also accredited by JCI. (Supakankunti & Herberholz, 2012)

Bumrungrad Hospital PLC operates a multi-specialty stand-alone hospital in Bangkok and holds a leading position in Thailand's private hospital market. The hospital targets high-end domestic and international patients, which account for about 60 percent of total revenue (TRIS, 2011b). The hospital specializes in allergy treatment, breast care, dermatology and skin aesthetics, eye laser refraction, fertility and IVF, hypertension, nephrology, neurology and plastic surgery. The company is also involved in the rental of properties, provision of clinical research services and investment in healthcare and related business, in Thailand and abroad. (Supakankunti & Herberholz, 2012)

Given the sizable number of hospitals in the region, the involvement of private sector particularly well-financed holding companies, state of the art facilities and equipment, well-trained medical professionals as affirmed by international accreditation, varied specialization as well as attention to the needs of the foreign patients the region is indeed has a mature environment and ready to be a global hub in healthcare and medical services.

3.1.6. Issues Confronting the Health and Medical Tourism in the Region

a. Governance

One of the key issues confronting the health services sector is whether the provision of health services particularly in health and medical tourism is a trade concern or a public good issue. This has been a major consideration in various discussions on trade in services in general, and on education and health services in particular. Since provision of health services entails some public funds, liberalizing this sector may entail some public subsidy to the consumers including foreigners. If some of the consumers of this publicly provided services are foreigners, it may be difficult for local consumers and taxpayers to understand such public assistance. This is a legitimate concern since foreigners are not paying taxes while enjoying the subsidy given by the government through the use of health services.

At the international level this issue has given rise to differing perspectives on health services coming from the WHO, on the one hand, and from the WTO, on the other hand. This divergence in views is observed likewise at the national level between the Ministry of Health and from the Ministry of Trade. For example, despite the huge economic benefits of medical tourism as articulated by the Ministry of Tourism and Ministry of Trade of Singapore, the Ministry of Health was lukewarm in endorsing Singapore Medicine. (Phua & Pocock 2012)

The conflict is rooted on which aspect of the provision of health services should be pursued: the economic gains from the expansion of trade in health services or the social aspect of the delivery of a public good. The conflict arises not only in terms of the thrust but in terms of the objective being pursued at the societal level - to be more efficient in the delivery of services or to be more equitable. Aside from international and national discourses these conflicting views affect the promotion of the economic gains or social value of health services. This trade-off will continue to emerge in issues confronting the liberalization of trade in health services. Related to this is the equity issue arising from the public good and subsidy of the government as well as the need to have accessible health services for citizens.

However, mechanisms can be worked out so that provision of health services can be efficient and equitable at the same time. One way of addressing this issue is to price the service at full cost for both citizens and foreigners alike. However, citizens can still avail of government subsidy through discounts from national health insurance schemes as practiced in many countries in the region. In this way a non-citizen from abroad can also avail of the excellent health services that the country offers at full cost without enjoying the subsidy from the government. At the same time, since it is part of government national interest to subsidize the provision of health services to its citizens, it can cost the service at a subsidized price.

b. Delivery

The emergence of the dual provision of health services can likewise threaten the trade in health services. Aside from funding, the expansion of trade in health services may entail a re-allocation of resources between the private and public health sectors. A pertinent question should be answered by policy makers, will the sector respond with bias towards the production of services whose prices are market determined at the expense of the basic and primary health services? This is another legitimate issue since the price is relatively higher in medical services that are open for foreign consumption. But this may lead to the under-

provision of some primary health services and result in the disparity of compensation health professionals between sectors. The dual system of delivery highlights the economic-social dichotomy as well as the equity and efficiency trade-off confronting health services sector. The private provision may be efficient with full cost pricing but not as accessible as the public provision which is highly subsidized for equity considerations.

One way of addressing this issue is for the government to continue subsidizing primary health services provided by the public hospitals. To address the disparity in salary between sectors and the under-investment in public hospitals, the government can likewise augment the compensation package of health professionals in the public sector and increase its capital outlay in public hospitals. Funding from this additional compensation as well as public investment can be derived from taxes on the income of private health institutions and from their income derived from the provision of health services to foreigners. The difference between the subsidized cost and the full cost of privately provided services may be used to create a fund to finance the compensation differentials between public and private health professionals and finance investments in public hospitals. Related to the issue of governance, this tax cum subsidy measure can address the apprehension of some sectors in liberalizing trade in health services.

c. Financing

Financing is also related to the issue of delivery and the conflict between efficiency and equity considerations. Many of the health services particularly in private-funded hospitals are financed through out-of-pocket expenses. Consumers are willing to pay the provision of quality service made by private hospitals. However, because of the high cost or full cost pricing in these privately run hospitals they may not be accessible to low income individuals.

With liberalization of trade in health services the entry of foreign patients can further increase the price of health care because of competition. This has implications on the way provision of health services is financed. Given that majority are using out-of-pocket expenses, higher price due to liberalization may imply higher out-of-pocket expenses while reducing other expenses in other goods and services. On the other hand, those who cannot afford the additional cost may seek public hospitals and put a pressure on these public institutions. The lesson from Thailand may be instructive. With the introduction of universal coverage for health insurance the demand for public hospitals has surged at the expense of the private hospitals because the government subsidy is lower than the unit cost in private

hospitals. It created an imbalance where public hospitals are fully utilized while there is under-utilization of capacity in private hospitals.

Although those enjoying health insurance may seem to be unaffected by the impact of liberalization of trade in health services since they are fully covered, the increase in price of medical care due to trade in health services may also increase the insurance premiums subsequently for those currently covered by health insurance. In addition, this can also have a budgetary impact on the government which is financing the operations of public hospitals and a variety of public health insurance. Thus, the impact of liberalization on the cost of health care may further exacerbate the existing inequities in financing health services and making it less affordable and less accessible.

Because of the public good issue, re-allocation and financing, the liberalization of the health sector will have to be selective. Only those whose cost can be privately internalized by service consumers may be liberalized. This may cover highly specialized medical services including cosmetic surgery, complex procedures, and chronic ailments. If the health sector is highly subsidized by the state, full cost pricing or a user's fee should be charged to the foreign patients. For citizens and other marginalized sectors in the domestic economy that have to be subsidized they can be given discounts through a national health insurance scheme.

d. Human Resources

In terms of human resources in the health sector the issue of migration becomes prominent. Currently there is an observed movement of health professionals from public to private (less endowed to more endowed sectors) hospitals, creating a two tiers health system. With the liberalization of trade in health services this internal sectoral migration will be further magnified as the gap between public and private hospitals becomes wider. It is possible that the pull of the private hospitals will be more intense so that doctors and health professionals may be attracted to these private hospitals at the expense of the public and primary health services. In addition to this internal migration the liberalization of the health services sector may encourage the inflow of foreign health professionals.

Since the private sector is reaping profits from the domestic market and transactions under trade in services, these hospitals are levied with income tax. Part of government revenues can be used to subsidize the public sector health primary health facilities and doctors' compensation to mitigate the impact of internal migration. Aside from the income tax, the possibility of imposing a tax on the egress of doctors and health professionals to

private hospitals can also be explored. Hospitals that have been liberalized can be charged with a special levy for their role in draining the public hospitals of health professionals especially if these doctors' education were subsidized by the state.

e. Regulation

There are efficiency issues and equity considerations on the regulation of health services. This is due to the choice between clinical quality as against quality service orientation by the consuming public. The minimum requirements of standards for clinical quality are mandated for both public and private hospitals by health regulatory agencies. However, in private hospitals, the quality of service may be more differentiated and they are willing to go beyond minimum clinical quality to improve their services. For these amenities the patients have to pay a premium to cover for extra and improved services. With this the equity issue may arise as there will be hospitals for the poor as against hospitals for the rich who are able to afford the added services. In terms of trade in health services this means that for the health sector to be competitive globally, it has to go beyond the minimal clinical quality and provide extra service that consumers both domestic and foreign are willing to pay. Although payment will be different between public and private hospitals, the regulatory standards will be the same in the practice of any profession. What will differ is the degree of specialization of the health professionals, the equipment and the quality of services.

