

Chapter 6

Services Trade Liberalisation in the ASEAN Economic Community and Beyond

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Chapter 6

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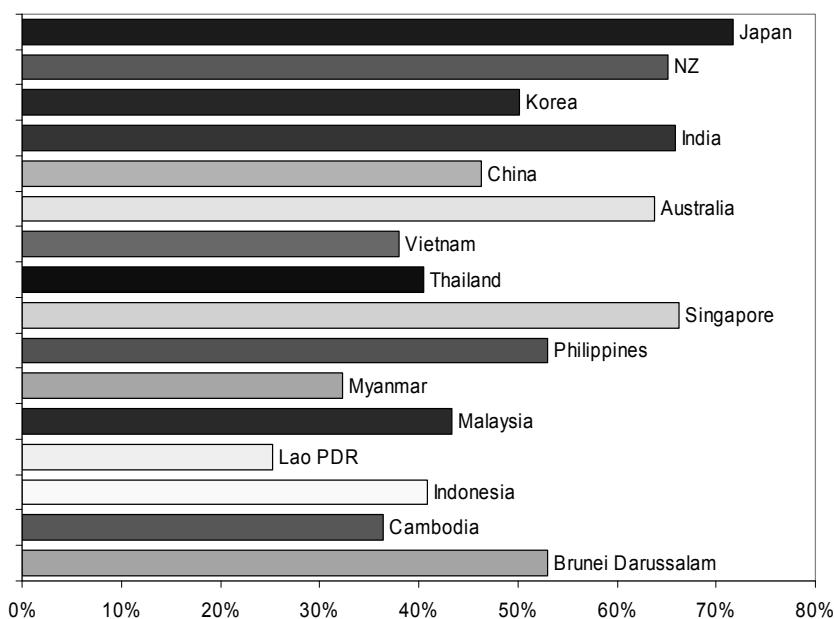
Jenny Corbett

1. SERVICES IN THE REGION

1.1. Services in regional output and employment

Services are a much greater part of both output and employment in all countries of the East Asia region than is usually recognised. Figure 1 and Table 1 show that, even in the least developed economies, services account for nearly 30 to 40 percent of GDP. In most economies they are closer to 60-70 per cent. They account for much higher shares of employment than the manufacturing sectors.

Figure 1: Service as % of GDP in 2005



Source: UNCTAD website (<http://stats.unctad.org/Handbook/TableViewer/dimView.aspx>), accessed January 9, 2008.

Table 1: Employment by sector

	Total	Agriculture	Industry	Service	Year
	In quantity (thousands)				
Australia	10153	356	2155	7614	2006
Cambodia	6561	2609	.	548	2004
China	737400	324870	130480	119010	2002
Indonesia	95177	42323	17106	35748	2006
Japan	63820	2720	17890	42490	2006
Korea	23151	1785	6096	15112	2006
Malaysia	10275	1504	3109	5407	2006
NZ	2117	151	473	1482	2006
Philippines	33188	12166	4898	14494	2006
Singapore	1796			1377	2006
Thailand	36344	4012	6016	18048	2006
Vietnam	42316	24498	7343	10230	2004
	Share of employment by sector (%)				
Australia	100%	3.5%	21.2%	75.0%	2006
Cambodia	100%	39.8%	.	8.4%	2004
China	100%	44.1%	17.7%	16.1%	2002
Indonesia	100%	44.5%	18.0%	37.6%	2006
Japan	100%	4.3%	28.0%	66.6%	2006
Korea	100%	7.7%	26.3%	65.3%	2006
Malaysia	100%	14.6%	30.3%	52.6%	2006
NZ	100%	7.1%	22.3%	70.0%	2006
Philippines	100%	36.7%	14.8%	43.7%	2006
Singapore	100%	.	.	76.7%	2006
Thailand	100%	11.0%	16.6%	49.7%	2006
Vietnam	100%	57.9%	17.4%	24.2%	2004

Note: Data not available for India, Brunei, Myanmar, Lao PDR.