Another regulatory issue pertains to the qualifications of foreign health professionals to practice in foreign territories. Domestic regulations of host countries may prevent these foreign doctors to practice outside their countries for various reasons including differences in education, training, experience and other qualifications. One way of addressing this issue is for have reciprocity clauses in the regulatory measures governing the practice of health and medical professions in the countries in the region. Another avenue is the establishment of mutual recognition agreement on various professionals to settle these differences through accreditation and certification

3.2. Creative Services

3.2.1. Basis for Promoting Creative Services

In recent years many countries across the globe have underscored the need to develop creative industries because they have taken notice of the potential economic value of tradition and culture for export promotion. Aside from employment and income generation, creative

industries can strengthen the national image and local identity, support the utilization of renewable resources and have positive social impact. (Simatupang, *et al.* 2012)

In Singapore the Ministry of Information, Communications, and the Art (MICA) through the Economic Review Committee (ERC) has identified creative industries as one of the new areas in the services sector that has a lot of potentials for economic expansion. For example, DesignSingapore, a component of the Singapore Creative Economy, is aimed at making the country as the region's center for excellence in design. Another program of MICA is to position Singapore as the land of opportunity for the creative industries by "nurturing creative talent, stimulating creative ideas, and fostering creative effort". (Simatupang,*et al.*, 2012)

In Thailand the importance of creative industries is anchored on the structural changes brought about by the emergence of a knowledge-based economy. As the economy of Thailand matures and opens to the opportunities of a knowledge-based economy the stage for the creative industries is positioned. The country has sought to enhance its role in international trade by focusing on knowledge and creativity-based commodities and services with enhanced value added. As wages increases the country is gradually losing its comparative advantage in labor intensive commodities and considers knowledge as an important factor in promoting future economic development. Although not considered a major exporter in the field, Thailand was ranked 17 of top 20 exporters of creative goods in 2005. (Simatupang, *et al.*, 2012)

In Indonesia the promotion of the creative industries as viable avenues for job creation, poverty eradication, increasing national income, and nurturing national pride has been articulated in several official documents in recent years including the Instruction of the President in 2009, the Vision and Mission of Creative Economy for 2025, the Creative Economy Development Plan 2009-2015 and the 14 Creative Industries Sub sector Development Plan 2009-2015. At least 27 ministries/institutions and local government units are involved in the formulation and implementation of these several plans meant to enhance the role of creative industries in the economy. (Simatupang, *et al.*, 2012)

In the Philippines the improvement in ICT and the growing demand for fast and easy access to information has led to the growth of creative industries. The animation sector, for example, has branched from the phenomenal growth of the BPO sector in recent years that has brought employment and export receipts to the economy. The utilization of digital publishing, on the other hand, has gained popularity among households, firms and government across the globe including the Philippines.

3.2.2. Opportunities for Creative Services

There are several factors that serve as opportunities for the development of the creative industries in the region. First, the emergence of a knowledge-based economy brought about by the rapid improvements in information, communications technology (ICT). The technological transformations characterized by greater capacity, speed, reduced costs, and increases accessibility in ICT has facilitated cross border transactions and expansion of knowledge. With the significant reduction in the cost of transmitting information people across the globe can now access information at light speed. This development paved the way for the structural transformation of the economy. As an economy matures, the structure of production shifts from agriculture to manufacturing and to the services sector. In many countries in the region we observed the prominence of the services sector and the emergence of the creative industries (Tullao 2001).

The extensive use of knowledge in various economic activities emanating from the explosion of the global stock of knowledge has made it the new engine of growth. The use of knowledge has displaced labor and capital as the key factors explaining the competitive edge of economies. As a consequence, a number of economies in the region that have lost their competitive advantage in labor intensive commodities to countries with surplus labor and lower wages are now exploring the opportunities in knowledge-based industries. Knowledge is not only expanding exponentially, it is now easily accessible across the globe due to the rapid developments in information and communication technology. The interactions between the developments in information technology and the explosion in knowledge are rapidly pushing the emergence of a knowledge-based economy (Tullao 2001). Increased dependence on skilled professionals and the utilization of knowledge demonstrate the shift from physical capital and manual labor as major inputs of production. Consequently, the share of knowledge-content services in products and services being traded globally has risen exponentially. Thus, technical innovations and the competitive use of knowledge, rather than the abundance of traditional productive resources, have increasingly provided the competitive edge of today's economies. The integral role of knowledge, its application in various economic activities and its emergence as a new engine of growth is attributable to a great extent to the phenomenal explosion in the global stock of knowledge.

With the improvements of ICT the importance of the services sectors become more evident including creative services. With education and access to digital environment open to everyone, countries can see these as an opportunity to develop knowledge-based industries including creative industries. These developments in ICT have positive impacts on the

development of animation, design and electronic publishing as legitimate economic sectors to be pursued. With the introduction and evolution of the internet as a tool for communication and dissemination of information the utilization of time has altered. Presently, a person spends on average of 11 hours and 24 minutes online per month. The internet is mainly used to send e-mails, news and weather, information search, surfing, research, or instant messaging (Pew Internet and American Life Project as cited in Sharma, n.d.). The demand for digital materials (i.e., books) is fuelled by the accessibility and widespread use of the internet and the availability of gadgets that facilitate their use (i.e., computers, mobile phones, and e-book readers). (Castillo, 2012)

Another factor that can serve as opportunity is the enormous demand for creative services. As mentioned earlier with the development of ICT it has changed the mode of supplying a service including creative services. The digital content subsector is also faced with opportunities that can further reinforce the potentials of the sector. For one the “domestic market is huge and growing while internet penetration, outsourcing and various games are inspiring small developers”. The ease in the transfer of technology from foreign developers to local developers as well as adequate telecommunication facilities allow products/services developed in the subsector a chance to be successful in both internal and external markets. The government supports the sub sector with fiscal incentives that permit the conduct of research and product development. In addition developers are currently taking formal training in design that gives them “skills for accreditation and certification which leads to higher compensation”. (Simatupang, *et al.* 2012)

In addition, global demand for animation for entertainment purposes is quite substantial which was valued at USD 80 billion in 2010 (WTC, 2008). This huge market and potential global demand has created a a lucrative market for animation services. Competition for subcontracted animation services, however, is fierce among the major players in the region, namely: Singapore, South Korea, Philippines, India, and China. (Castillo, 2012). On the supply side governments in the region particularly Singapore, Malaysia, South Korea and China are actively supporting their animation sectors with co-production programs, provision of tax incentives and domestic market penetration policies (Fei, 2008; Young, 2008 and Seah, 2008 as cited in Castillo, 2012), which gives them an edge in securing projects in the domestic and international markets.

Likewise the increasing prosperity in the region has created an opportunity for the creative industries. As income increases, households can also afford goods and services beyond the basic necessities including the way they look and the way their homes are

constructed for comfort and aesthetics. This in turn has opened up opportunities for interior and fashion design. In terms of external demand, the exacting requirements of global markets create a high-end market niche in which companies compete by brand-names, new ideas and designs with cultural characteristics. This highly differentiated demand in the global market creates incentives for Vietnamese designers to reach out, understand and serve high-end customers. Knowing these needs and nuances of the global market are facilitated through information from media and social networks. (Thanh, *et al.* 2012)

Along side with the enhanced income of consumers of outputs of creative industries Indonesia is banking on its unique position as the largest Moslem country in the world. This serves as an opportunity for “entrepreneurs and designers to create a niche in Moslem fashion making and make Indonesia the Mecca of Moslem fashion and design” a market estimated to have generated at USD 96 billion revenues in 2010. (Simatupang,*et al.* 2012)

The third factor that serves as an opportunity is the increasing varied applications of these creative services in the other sectors of the economy. For example, aside from the traditional market for animation output, demand for animation services is projected to expand with the introduction of gadgets (i.e, tablets, hand-held devices for e-learning and others). Beyond entertainment, there is also an untapped domestic demand including e-learning, corporate animation, and animation in education. (Castillo, 2012). In design, various applications of interior design have the potentials of improving the competitiveness of the construction materials, garments and textiles. Creative industries have huge potentials in toys and other services.

The growth in digital publishing for textbook is expected to increase in the future with the expansion in scope and use of open educational resources. Although digital publishing has been a threat to traditional publishing and bookstores, it has been argued that online bookstores serve as a marketing tool, which boosts the sale of published materials, particularly new authors and back list books. In fact, some e-book sales are prompted by customers owning the traditional published versions or owning the electronically published version encourages the user to buy the traditionally published counterpart. (Castillo, 2012)

a. *Strengths of Animation*

Although the subsector is still relatively small it has a lot of potentials for income generation, employment absorption and exports. These potentials are drawn primarily on the strengths of the industry. On the business scope the subsector can be viewed as a “hobby of the developer and as a business enterprise. As a hobby it can trigger tenacity and creativity” while as business enterprise it can induce entrepreneurship as local talents and resources are networked with the global market. Aside from the low labor cost in design the short life cycle of games can likewise contribute to the growth of the industry. (Simatupang, *et al.*, 2012)

Table 3. Strengths and Opportunities of Animation in the ASEAN

Indonesia	<ul style="list-style-type: none"> • hobby and as a business enterprise • low labor cost • short life cycle of games • large domestic market • growing internet penetration • ease in the transfer of technology • adequate telecommunication facilities • government support • skills training for accreditation and certification
Philippines	<ul style="list-style-type: none"> • continuous training on traditional methods (i.e., hand-drawings) which stimulate creativity • Local animation firms provide in-house training • Training programs from educational institutions • Credibility in the global market through networks with foreign-owned animation firms • Filipino affinity with the United States enables appeal to American audiences • Adaptability of Filipino artists to changes in techniques • Strong business association in the industry • Reduced production costs plus decline of the cost of local broadband internet • Faster internet connections • Demand for animation services is projected to expand with the introduction of gadgets • Domestic demand generated by e-learning, corporate animation and animation in education

implementation of action programs on the development of economic activities based on creativity, skills and individual talents. Among the mission of this economic thrust is “to empower human resources to increase the contribution of the creative industries to GDP, increase national exports based on creative, and increase employment among others”.