Source: ILO website (<http://laborsta.ilo.org>), accessed January 8, 2008

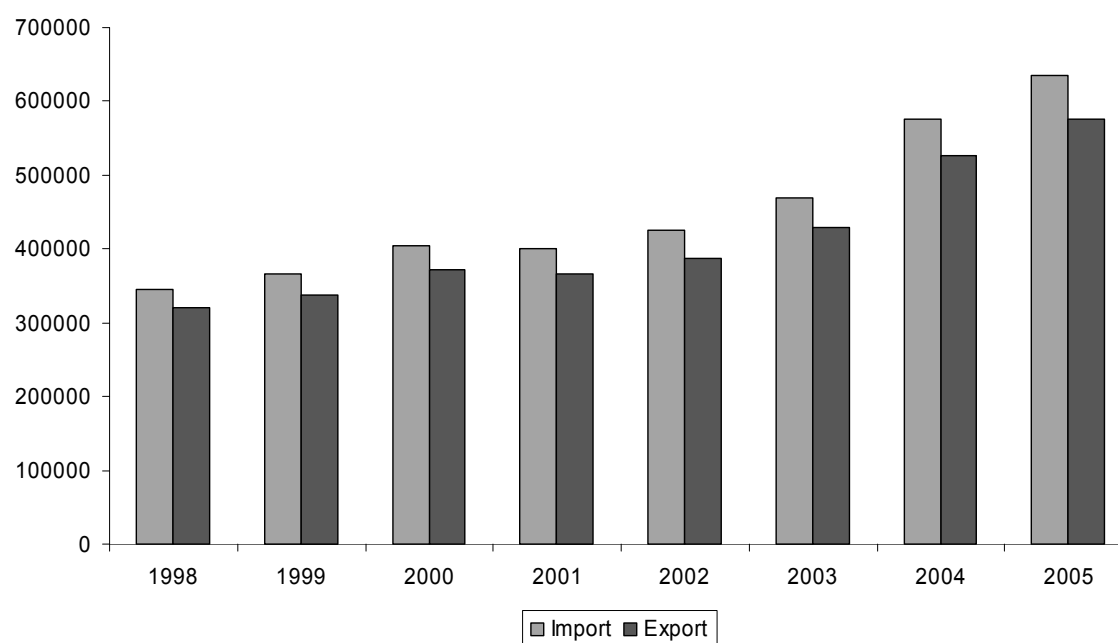
Clearly the services have a very important role to play in all the economies of the region and efficient and competitive service sectors will have a number of beneficial effects. The immediate effect will be seen in growth rates and employment creation but efficient services have even greater effects because of the way in which they are linked to other parts of the economy. Business (including IT and communications) services, transport and financial services are key inputs into almost all other sectors of the economy and, crucially, to the export-oriented manufacturing industries of the region. The now well-documented pattern of production networks can only operate with

efficient transport, freight, logistics, IT and communications services. Inefficiencies and high costs in these sectors therefore become a major source of inefficiency and high cost for the downstream industries that use them as inputs. Any inefficiency in these sectors could contribute as much of a cost burden to manufacturing as the trade facilitation costs that have been a much greater focus of policy attention.

1.2. Trade

Although services have traditionally been considered non-tradeable, new technologies and reduced transport costs have changed the picture immeasurably. Trade in services has been growing rapidly throughout the world and trade in the region is no exception. Figure 2 shows the scale and growth of services trade for the regional economies. For some economies in the region (e.g. Singapore) services are their main export.

Figure 2: ASEAN+6 exports and imports of service, 1998-2005 (Mil.US\$)



Note: Data not available for Brunei and India.

Source: UNCTAD website (<http://stats.unctad.org/Handbook>), accessed January 8, 2008.

1.3. Services in Trade negotiations

Services trade is different and more complex than trade in goods. Trade in goods involves exchanges of physical goods across borders and is relatively straightforward to define, record and measure. As a result there are reasonably accurate statistics for the values of cross-border trade. Services, by contrast, are intangible and multi-faceted and may be traded in a variety of ways that make it difficult to track, measure and record their value. Four modes of supply were identified in the 1994 General Agreement on Trade in Services (cross-border trade, consumption abroad, commercial presence and movement of suppliers). Subsequent trade agreements (including the major one in the East Asian region, the ASEAN Framework Agreement on Services, AFAS) have broadly followed the definitions and terminology of the GATS.

The modes of supply are easiest to understand by example. Cross-border trade takes place when neither producer nor consumer move and the service itself is traded. This could take the form of business or financial services provided by mail or telephone or over the internet (for example, the purchase of an insurance contract via the internet when consumer and supplier are in different economies). Consumption abroad occurs when consumers move to the location of the service and the most obvious example is tourism. Both of these modes of supply are quite close to the conventional notion of “trade” and flows of services by these modes are captured (to some degree) in balance of payments statistics. But a considerable part of service provision takes place when producers set up in a host country either via a long-term presence (mode 3; commercial presence) or by a shorter-term movement (e.g. a foreign architect travelling to a site to provide plans and advice for a building project). Neither of these types of service provision is routinely captured in trade statistics but these modes account for a large part of services trade. For these reasons trade statistics are incomplete. Nonetheless, trade negotiations attempt to take account of all modes of supply and schedules of commitments will usually list restrictions according to all modes.

A number of other issues are also more complex in services trade policy than in goods. One is the architecture of the agreements. The GATS uses an approach known as a positive list. This method means that only sectors specifically scheduled in an agreement are subject to liberalising undertakings. There are, however, some

preferential services agreements covering services that use the negative list (so-called NAFTA approach, where liberalising commitments apply to all sectors unless specifically excluded) and some that use a hybrid approach with different strategies on listing restrictions from those used in listing sectors. There is still debate about whether the liberalising effect of one architecture is better than another (see Fink and Molinuevo, 2007). Current research suggests the architecture alone may not be so important: the commitment to real liberalisation is the crucial element and can take place under either architecture. Other complications arise in rules of origin, inconsistent treatment of investment restrictions at the horizontal level and within services, the treatment of movement of persons and recognition of qualifications, government procurement and dispute settlement.

2. CURRENT POLICY FOR LIBERALISING SERVICES

2.1. Why liberalise?

The GATS identifies restrictions to trade in services in terms of whether they restrict *market access* in general or whether they specifically affect foreign service suppliers by not offering *national treatment* to all providers. Liberalising commitments may therefore be in the form of either the removal of general barriers to market access or offering national treatment to foreigners. This distinction has been useful in understanding the costs of barriers to services trade and in making recommendations on how to liberalise.

The economics literature identifies the direct cost of barriers to services trade via their effects on prices of services in the protected market. Barriers will raise the cost of services behind the barrier. It requires some econometric research¹ to establish how much of an effect barriers have but there are a number of studies that now provide estimates (see McGuire, 2003 and Dee, 2005, for surveys of some of that work). The effects are significant. McGuire (2003) cites effects of up to 150 percent increase in prices of some services in developing countries and up to 32 percent for developed.

The mechanisms by which barriers affect prices are also important. Dee and Hounslow (2000) established a now widely-used distinction between measures that raise price margins, thus creating rents for incumbent firms, and those that raise costs for all existing and potential service providers. Both types of barriers create inefficiencies but the rent-creating barriers involve resource transfers from consumers to producers and generally involve smaller economic (welfare) losses than the cost raising barriers. Cost raising regulations create deadweight losses. The former rent-creating barriers are similar to a tax while the latter have been called a “productivity” cost. This distinction has provided a useful theoretical tool for establishing the argument that welfare is likely to be most improved by removing the cost-raising barriers. Removing the rent-increasing barriers, while still valuable, has less economic effect.

It is not clear, however, which types of barriers belong in which category and research is only beginning on how to distinguish them. In general it has been assumed that the main cost-increasing measures are market access barriers (i.e. those that affect all providers) and this is broadly borne out by research to date. The main rent-increasing measures are abrogations from national treatment (which create protection for domestic incumbents against foreign entrants). Some early research arbitrarily assigned measures to one category or another but it is now understood that econometric research is required to accurately determine the direct cost and price effect of different types of barriers, by mode and sector and by whether they are market access or national treatment barriers.