Included among the goals of the creative industry is “to develop industries that are leading in domestic market and abroad and developing technology that supports the creativity of the people”. Two of the 14 creative industries are digital content (interactive, leisure software, games and animation) and fashion. (Simatupang, *et al.*, 2012)

Although the industry is still in the early stage of development it has a lot of potentials given the strengths of the sector and opportunities open to it. The competitive edge of the Filipino companies in animation over their foreign competitors is based on the continuous training on traditional methods (i.e., hand-drawings). According to the industry association, hand-drawings stimulate creativity and, thus, a factor that strengthens the competitive edge of the local industry. In addition, local animation firms provide in-house training to their new recruits that reinforce training programs taken from educational institutions. The industry has also built its credibility in the global market from the presence of large foreign-owned animation firms as well as the extensive foreign affiliation of local firms. This network allows them too to secure financing, linked with creative experts abroad and connected with foreign clients. Moreover, the cultural affinity of the Filipinos with the United States arising from its colonial ties in the past is working for the industry as animators are able to convey humor, use idiomatic expressions and other cultural nuances to the American audience. The expertise of Filipinos in 2D animation is unmatched despite the rise of competitors since Filipino artists are able to adjust to changes in techniques and current applications. Lastly, there is a strong business association in the industry that established a well-functioning mechanism in assisting members in marketing and distribution. (Castillo, 2012)

b. Constraints : Weaknesses and Threats In Animation

These strengths and opportunities, however, are confronted with weaknesses and threats that may slowdown the future development of the digital content sub sector. The cost can be high for developing production-based interactive games as well as for marketing. Small companies are constraint to reap economies of scale given the limited distribution and commercialization channels. There are also problems with the quality of human resources in game development. “The lack of technical proficiency of managers together with their limited language skills and the low level of innovativeness make them disadvantaged in competing globally. Businessmen do not appreciate the value of research and development needed to develop new products and services”. Designers, on the other hand, lack the entrepreneurial and managerial skills in translating their creative talents in creating value

added for the economy. In terms of the infrastructure the quality of internet is not stable. (Simatupang, *et al.*, 2012)

These weaknesses are further fueled by threats including the perception of limited career opportunities or less promising career in interactive games. There is also a “brain drain problem with domestic developers migrating overseas to be employed in foreign companies”. The financial sector is likewise lukewarm in extending credit in game development. The rules on interactive games distribution in cyberspace through the internet are not yet stable and not conducive to business. Since software and computers are quite expensive vulnerability to piracy and violation of intellectual property can make games development a risky business. (Simatupang, *et al.*, 2012)

Table 4. Weaknesses and Threats of the Animation Industry in the ASEAN

Indonesia	<ul style="list-style-type: none"> • prohibitive cost in developing production-based interactive games as well as for marketing • Difficulties in reaping economies of scale • problems with the quality of human resources • lack of technical proficiency of managers • limited language skills • businessmen do not appreciate the value of research and development • designers lack the entrepreneurial and managerial skills • quality of internet is not stable.
Philippines	<ul style="list-style-type: none"> • Capacity to absorb additional and large projects is restricted due to the limited sizes of companies • The industry cannot draw creative talents that can develop original content • Few artists can work with new technologies in 3D • Difficulty of retaining skilled and experienced workers due to higher compensation overseas • Local companies do not engage in securing, marketing and distributing projects as much as they prefer completing animated projects • Preference of Filipinos for foreign goods which inhibits the development of original and home-grown content • Lack of facilities for training due to high costs of equipment • High costs of software licenses for digital animation • Inadequate institutional support

In the Philippines, a set of weaknesses and threats are softening the competitiveness of the animation sector in the medium term. Since many of the companies in the industry are small and medium enterprises their capacity to absorb additional and large projects is quite restricted and they cannot undertake large scale marketing. Although the Filipino animation

artists are good the industry cannot draw creative talents that can develop original content. Moreover, since these artists have competitive edge in the production of 2D animation there are few artists who can work on new technologies including 3D. In addition, since animation is a highly competitive industry globally there are difficulties in retaining skilled and experienced workforce because of the attraction of higher compensation overseas. Lastly, local companies tend to be lukewarm engaging in securing, marketing and distributing projects and prefer tasks associated with completing animated projects. (Castillo, 2012)

These weaknesses are accompanied by threats including among others the preference of Filipinos for foreign goods that inhibit the development of original and home grown content. Many training institutions often lack needed facilities to equip graduates with knowledge and skills in the use of latest animation technology because of the high costs of equipment. The high cost of software licenses for digital animation can also be an obstacle for the development of the industry. Lastly, inadequate institutional support limits market access and pushes up production cost. (Castillo, 2012)

c. Key Players in Animation

In the Philippines the key players in the animation sector include the following: i) **Toei Animation** - a Japanese company with a Philippine subsidiary that has worked on GI Joe, Transformers, Dragonball, Sailor Moon and Nadja; ii) **Top Peg Animation and Creative Studio, Inc.** – Philippine-owned company that has worked on Disney TV series like 101 Dalmatians, Tarzan, Kim Possible and Hercules; Top Draw – a new entrant in 2004 with a track record in the global market; iii) **Philippines Animation Studios (PASI)** – funded by a listed Malaysian company; iv) **Holy Cow! Animation** – specializes in 3D digital animation. In 2009 two of the five firms listed above – Toei Animation and Top Draw - as well as four members of the Association Council of the Philippines were included in the 2010-11 Philippines Top 15000 Corporations. (Goldstein and Tschang (2004) as cited in Castillo, 2012)

In Indonesia the key players include the following: i) **Agate**, one of the biggest game developers in Indonesia that has created a number of games including esGame, Online Game, Silverlight Game, Social Game, Mobile Game, among others; ii) **Bamboomedia** is known as the producer of a number of computer software applications for office, students, employees, large or small companies, and the children; iii) **Kinema Systrans Multimedia** has new facility which intended for Indonesia-Singapore's entertainment industries offering a comprehensive range of facilities for the production of films, workshops, animation studios,

and post production facilities, including visual effects; iv) **Castle Animation** specializes in producing animation for the international market. Its products include TV Series, Home DVD, TV Commercial, CD-Interactive, and Children’s Book that distributed locally and in the international market.

Although many of these firms are relatively small and medium enterprises the success of the key players in animation is based on their ability to penetrate the global market. This in turn has been possible with their active collaboration with foreign partners.

d. Strengths of Design: Fashion and Interior

The vibrancy of the fashion sub sector emanates from a number of positive features. There is a “unique ethnic touch in some of its products drawing from the variety of ethnic groups in Indonesia”. In addition, raw materials are readily available domestically and from the rest of the world because of trade liberalization. There is available expert manpower in design, production and software that allows innovations in designs. Ample supply of electricity and energy is likewise available and an increasing number of entrepreneurs are in the sector creating a vibrant industry. (Simatupang, *et al.* 2012)

Table 5. Strengths and Opportunities of the Fashion Industry in the ASEAN

Indonesia	<ul style="list-style-type: none"> • unique ethnic touch • availability of local and foreign raw materials • expert manpower in design, production and software • ample supply of electricity and energy • increasing number of entrepreneurs • huge domestic market • the largest Moslem country in the world • development in ICT • the demographic changes and demographic dividends
Vietnam	<ul style="list-style-type: none"> • Vietnamese tradition of artistry • Vietnamese are known to be very dexterous • Younger generations are dynamic and talented through working with seasoned designers • Focus on details, subtle sophistication • Sustained economic growth • higher living standards • Requirements of global markets create a high-end market niche which allows companies to compete by brand names, new ideas and designs with cultural characteristics • Differentiated global demand, facilitated through media and social networks

The design industries in Vietnam have positive features that can influence its growth. First, there is a tradition of artistry among the Vietnamese. Vietnamese are known to be

skilful with their hands. This creative trait of Vietnamese is matched by the dynamism and talents of the young generation of Vietnamese. Many of these young artists have explored opportunities to express their new and bold ideas by working as apprentice with more senior and seasoned designers or by learning-by-doing. These young designers have also kept up with the latest trends in design. In addition, the excessive focus on details, subtle sophistication, producing the best for the selected few, over massive production, or large quantities are artistic traits that strengthens the creative industries. (Thanh, *et al.*, 2012)

e. Constraints: Weaknesses and Threats of Design: Fashion and Interior

However, the sector has also weaknesses including the inadequate or limited exploration of the local content that can inhibit the differentiation and development of unique techniques and designs Indonesia is known. The local textile factories produce limited variety of textiles that constrain designers in making a variety of designs. Additionally, the machines utilized have lower productivity due to low levels of investment in new equipment. This is also a limitation in terms of the skilled workers available. Because many of the companies in the sector a small and medium enterprises they have expansion difficulties mainly due to the apprehension of the finance sector to extend credit. The weak relationship “among entrepreneurs, designers and business associations prevent the sector in fully take advantage of promotional programs of the government”. In addition, there are “no incentives or motivations for entrepreneurs and designers to develop a national brand as they focus only the best selling products”. Some local entrepreneurs have limited exposure and understanding of the demands and requirements of the global market and have limited skills in branding and creating market niches. (Simatupang, *et al.*, 2012)

The viability of the industry may be further weakened in the future as several factors may threaten the industry. The strong market power of the suppliers of raw materials can increase production costs or disrupt the production process. The inflow of cheap fashion products from China through trade liberalization is a significant threat to the local fashion industry. Since domestic consumers consider price and utility when they purchase garments and fashion accessories instead of quality and unique designs local producers may be dislodge by cheap garment imports. Business procedures, overlapping regulatory measures and limited institutional support can serve as real threat to the viability of the industry. (Simatupang, *et al.*, 2012)

Table 6. Weaknesses and Threats in the Fashion Industry in the ASEAN

Indonesia	<ul style="list-style-type: none"> • limited exploration of local content • production of limited variety of textiles • low levels of investment in new equipment • limited supply of skilled workers • expansion difficulties of SME • weak relationship among entrepreneurs, designers and business associations • no incentives or motivations to develop a national brand • limited exposure and understanding of the demands of the global market • limited skills in branding and creating market niches. • strong market power of the suppliers of raw materials • inflow of cheap fashion products from China • business procedures • overlapping regulatory measures • limited institutional support
Vietnam	<ul style="list-style-type: none"> • Uneven playing field for small enterprises • Competition for resources and support are biased towards larger firms • Inadequately trained new generation of designers (out-of-date materials and practice) • Weak linkage between training institutions and the industry and Little connection between associations, universities and the market • Lack of professional management • Limited supply of high-quality fabric • Considered “producer of last resort” due to cheap labor • Little room for the cultivation of talent and creativity due to cheap labor • Infrastructure bottle-necks • Competition from China

Against these positive characteristics of the design industries in Vietnam are some weaknesses and threats that may undermine its competitiveness in the medium term. There is an uneven playing field for small enterprises. While garment, textile, and furniture manufacturing firms are mostly large ones with a lot of capital and support from the state, interior and fashion design firms are usually small. The competition for resources and support among large and small firms is a source of weakness for potential designing firms. (Thanh, *et al.*,2012)

Although there is a new generation of creative and dynamic designers they are, however, are not adequately trained. “There is insufficient training, the lack of professionalism, and the out-of-date materials that are mostly theory with very little, even out-of-date, practice”. The weak linkage between training institutions and the industry leads to retraining of new graduates. While there are plentiful of talented individual workers in the industry it is difficult to group them into productive teams mainly due to the lack of professional

management. Many of these creative entrepreneurs operate as independent contractors with large corporations or responding to individual demands. The limitation in the supply of high quality fabric is a major weakness holding back the fashion designing industry. The domestic market has not provided the quality products that serve designers' need. Imported fabrics, on the other hand, could come cheaply from China, or more expensively from Japan and other countries. There is little connection between the associations and universities, and the market. These business associations have not been able to "connect the pearls", relating individual talents across the country to help forming a coherent strategy for the industry development at a broader level. In short, associations play almost no impacts in enabling small private designing firms in becoming more competitive, generating information about export markets, supporting research and development. As a result, the many small but dynamic companies continue to struggle on their own. (Thanh, *et al.*, 2012)

f. Key Players in Design

Indonesia boasts of a number of firms in fashion design and interior design. In fashion design the following are the key players: i) **Batik Danar Hadi**, a holding company that helped in the development of batik art and batik business in Indonesia by popularizing the traditional Javanese traditional art and culture.; ii) **Eiger Adventure Gear**, a major player in adventure equipment industry in Indonesia whose products have penetrated markets in North America and Europe; iii) **Shafira**, a company that specializes in Moslem fashion drawing its business model from the huge Moslem population in Indonesia and the region; **UNKL347**, one of the pioneers in clothing and distribution outlet in Indonesia that specializes on urban design for the youth.

In Vietnam because fashion design is still at an early stage of development, there is no leading key players in fashion design per se although there are leading garment companies with design departments. The **Vietnam National Textile and Garment Group (VINATEX)**, is a big complex that includes 5 textile companies and garment school, which have their own fashion design division, and a national Vietnam Fashion Design Institute. Big enterprises such as **Garco 10**, **Viet Tien** (for garment) and **Phong Phu** and **Viet Thang** (for textile) have also their own design departments. Although these garments enterprises have their own designers, the ability of designing as well as capacity of production is still limited mostly borrowed or pattern from foreign partners and international trends. (Thanh, *et al.*, 2012)

In interior design, Indonesia has the following key companies: i) **Accupunto**, a company that combines aesthetic and ergonomics on every product they create which distributed in the US and Europe; ii) **Dedato**, a company whose strength is based on the integration of architecture, interior design, and visual design in furniture and other export products; iii) **LeBoYe**, a graphic design firm that started as a small enterprises; iv) **Urbane Indonesia**, a consultancy firm specializing in architecture, urban design, and project visioning that has established an international reputation by doing some overseas projects such as Syria Al-Noor Ecopolis in Syria and Changchun Financial District in China. (Simatupang, *et al.*, 2012)

Because interior design sector has not been clearly defined in Vietnam it is usually considered as a component of the construction sectors. Thus, the key players are really not interior designers but large furniture companies with design departments. The **Truong Thanh Furniture Corporation (TTF)** is one of the leading domestic companies with huge export earnings. The second layer of players in interior design is composed of **Duc Thanh Wood Processing Company (GDT)**, **Thuan An Wood Processing Joint-Stock Company (GTA)**, and **SAVIMEX (SAV)**. They specialized in wood and wood products processing as well as furniture manufacture for domestic and foreign consumption. Other companies are **Hoang Anh Gia Lai Furniture** (under the big Hoang Anh Gia Lai corporation), **Starwood Furniture** (a 100 foreign-invested company), **Thompson Furniture** (a 100% foreign-invested company). (Thanh, *et al.*, 2012)

Although there are successful firms in the design sub-sector, their success lies mainly in the distribution of their outputs as applications of designs and not really fashion and interior design per se. They have become successful in clothing and garments industry and probably in furniture design and architecture.

g. Strengths of Digital Publishing

The strengths of digital publishing are drawn primarily from the introduction, immediate acceptance and widespread utilization of internet that made electronic materials available to anyone worldwide. Globally, almost a third of the people in the world have access to the internet with a typical person allotting an average of more than 11 hours per month (Sharma, n.d.). Accordingly, electronically published materials have potential international market that devote time perusing digitally published materials.

(<http://www.internetworldstats.com/stats.htm> as cited in Castillo, 2012).

Table 7. Strengths and Opportunities of Digital Publishing

Philippines	availability to wide range of consumers/readers ease in accessing, purchasing and updating materials lower publication costs relatively more environmentally friendly higher value added prestigious literary awards that recognize literary talent and creativity in the Philippines greater chance of being published higher royalties applicability to a wider range of media activity
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Second, the internet allows consumers immediate, convenient and easy access to electronically published materials (i.e., fiction and non-fiction books, journals, magazines, newsletters, etc.). Distribution is likewise efficient since purchase of digital publications can be done anywhere with a click of the mouse. “In addition, digital publishing is also an ideal storage and retrieval mechanism for information that requires frequent updating such as the news. Not only is it less costly but data also reaches its audience in a timely manner and provides an easy means for revising and correcting”. (Castillo, 2012)

Third, production as well as environmental cost reduction in digital publishing is quite substantial with the elimination of the use of paper and ink among others (Saxena, 2009 as cited in Castillo, 2012). The consequences of this reduced demand for paper and chemicals can be beneficial to the environment. Fourth, the broad spectrum of possibilities in organizing, presenting and packaging the content and text may not only enhance the entertainment value of the digital publication but can also improve its pedagogical functions. “Electronic publishing is posed to revolutionize data storage and retrieval, entertainment habits and broaden educational opportunities”. (Castillo, 2012)

h. Constraints: Weaknesses and Threats in Digital Publishing

Despite these strengths digital publishing is also confronted with a list of weaknesses and threats. Book piracy remains the most serious concern not only for traditional publishers but to digital publishing as well. Electronic materials like e-books are easier to copy and share/sell. They can be quickly downloaded, stored indefinitely in flash and hard drives, and shared with relative ease via e-mail, instant message, posted on websites, or copied to another

flash/hard drive. Copyright infringement goes hand-in-hand with digital piracy. (Castillo, 2012).