This is not the final word on the economic benefits of services liberalisation. As noted earlier, services are important inputs to other sectors of the economy. Thus barriers to services, both cost and price increasing ones, are in effect a tax on other sectors of the economy as well. To measure the full economic benefits of liberalising services sectors a general equilibrium model estimate is needed. This type of estimate can give an order of magnitude of the benefits to be gained from different types of liberalising packages. A recent estimate for the East Asian region (ASEAN 5 plus CJK and Australia, Dee 2005) shows that the gains from liberalising *non-discriminatory* regulations in services alone far outweigh the gains from a liberalisation package that roughly mirrors the type of liberalising strategy likely under the AEC agenda. Comparing the former package, that only removes non-discriminatory barriers (i.e.

generally behind-the-border, market access barriers that affect domestic as well as foreign providers), with a package that only removes discriminatory, national-treatment type barriers but simultaneously reduces manufacturing and agriculture barriers between regional partners (similar to the AEC Strategies) gives an economic gain *five times* larger.

While the welfare effect is greatest from removing the cost-increasing barriers there may be practical benefits to gradually removing all types of barriers simultaneously. As McGuire (2003, p.68) notes;

“Reducing non-discriminatory restrictions on services suppliers together is a better approach than only reducing discriminatory restrictions on foreign service suppliers. Reducing discriminatory restrictions on foreigners alone can have a negative impact on the level of services supplied by domestic firms. This will result in lower prices and higher total sales, but domestic service suppliers will end up with a smaller share of the service sector. If restrictions that affect foreign and domestic service suppliers equally are reduced, all service suppliers will have the same opportunities to increase the amount of services they supply in an expanding market.”

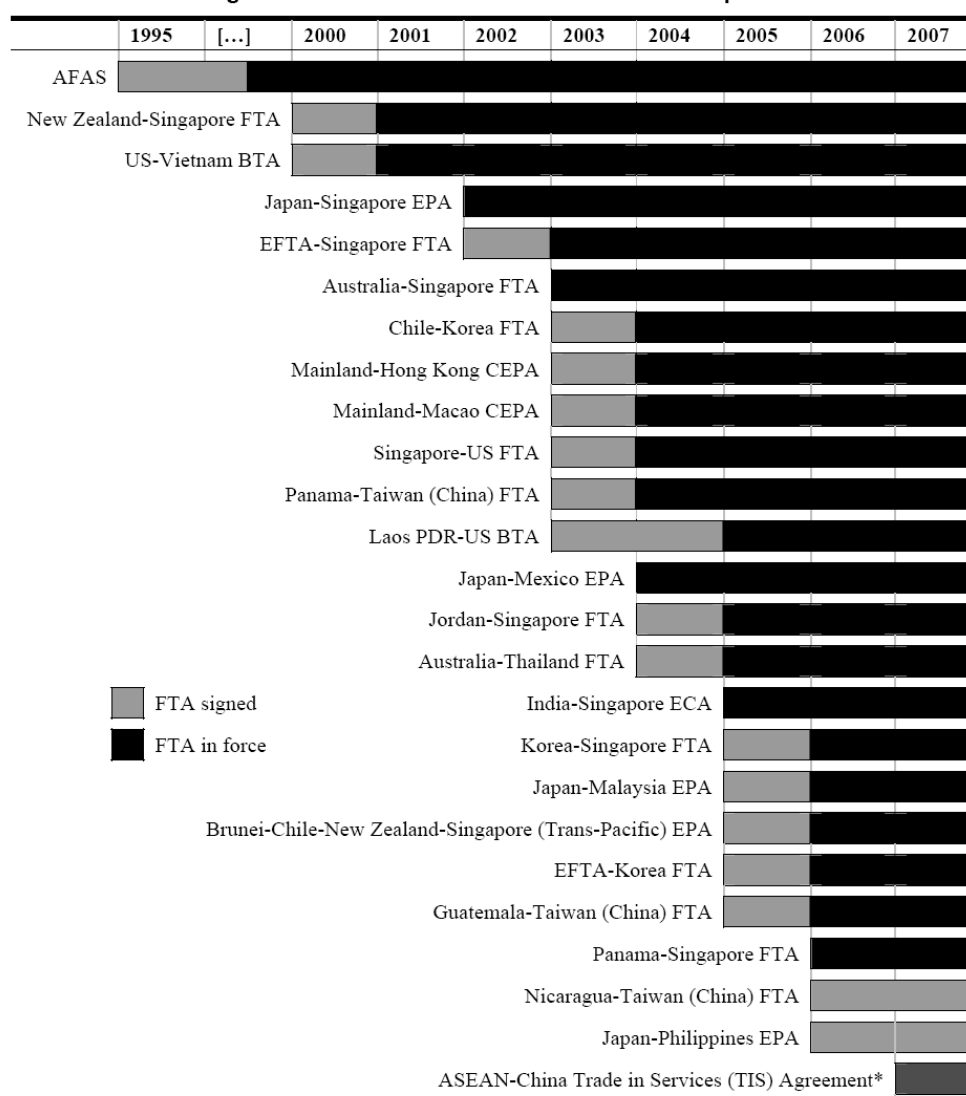
This is an extremely important practical, political-economy message to convey to policy makers. It stresses the benefits of reducing behind-the-border, market access measures which equally affect domestic players (as a rule-of-thumb, until better estimates are available to identify the full range of cost-raising measures) and points out that services liberalisation does not have to advantage foreign providers over domestic.