Table 7. Weaknesses and Threats of Digital Publishing

Philippines	<ul style="list-style-type: none"> • electronic readers are expensive • preference for traditionally printed books • limited titles • piracy • copyright infringement • rapid rate hardware and software obsolescence • greater competition
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The rapidly changing technology can also present a threat to digital publishing. With these changes certain formats/platforms that are used in accessing the digitally published work may become obsolete. Although digital publishing may be cheap and accessible with a given format/platform transporting these digital published works into a new format/platform may become prohibitive. This technological risk may hamper the development of digital publishing. Lastly, although digital book sales are growing at relatively rapid rates it is confronted with numerous competitors including online bookstores/aggregators/internet companies, self-publishers, traditional and established book publishers and traditional bookstores, make it a very competitive sector. (Castilo, 2012)

i. Key Players in Digital Publishing

In the Philippines the key players in digital publishing include i) The **Philippine Daily Inquirer**, a broad sheet offering on-line access to newspapers and magazines (including archives) in addition to the sale of printed newspapers; ii) **Summit Publishing Company, Inc.** –offers digital media, outside-of-the-home media and consumer events services; iii) **Vibal Publishing**, In support of its on-line publishing product line, particularly for educational materials, the company has established a hub for parents to promote e-learning; iv) **C&E Publishing**, on the other hand, primarily serves the medical and science books markets through its re-printing and distribution services.

Although electronic publishing is but an emerging industry in the Philippines, within the ASEAN region, Singapore has a well-developed, competitive and steadily growing

interactive digital media (IDM), for which digital publishing is a sub-sector. The Singapore IDM sector is composed of three sub-sectors: 1) firms involved in “creating, publishing, production, display, and distribution of IDM-related content” (Deloitte, 2012); 2) related industries engaged in production, manufacture, and sale of devices and equipment that enable consumers to access to IDM products and services; and 3) enterprises “that are involved in the development and purchase of IDM-related services” (Deloitte, 2012 as cited in Castillo, 2012).

According to the Deloitte (2012) study, the critical success factors of the enterprises comprising Singapore’s IDM sector are: 1) “increasing adoption of applications that are provided by Singaporean IDM companies to key players, such as **Singtel, StarHub, Maxis, and TelkomSel**”; 2) the attractiveness of the industry to foreign investors owing to the soundness, dynamism and future profitability of Singapore’s IDM industry; 3) the availability of talent and expertise, both local and foreign, in Singapore, which are essential inputs to all aspects of the IDM industry; and 4) increasing global reach, which is manifested through the “expanding [] international presence” (Deloitte, 2012 as cited in Castillo, 2012) of Singapore-based companies.

Finally, global players are recognizing Singapore’s potential as a means to reach the vast market in the Asia-Pacific region. **Amazon** is now hosting services in a data center in Singapore to expand their customer bases and explore possibilities in the interactive digital media in the region. **Indigames**, in fact, has already signified their intent “to launch a Facebook game based on the Indian Premier League (IPL), an extremely popular cricket league in India and around the world” (www.datacenterknowledge.com/).

3.2.3. Some Issues on Trade in Creative Services in the Region

a. Enhancing Value Added

The creative industries in the region whether fashion design, interior design, animation or printing and publishing share a common characteristic. They are relatively small in terms of their contributions to national income, employment absorption and export earnings. Despite this relative smallness and early stage of development it has a number of strengths and opportunities for growth and development as well as potentials for becoming the base for the services hub in the region in the future. In this light, the challenge for these industries is how to expand their value added and strengthened their linkages with other sectors of the economy particularly the manufacturing sector. Fashion design is essential in improving the competitiveness of the textile and garments industries. Similarly, interior design is intimately

linked with construction materials and furniture which has huge export potentials. Animation, on the other hand, has numerous applications beyond entertainment and education services for the domestic and global markets. Digital publishing is connected with a host of services industries including education, media and advertising. To this end, the value added and linkages of these sectors can be enhanced by expanding its horizon including revisiting the past for product development, discovering the global market for niches, exploring the potentials of the information and communication technology (ICT) for its varied applications and improving human capital for its productivity contributions.

b. Revisiting the Past

Many of the products and services in the creative industry can expand its contributions to the national income and its linkages by revisiting and rediscovering the rich cultural heritage of each country and drawing from its vast resources for the enhancement of the creative services. In animation for example, the value added is very limited since the artists are mainly confined with drawings from outsourced storyboards. Greater value added, however, can be created if the animation firms have control over a sizable portion of the production to distribution activities from conceptualization of the storyline to the marketing of the finish product. In this light, the artists and animation companies can source their stories from the wealth of folklores and local literature in the region. The success of the cartoon Ipin and Upin and its acceptance within and outside the region is rooted on the use of local color with a universal message. Similarly, fashion and interior designs can learn from the indigenous designs and transform them to be marketable in the global markets for textiles, garments, fashion accessories, construction materials and furniture among others. In printing and publishing the local literature in several countries in the region can be a rich resource of materials for books to be marketed domestically and internationally.

Although local materials have been used, and cultural heritage has been widely utilized in countries like Vietnam, Indonesia, Thailand and Malaysia, primarily for the domestic market the challenge for the creative services industries is to differentiate and transform these traditional designs, folklores and indigenous materials so that they can gain market acceptance in highly sophisticated and mature markets outside. Aside from spatial differentiation of market, the creative services sectors can also explore the application of these traditional designs and materials in other fields. For example, creative artists should explore the possible application of Batik in interior design and not only on textiles and garments.

Thus, the application of a country's cultural heritage as well as the spatial and sectoral differentiation of such applications can greatly enhance the contributions of the creative services sector to the economy.

c. Discovering the Global Market

Part of widening the horizon of the creative services industries is to explore the potentials of the global market. Technical capabilities and language skills may hamper the penetration of the global market now but the creative services sector should try harder in understanding the exacting demands of the global market. Once they understood it they can tailor their creative services to these tastes and create a market niche in a vast global market. What will differentiate the products and applications of these creative services is the rich cultural nuances that the region can offer in our designs, animation and print outputs. We can draw lessons from the success of our tourism industry in the region. The popularity of Thailand, Malaysia and Indonesia is beyond the beautiful beaches but the rich and unique cultural features flavoured in these destinations.

In addition, the global market should not only be seen as a potential market but also as an important site for securing modern production and distribution technologies. To this end, creative services firms will need to partner with some big players in their fields to assist them in the conduct of discovering opportunities in the global markets. It can be a vast space for sourcing for funds, networking with potential investors, venue for trade fairs and other purposes beneficial to the creative services sector.

d. Exploring the Potentials of ICT

With the rapid improvements in ICT and the extensive utilization of the internet, it is imperative that the creative services firms should explore this avenue in cyberspace. Understanding the global market through the internet is an efficient avenue for knowing changes in market demand and trends as well as sources of raw materials. This rich resource of information and possibilities can expand the production and distribution horizons of the creative services sector. The production of e-books can decrease the cost drastically and can have access to a wider distribution network. The rich cultural heritage can be tapped to be marketed abroad through the internet. For example, the English translation of major literary masterpieces in the region can be done electronically and circulated within the region and across the globe. In animation, there is an extensive use of computers and software that

explore the new developments including 3D animation. Fashion and interior design can use modern information technology in creating designs by using computer software.

e. Improving Human Capital

The quality of workers particularly the artists are important for the competitiveness of the creative services as well in expanding its horizon. The region can boast of a reservoir of creative talents but beyond innate talents they should be trained technically specifically in the use of modern technology, in extracting themes, ideas and designs from the tradition, and lastly the skills in managing business enterprises. The artist-owner may be creative but does not understand the management of business. On the other hand, you have an able entrepreneur but does not appreciate the temperaments of creative individuals. This inadequacy is one of the reasons attributed to the failure of some creative services enterprises and the inability of many to expand and become big players in the market.

One way of addressing this issue is to establish a regional training center for creative traditional arts. The center can be a cooperative initiative of the countries in the region to understand tradition of creative arts of various cultures in this part of the world. The center will likewise explore possibilities of applying indigenous games, traditional designs, folklores, and other aspects of cultural identity in the creative services sector including fashion, interior design, animation and publishing. It can draw students and artists from all over the region to be trained similar to the training programs in design centers in Europe, the US and Japan. Aside from training in design, the center can be a training ground for managers on how to manage human resources including artists and combine them with physical and financial resources to make the firm viable and grow. The center can create its niche in the market based on the quality of its graduates and in the way these graduates respond to global demand and manage their enterprises.

Although cheap labor has been a major strength of doing business in Vietnam, it serves as threat in the interior and fashion sector since Vietnam is considered as the “producer of last resort”. With cheap labor as their main objective in coming to Vietnam, there is little room for the cultivation of creativity and development and marketing of new design ideas. In addition, the infrastructure bottlenecks makes it expensive doing business in Vietnam especially the small and medium enterprises. Lastly, the competition coming from China can likewise threaten the interior and fashion design sector. (Thanh, *et al.*, 2012)

4. Options for AEC as a Global Services Hub

4.1. Possibilities of the Sectors in Trade in Services

4.1.1. Cross Border Transactions

In health and medical services supply Mode 1 or cross border transactions opens opportunities for medical transcription and telemedicine, among others. Given the higher wages in Singapore and Malaysia this may not be option for these countries. However, for the Philippines this mode is currently being implemented with a huge volume of sourced services to the BPO companies from the US, Canada and Australia. In addition, Vietnam and Thailand can likewise explore the potentials of this mode of supply in enhancing trade in health services. The key requirements in the supply mode include cheap and reliable telecommunication facilities, low wages and facility of agents in the English language. Mode 1 is not viewed as relevant for Thailand since “the country has already secured a niche market for cosmetic surgery and is considering to be a key player in more complex treatments”. (Supakankunti & Herberholz, 2012)

In creative services industries there is a number of opportunities open to animation, fashion design, interior design, digital publishing. Many of the animation companies in the Philippines are engaged in cross border transactions since they produce the drawings in the country and transmit their outputs to their foreign partners electronically. In design, it may be limited since most of the outputs of this sub-sector have been intended for the local manufacturing sector primary garments. Similarly the major animation and game developers in Indonesia are engaged in cross border transactions especially those whose outputs are meant for the international market. The outputs of digital publishing end up with the consumers accessing primary through cross border transaction flows.