2.2. Agreements in the region

Because of the importance of services to all economies, and because technology now makes services more easily traded than ever before, they have recently begun to feature heavily in most trade agreements whether bilateral or plurilateral. The AFAS (1995) is an early example of an agreement explicitly focussed on services. More recently, the rate of growth of trade agreements including services components has increased rapidly around the world. 36 preferential agreements have been notified

under the GATS Article V and 29 of these were notified since 2000 when the WTO services negotiations began (12 in 2003-4 and 10 in 2005-6). These figures likely underestimate the number of agreements including services since many agreements are not notified to the WTO. Most agreements covering services sectors involve both developing and developed countries; few agreements between only developed or only developing countries have included services components although the trend may be changing (Roy, Marchetti and Lim, 2006).

Figure 3: East Asian FTAs with a services component



Notes: As of January 2007. * The ASEAN-China TIS Agreement is scheduled to enter into force on July 1, 2007.

Source: Fink and Molinuevo (2007), World Bank, p.2.

East Asia has been slower to engage in preferential agreements than other areas of the world but has recently begun to undertake them. This in part reflects the growing momentum for regional integration but also reflects broader strategic developments in trade policies on the part of some of the larger economies. In 2003 there were only two PTAs per economy in East Asia (Fink and Molinuevo, 2007). Figure 3 shows all PTAs involving at least one economy within the East Asian region that include a services component. They total 25 agreements, including AFAS, and there are several other regional agreements already signed that do not include services. Table 2 shows a number of other agreements currently under negotiation in the region which may or may not include services.

Table 2: Agreements under negotiation

Country	FTA partner(s)
ASEAN	Australia & New Zealand, India, Japan
Brunei	Japan
China	Australia, Gulf Cooperation Council, New Zealand, Southern African Customs Union
Indonesia	Japan
Japan	ASEAN, Brunei, Chile, Indonesia, Korea, Thailand, Vietnam
Korea	Canada, India, Japan, Malaysia, United States
Malaysia	Australia, India, Korea, New Zealand, Pakistan, United States
Singapore	Bahrain, Canada, Egypt, Kuwait, Mexico, Pakistan, Peru, Qatar, Sri Lanka, United Arab Emirates
Taiwan	Dominican Republic, El Salvador, Honduras
Thailand	EFTA, Japan, United States
Vietnam	Japan

Note: As of January 2007.

Source: Fink and Molinuevo (2007), World Bank, p.3.

2.3. Services in regional integration

While bilateral or plurilateral agreements are proliferating in the region it is not easy to see how these link to ambitions for the creation of a regional free market in services. At present ASEAN has a clear ambition to create a single market for services amongst ASEAN members but it is less clear how that relates to the policy objectives in the wider EAS region.