These industries should explore the potentials of cross border transactions of outsourced components of a product and service. However, as mentioned in the previous section, the outsourced service has a limited value added. The challenge for these creative services is to increase value added by expanding the coverage of their activities and take advantage of the possibilities of performing a larger proportion of the production and distribution activities using Mode 1.

4.1.2. Consumption Abroad

For health and medical services the region has become a hub for this mode via health and medical tourism. The market is segmented with three major players establishing their market niches. Singapore has a competitive advantage in high-end and complex medical procedures and chronic diseases because of the presence of modern medical equipment, expertise of health professionals and the quality of service comparable with the best hospitals in the world. Thailand, on the other hand, is leading regional players in Mode 2 accounting for the highest number of medical tourists in the region with their specialization in cosmetic surgery, among others. Malaysia's competitive advantage in medical tourism is based on the low cost of medical treatment and the locational advantage of key cities with their primary foreign market, the Indonesian. In addition, Malaysia offers traditional and complementary medicine derived from various cultures. The Philippines has signified its intention to develop health and medical tourism on cost consideration and available alternative medicine. Although segmented, there is a need to explore creating market for the middle. (Phua & Pocock, 2012)

Although this supply mode has huge potentials in the healthcare and medical tourism, it has its downside too. The major disadvantage is the emergence of a dual market structure worsening the mal-distribution of health resources across urban and rural areas and in terms of specialization. (Supakankunti & Herberholz, 2012). In addition, because of national security reasons the immigration officials may adopt stringent measures and cumbersome background checks on a potential foreign patient. This may deter foreigners to seek medical treatment in countries with very strict immigration rules. To address this issue, the issuance of a special medical tourist visa can contribute in expanding the country's market share of foreign patients in the region and globally. (Phua & Pocock, 2012)

Aside from health and medical tourism this sector has possibilities in Mode 2 with medical education and training. With some of the best universities offering medical education young doctors in the region can take their specialization and graduate studies in these universities. This avenue is governed by immigration policies as well as the policies of the Ministry of Higher Education in countries providing educational services. This alternative should be supported by the region not only in enhancing trade in medical services but more so in improving the quality of doctors and other health professionals. Similarly, consumption abroad in the form of training in alternative and complementary medicine should be encouraged.

For the creative Industries there is very limited option for design, animation, and digital publishing for Mode 2 since the services of these creative industries are imbedded in products like furniture, fashion accessories, garments and printed materials which can be transported to the residence of the consumers through importation of the commodities rather than supplying it under consumption abroad. On the other hand, the establishment of national or regional training centers in creative arts can encourage artists to undertake training in traditional creative arts. The institutionalization of exhibits, annual fairs and competition across the region to showcase the artistic talents and creative outputs of the region can likewise enhance consumption abroad.

4.1.3. Commercial Presence

Establishing commercial presence is another viable option in expanding the trade in health and medical services in the region. A network of hospitals in the region can establish branches and establish commercial presence in various key capitals of the region. For example, the big health providers in Thailand and Singapore are establishing commercial presence in some key cities in the region by partnering with local doctors and businessmen. Given rising income of the middle class in the region and the demographic changes, key players in the US market may consider establishing presence in the region.

The business model built by Parkway Pantai Ltd, Raffles Medical Group and the Thomson Medical Pte Ltd., leading holding companies in healthcare in Singapore can expand the mode on commercial presence through the expansion of their branches in the region. Singapore can expand the reach of its renowned regional brands in the health sector in the region by building hospitals and medical centres in the region. This has the benefit of mitigating the cost of training due to migration of highly trained health professionals and the cost of seeking medical treatment overseas. (Phua & Pocock, 2012)

In Malaysia, except for general practitioners (GP), foreign doctors are not allowed to open up general practice clinic, foreigners, however, are allowed to set up hospitals. However, APHM is yet to decide on the size of hospital that can be set up. (Dahlui & Aziz, 2012). Parkway Pantai Ltd of Singapore owns **Pantai Holdings Berhad** which operates nine **Pantai** Hospitals and two **Gleneagles** Hospitals in Malaysia. (Phua and Pocock, 2012)

For the creative services the potentials for Mode 4 is very extensive. To avail of the cheap cost of labor, access to the raw materials and integration with their manufacturing linkages some of these design industries may establish commercial presence in the region. However, the business environment must be favorable to them before they decide to establish

commercial presence. More than cheap labor these companies may be looking for ample supply creative talents, reliable supply of electricity and an infrastructure that will support their business enterprises.

Most of the animation companies in the Philippines have foreign partners that have established commercial presence in the country. Similarly, companies in design. Commercial presence is likewise established as in the case of digital publishing to explore the market in the region as in the case of Amazon.

4.1.4. Movement of Natural Persons

Movement of natural persons is likewise favorable in health and medical services. With the liberalization in trade in health services, the health sector of some countries may expand rapidly that they will experience shortage of health professionals including nurses and doctors. The temporary entry of health professionals may be attached to the establishment of commercial presence of foreign-based hospitals in the region. This movement of human resources is quite different from the migration of health professionals to explore wage gaps across region. The entry of workers including health professionals is subject to the immigration policies of the country as well as the regulatory measures on the practice of profession.

In Thailand, there are laws that govern the practice of medical and other health professionals All foreign medical, dental and other health practitioners wishing to practice in Thailand must possess a basic qualification approved by the appropriate professional division, register and obtain a license from the appropriate Thai professional health council, and pass the examination set by the relevant professional council in Thai language. In addition, a foreigner applying for a nursing license must hold a license to practice from the country where he graduated. (Supakankunti & Herberholz, 2012)

In Malaysia, foreign doctors are not allowed to practice as general practitioner (GP); however foreign specialists are allowed at the private hospitals, provided they register with Malaysian medical authority. (Dahlui & Aziz, 2012)

In creative services the temporary movement of workers is allowed particularly if these technical staff or managers are attached to foreign firms establishing commercial presence in various capitals of the region. In this industry the movement of artists that has been observed is not temporary movement but permanent movement to reap the attractive compensation package overseas. In addition, the movement is not into the region but an egress of artists to major sites of key players in the field including the US and Europe. Moreover, unlike in

health and medical services the movement of artists in the creative services is only governed by immigration policies since there are no regulatory measures governing the practice or artist except for architecture and probably interior design which are regulated professions in some countries.

4.2. Improving Competitiveness of the Sectors

4.2.1. Investment in physical capital

In health and medical services investing in modern medical technology, particularly on high-tech medical equipment can make the sector globally competitive. However, acquisition of this equipment, which is mostly imported, can be prohibitive and has implications of the way it will be financed. Internal funds may be available for huge private hospitals but otherwise hospitals will need to borrow or infuse equity from foreign partners. The use of costly equipment in the provision of medical service may likewise increase the cost of medical services. This may further highlight the dualism in the provision of health and medical services and may have equity implications.

In creative industries, investments in new equipment are imperative to reduce production cost, promote efficiency and be at par with the key players worldwide as experienced by those in digital animation and design, and electronic publishing. Although it may lower unit cost there must be an appropriate scale of production required to reap these economies. For small and medium enterprises with limited projects and contracts, acquisition of high powered computers and software can be very prohibitive. The option for these small businesses is to borrow or partner with some big players if they want to acquire modern equipment.

In this light, the role of government is to provide an environment that will facilitate the importation of this equipment. Whether they will be exempt from import levy is another question. If the equipment is going to be used for the provision of public health service it is understandable to give tax exemptions. However, if the equipment is going to be used for activities for profit then it becomes problematic. In addition, the government should nurture an efficient capital market where private hospitals can easily get credit to finance their investments in equipment. The implementation of liberal foreign investment policy by allowing key players in the region to partner with domestic players can expand and further differentiate medical tourism beyond Malaysia, Singapore and Thailand.

Meanwhile, small and medium enterprises in creative services may be given access to subsidized credit for their potentials in making significant contributions to the economy in the medium and longer term. The government can also actively participate in the production of animation to address the lack of funds of the small firms or initiate co-production projects with key players in the global market. The improvement of telecommunication facilities including the expansion of the broadband internet service can benefit animation and digital publishing. The government can also promote public-private partnership in production and distribution in animation. The government can likewise facilitate in the establishment of technology centers for sharing of expensive state of the art capital equipment in animation. Lastly, the government should pursue a liberal policy that will encourage foreign investment that can partner with domestic artist-entrepreneurs.

At the regional level, sharing of best practices can be pursued on financing acquisition, management of technology and improvement in facility and service. For example, the region can devise a program on how to insulate the public health sector from the price impact of consumption abroad in the expansion of health in services. In addition, the region work out a mechanism on the accreditation of hospitals as well as the portability of health insurance from the US, Japan and Europe to hospitals across the region. Since the insurance companies will have to pay the cost of medical treatment or health services the cost advantage of hospitals in the region may further expand the demand for health and medical tourism.

For the creative industries regional cooperation can be crucial in the establishment of mechanism for exploiting the cultural richness of the region and cooperative measures towards joint production of animation

4.2.2. Investment in human capital

The quality of equipment in the medical equipment can only be appreciated if the quality of human capital is also present to have an excellent delivery of health and medical services. There are two levels of improving the quality of health professionals; general medical education and specialization. In many countries, medical education is provided by the state through public universities. Many of the private hospitals are reaping the benefits of the productivity of these professionals with little participation in their medical education. In addition, the higher compensation in private hospitals has encouraged internal migration from public to private hospitals and from rural to urban hospitals. For medical specialization, there is internalization of training cost since it can be financed by private hospitals and other donors.

Another critical issue in private hospitals is the quality of managerial talents available. Apparently, based on key informants, they do not level up to the quality of doctors and other health professionals. It may be that medical doctors are assigned as managers of these hospitals. In such a case, these doctors may be excellent specialists but they may not be made to be hospital managers. There is a special talent and skills needed in managing medical centers competing with the global market for health and medical services.

Another human capital issue confronting private hospitals is the quality of other health professionals particularly nurses. With the liberalization of trade in medical services, as well as the huge demand for nurses globally, many nursing schools may not be adequately prepared to meet this demand thus comprising quality of nursing graduates.

In the creative services, the supply of artists in the region is not wanting. However, the qualified and trained artists who are technically proficient in the use of computers and modern technology may be problematic. In this light, there is a need to train artists to be technically proficient and in the utilization of modern equipment and computer software. Where the artist is likewise the entrepreneur, there should be training on how to manage creative services companies on all aspects of the business from production to distribution.

At the national level, the disparity of compensation in the dual health system can be addressed through several initiatives, like bonding, offering financial incentives, and tax cum subsidy measures. For example, a tax can be imposed on private hospitals to compensate the state in the education of their health professionals and in draining public hospitals of doctors with their attractive compensation package. The government can also promote public-private partnership to address the asymmetries existing between public and private hospitals. To address the shortage of specialists and other health professionals the government may adopt a more liberal view and regulation on the movement of natural persons to address labor market imbalances and not just to accompany Mode 3 or establishing commercial presence. The entry of foreign medical doctors should be allowed based on MRA and other recognition protocols.

For the creative services, the government can provide fiscal incentives for costs in-house training artists and technicians. It can also support technical skill training programs in design, animation and digital publishing. Lastly, it can implement a certification system of technical qualifications for artists in the creative services.

At the regional level, aside from sharing best practices measures to establish regional centers for the training. The region can identify universities under the ASEAN University Network (AUN) to be centers of excellence in various fields in medicine just like the

SEAMEO regional programs. These universities can be funded and serve as regional centers for advanced and specialized training. In addition, health and hospital administration can be included as one of the fields of specialization. It is also possible for the leading business schools in the ASEAN to offer the training program for hospital administration. If the region is going towards specialization in various fields in medicine and allows the liberal movement of natural persons, there is a need to craft Mutual Recognition Agreements (MRA) in many of the regulated professions in the health and medical services.

For the creative services, the regional training center for traditional arts and indigenous culture should be established where artists and entrepreneurs can be exposed to the wealth of culture and literature of the region which can be useful to the interior and fashion design, animation and digital publishing. This venue can likewise serve as a regional training center in business and entrepreneurship for artists

4.2.3. Exploring Market Niches

In health and medical services various countries may want to specialize in their respective fields. The supply mode and field of specialization will be determined by the country's interest, resources and strategy. Although the market is currently segmented and areas of specialization clearly marked, other countries should not be excluded but should be allowed to compete and find their market niches in the growing market for health and medical services. Currently, Singapore has an edge in high-end complex procedures and operations while Thailand has an advantage in cosmetic surgery and Malaysia has cost and locational advantages on major medical procedures and operations. In addition, many countries in the region are exploring the potentials of alternative and complementary medicine as well as wellness.

Best practices of these key players may be shared with other countries that may want to follow existing key players by benchmarking with their best practices. A healthy competition among countries and finding their market niches can definitely enhance the region as a global hub for medical services and health and wellness. However, the issues on public vs. private provision, health as trade vs. trade public health issue, or the efficiency vs. equity concerns should not restrict the country in denying foreigners to have access to quality health services. As long as the cost of provision including the public subsidy should be incorporated in the price that foreigners pay, the efficiency vs. equity issue on the expansion of trade in services will be adequately addressed.

On the movement of natural persons, some health professionals from other countries may have to be admitted in some countries if they have the qualifications, experience and appropriate training. It may be easy for nurses since the region is characterized with labor imbalances in nurses. However, movement of foreign health professionals can have impact on both the sending and receiving countries. From the sending country this is a form of brain drain since these health professionals are skilled and highly educated. If their education was highly subsidized by the government then the sending county may in effect subsidizing the provision of health and medical services in the receiving country. On the receiving country, question of recognition and qualification of the health professional may be questioned.

Similarly in creative services there is no point of segmenting the market and allocating various sub-sectors to ASEAN countries. That may be counter productive and may not address the country's competitive advantage. A healthy competition among countries should be pursued instead of allocating industries through their complementary values.

Given the need to explore market niches for these two sectors the government at the national level should support their marketing programs through policies, regulations and institutional support. For example, immigration policies should be tourist-friendly for those seeking health and medical services in the country. The infrastructure should be available for the tourist from pre-arrival, arrival, stay and departure. Support services from marketing of the country to visa processing, transfers to hospitals, side trips, and other support services should be readily available. The establishment of a special medical tourist visa can promote medical tourism in the region. The government should also assist the industries in language training programs since understanding the language of the foreign patients is crucial in the marketing of health and medical services of the country. More than marketing, there is need to focus on the business development since the industry is relatively mature. The government can likewise facilitate the establishment of branches of hospitals overseas and promote commercial presence instead of consumption abroad through liberal foreign investment policy. The government can create an environment where prices are transparent and customer friendly guidelines.

For regional cooperation in healthcare and medical tourism there is a need to work out strategies towards the portability of health insurance in the region, promote healthy competition among key players in the region and establish regional mechanism to allow competition among the players in the region.

For the creative industries, the government can encourage local networks to air animation series/films with original and indigenous content. It can also establish an environment for

sharing best practices of key players and promote healthy competition among countries and finding their market niche. The government can intensify the marketing of products of the design and animation services as well as the protection of intellectual property rights of creative artist and writers. In expanding the market and its contributions, the government can promote public-private partnership, encourage the use of local content, promote the expansion of the use of creative services in export industries, promote export industries using the outputs of creative services and develop supporting industries

In terms of regional cooperation, there should be regional support mechanism to allow players in each country to compete. The artists and entrepreneurs, for example, should be prepared not only in the production of their services but also on how to market and compete in the global market. In this light the region can intensify a marketing program in creative and other services. In creative services, the region can establish prestigious awards on creativity and sponsor frequent regional exhibits for outputs of designs and animation.

5. Conclusion

The objective of transforming the ASEAN Economic Community into a global service hub is not only to reap the opportunities in global and regional trade in services but ultimately to be one of the effective avenues that will link the economies in the ASEAN in realizing the goal of regional integration specifically the formation of an economic community.

The healthcare and medical services, on the one hand, and the creative services, on the other hand, were chosen in this study not only because of their potentials for income, employment and foreign exchange earnings generation but more importantly in contributing to the regional integration. Although the two sectors have huge economic potentials, these sectors are characterized with varied strengths, faced with different set of opportunities and exposed to differing weaknesses and threats.

The medical tourism sector is a mature industry while the creative services sector is a developing industry in terms of scope and depth of their current contributions in the domestic economy as well in regional trade in services. Medical tourism is a capital-intensive industry utilizing complex facilities, state of the art equipment and employing highly skilled, sometimes foreign-trained health professionals. This sector is dominated by few large holding companies that control a network of hospitals in the region. However, an incipient

component of the healthcare and medical travel industry is relatively labor-intensive and competitive including wellness and alternative medicine. The creative services sector, on the other hand, is composed of small firms in a highly competitive market. Although the industry uses information and communication technology including modern computer hardware and software it is relatively labor intensive employing skilled technicians, artists and writers.

In terms of their accessibility in supplying services, the healthcare and medical services utilize primarily mode 2 or consumption abroad with foreign and expatriates patients seeking medical treatment in internationally accredited hospitals in Malaysia, Singapore and Thailand. Mode 3 or commercial presence is likewise common in the healthcare travel industry with some of the huge holding companies based in the region managing a network of hospitals in the key cities of the region and beyond. Movement of natural persons or mode 4 is also noticeable in the sector mainly to address regional labor market imbalances of health professionals. Although there are potentials for cross border transactions or mode 1 like telemedicine, which is still underdeveloped, while the growing medical transcription services is categorized under business process outsourcing.

Trade in creative services, on the other hand, is primarily facilitated by cross border transactions with outputs of animation, electronic games, and digital publication transmitted to customers and foreign partners digitally. In addition, some of the outputs of fashion design and interior design are used in the garments and furniture industry whose products are exported to foreign markets. Consumption abroad is hardly relevant in this sector. Commercial presence is very evident with a large number of the key players in the creative industries operating with foreign partners. Many of these foreign partners establish commercial presence in the region to reap the benefits of lower labor cost and access to huge market of creative talents and skilled technicians. Movement of natural persons is also possible as some of the key artists are recruited abroad and within the region especially those companies that may not find it cost efficient to establish commercial presence in some of the cities in the region.

Another important difference is the impact of these industries on the other sectors of society. The health has a number of externalities because healthcare and medical tourism is not only a service to be traded regionally and globally but a public good for domestic consumption. The thrust of enhancing economic gains through efficient production in the expansion of trade in services as against the social benefits derived from an equitable delivery of a public good has become a significant dilemma in the promotion of healthcare and

medical tourism. This conflict is totally absent in the creative services where efficiency and reaping the economic gains of trade in services is a major consideration in the expansion of the creative services for the internal and external markets.

Given the differences of the two sectors in terms of their market structure, scale of production, factor intensity, utilization of the various modes of supply of services as well its impact on other sectors of society there will be differences in the approaches that government can take in promoting the sectors via the formulation of regulations, the provision of regulatory environment, and the extension of institutional support. In addition, the regional cooperative measures for the two sectors will likewise differ. Identification and implementation of these government measures as well as regional efforts are meant to strengthen the sectors, mitigate their weaknesses and threats in order to reap the opportunities that will enhance their contributions towards the transformation of the ASEAN as a global hub for services.

Government responses in healthcare travel industry must be crafted in the light of inconsistencies arising from trade and public service perspectives of medical tourism, inequities from the dual delivery system and varied financing schemes, imbalances and subsequent migration of doctors and other health professionals from the public to private hospitals resulting from compensation gap, the regulatory frameworks for healthcare provision, on the one hand, and the differentiated services in medical tourism, on the other hand.

The key is to make sure that the provision of services in medical tourism must be efficient and equitable by pricing the service at full cost for both citizens and foreigners alike. However, citizens can still avail of government subsidy through discounts from national health insurance schemes. Because of the public good issue, re-allocation and financing, the liberalization of the health sector will have to be selective for services whose cost can be privately internalized. A tax cum subsidy measure can be used to address the disparity in salary between sectors as well as the under-investment in public hospitals. In terms of regulation, the regulatory standards will be the same in the practice of any profession but will differ in the specialization of the health professionals and the quality of services.

In creative services the government can assist in addressing the sector's major concern: enhancing its contributions in the value chain. To this end, the linkages of the various industries can be explored by revisiting the rich cultural heritage of the country for product development, discovering the global market for niches, exploring information and communication technology (ICT) for applications, and improving skills of its human talents.

We have identified three broad categories of measures that the national government and the regional bodies can undertake to enhance the competitiveness of the healthcare and medical tourism, on the one hand, and the creative services, on the other hand. These are investment in physical capital, investment in human capital and exploration of market niches.

Table 8. Specific Recommendations for Healthcare and Medical Tourism

	Role of Government	Role of Regional Cooperation
Investment in Physical Capital	<ul style="list-style-type: none"> • exempt hospitals in paying taxes on the importation of medical equipment • develop an efficient capital market where private hospitals can access credit to finance their investments in equipment • establish a liberal policy on the entry of foreign investments that can promote medical tourism • allow key players in the region to partner with domestic players that can expand and further differentiate the medical tourism beyond the Malaysia, Singapore and Thailand 	<ul style="list-style-type: none"> • establish mechanisms in sharing practices on the operations of complex hospitals from financing, management of technology and service differentiation • devise measures to insulate the public health sector from the price impact of consumption abroad in the expansion of health in services • assist hospitals in the region attain international accreditation
Investment in Human Capital	<ul style="list-style-type: none"> • establish an open immigration policy that allows entry of experienced biomedical professionals, researchers and management staff • allow the entry medical doctors based on MRA and other recognition protocols • allow entry of health professionals to address labor imbalances • initiate bonding, financial incentives and tax cum subsidy measures to address the disparity in compensation among doctors • promote public-private partnership among hospitals 	<ul style="list-style-type: none"> • establish regional centers for training through the ASEAN University Network (AUN) • establish centers of excellence in various fields in medicine • link with the leading business schools in the region to provide training programs in hospital administration • craft a regional Mutual Recognition Agreement (MRA) for health and medical professionals
Exploration of Market Niches	<ul style="list-style-type: none"> • focus on the business development of the sector • facilitate the establishment of branches of hospitals overseas. • promote commercial presence instead of consumption abroad through liberal foreign investment policy • establish an environment where prices are transparent 	<ul style="list-style-type: none"> • work towards the portability of health insurance in the region • promote healthy competition among key players in the region • establish regional mechanism to allow competition among the players in the region

	<ul style="list-style-type: none"> • develop tourism industry and other supporting industries including transport and communication • improve administrative procedures and less bureaucracy in licensing • develop a transparent and customer friendly guidelines • transform immigration policy to be tourist friendly for those seeking medical treatment • establish a special medical tourist visa • assist in the foreign language training for the personnel in sector 	
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These specific recommendations although meant to address productive capacity, human resource development and market expansion that are crucial in enhancing the competitiveness of the sectors are likewise responding to the modes services are supplied. The encouragement of foreign investment and foreign partnership, for example, is akin to mode 3 or commercial presence while the creation of tourist friendly and immigration friendly policy are meant to address the concerns in mode 2 or consumption abroad in health and medical tourism. Similarly, the expansion of the telecommunication and infrastructure is meant to enhance mode 1 or cross border transaction which is very crucial in digital publishing and animation. On the other hand, allowing entry of foreign health professionals to practice and artists for training at the regional level are cases of mode 4 or movement of natural persons in healthcare and creative industries respectively.

Table 9. Specific Recommendations for Creative Industries

	Role of Government	Role of Regional Cooperation
Investment in Physical Capital	<ul style="list-style-type: none"> • provide access to subsidized credit for small and medium size enterprises • pursue a liberal policy that will encourage foreign investment that can partner with domestic artist-entrepreneurs • actively participate in the production of animation • improve telecommunication facilities including the expansion of the broadband internet service • promote public-private partnership in production and distribution • facilitate the establishment of technology centers for sharing of expensive capital equipment 	<ul style="list-style-type: none"> • establish mechanism for exploiting the cultural richness of the region • establish cooperative measures towards joint production of animation

	<ul style="list-style-type: none"> • initiate co-production projects with key players in the global market 	
Investment in Human Capital	<ul style="list-style-type: none"> • provide fiscal incentives for costs in-house training artists and technicians • support technical skill training programs in design, animation and digital publishing • implement certification system of technical qualifications 	<ul style="list-style-type: none"> • establish a regional training center for creative traditional arts • establish regional training centers for interior and fashion design, animation and digital publishing. • establish regional training center in business and entrepreneurship for artists
Exploration of Market Niches	<ul style="list-style-type: none"> • encourage local networks to air animation series/films with original and indigenous content • establish an environment for sharing best practices of key players • promote healthy competition among countries and finding their market niche • intensify the marketing program • protect intellectual property rights of creative artist and writers • promote public-private partnership • encourage the use of local content • promote the expansion of the use of creative services in export industries • promote export industries using the outputs of creative services • develop supporting industries 	<ul style="list-style-type: none"> • support marketing programs for creative services • establish regional awards in the creative arts • sponsor frequent regional exhibits for outputs of designs and animation

In addition, aside from relating these recommendations to the various modes of supply of services they are also linked with the policies, regulatory environment, and institutional support needed to enhance the competitiveness of the healthcare and medical services and creative services. The policies on credit, entry of foreign investments and immigration, for example, the regulatory framework for the protection of intellectual property and the practice of professions, as well as the institutional support in building the infrastructure for telecommunications and other support industries are all meant to reap the potentials of healthcare and medical tourism and creative services as venues towards becoming a global hub for services in the region.

In the end, these specific recommendations are intended to reinforce the strengths of the health care and medical tourism, on the one hand, and mitigate its weaknesses and threats, on the other hand. In doing so the industry can exploit optimally the opportunities offered by the huge tourism industry in the region, the changing demographic landscape, aging population,

rise of chronic and non-communicable diseases rising income and the growth of the middle class in making healthcare and medical services in the region globally competitive.

Likewise the opportunities in the creative services are numerous including the emergence of a knowledge-based economy, phenomenal development in ICT, enormous potential and actual demand in creative industries brought about by rising prosperity in the region and the varied applications of creative services. Managing these opportunities will require specific policies and actions on the part of the government and the regional bodies in expanding productive capacity, human resource talents and expanded market to realize the goal of transforming the region into a global hub in creative services.

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