ASEAN's plans for regional integration have emphasised the need for liberalisation in services trade since the elaboration of the ASEAN Vision 2020 in 1997. Policy documents regularly refer to the desirability of free trade in both goods and services and services are an explicit element in the plans for the ASEAN Economic Community (first set out in the Bali Concord of 2003). Under the Bali Concord it was agreed to set clear targets and schedules of liberalisation in services and to bring the goal of free trade in services forward from 2020. The Vientiane Action Plan (from the 2004 ASEAN Summit in Vientiane) identified 11 priority sectors for integration, of which 4 are in services (air travel, e-ASEAN, healthcare and tourism). A fifth service sector, logistics, was added in 2005 and the ambition was to see full integration in these priority sectors by 2015 (with flexibility). The recent Blueprint for the ASEAN Economic Community is even more ambitious. It calls for removing substantially all restrictions on trade in services in the first 4 priority sectors by 2010, in logistics by 2013 and in all other services sectors by 2015 (see appendix for the Blueprint plan and the Strategic Schedule) (ASEAN, 2007).

In addition to these steps there have been 5 packages of commitments under the AFAS and separate negotiations on financial services (under the Finance Ministers) and in air transport (under the Transport Ministers). Negotiations on investment liberalisation takes place in the Coordinating Committee on Investment within the framework of the ASEAN Investment Area Agreement (AIA).

Services have also been included in several of the PTAs with ASEAN's dialogue partners (services have been included in the ASEAN-China PTA and are being negotiated with Korea, Australia and NZ) and, as noted above, in the various PTAs of China, Japan, Korea, India, Australia and New Zealand.

2.4. Methods to extend agreements

To expedite liberalisation of trade in services ASEAN has opted for the "ASEAN minus X" formula where 2 or more members may agree service sector liberalisation without having to extend the concessions to non-participating economies. This may speed up some degree of liberalisation but also runs the risk of removing the pressure on slower moving members to introduce services liberalisation. In addition, it is very far

from an MFN approach and may make it more difficult to extend liberalised treatment to non-ASEAN countries. This raises some issues for the approach that might be applied to a wider regional area such as the CEPEA.

4. HOW TO JUDGE PROGRESS?

Clearly, to achieve these ambitions on services liberalisation in the region it will be necessary to have a method to measure success. How should the present state of barriers to trade in services and the degree of liberalisation represented by trade agreements and regulatory changes be judged? These questions have only recently become the focus of research and policy thinking so there are still challenges to be faced. The challenges are particularly great within the East Asian region.

Several studies, starting with Hoekman (1995), have measured the restrictiveness of trade and regulatory policy towards services. The main method used to assess the extent of barriers to services trade is to develop indexes of restrictiveness of the regulatory regimes that affect the freedom of entry into the sector and the operations by foreign service-providers. The alternative methodology is to count the frequency with which barriers are applied in sectors or in agreements but these give no indication of the severity of the barriers.

The aim of the index method is to measure the extent to which a service sector is “heavily” restricted relative to some norm. A key question is how to establish a norm. Services are frequently heavily regulated for a number of reasons. By contrast with goods, it is common for countries to have services’ regulations designed to achieve a number of objectives other than market efficiency and lowest cost production. Prudential regulations and safety standards are typical examples but there are many others. Air transport, telecommunications and financial services are all frequently set aside for special treatment in regulation and trade policy because countries have different national policy goals. There is not yet a well-developed economics literature that establishes the optimal amount of regulation in individual industries but a convention is developing. There are now templates that list types of regulatory barriers

based on GATS categories and these provide a reasonable basis for collecting data and building up cross-country comparisons. In effect they provide an implicit benchmark by establishing a list of regulations that go from very little, or no, restrictive effect up to highly restrictive. Dee, 2005, gives an exhaustive compendium of the categories of regulation that are relevant in different services sectors, though other studies still sometimes compile their own lists.

BOX 1: The index methodology

The index methodology proceeds in several steps.

- The first step is to compile data on what restrictions are applied to both establishment and ongoing operations in a sector. The focus is mainly on restrictions that impede trade but since domestic regulations often have a trade effect it is difficult to separate them. The method involves
 - constructing a template of types of restriction that seems most important and appropriate in each sector
 - establishing a score (usually between 0 and 1) for each type of restriction that is imposed
- Data is collected primarily from scheduled commitments in trade agreements but should also be supplemented by information on the actual state of implementation of regulation since commitments often differ from the status quo. Ideally this is done from a deep knowledge of the economy under scrutiny and may be supplemented by questionnaires to business practitioners to identify actual regulations in place rather than just those listed in agreements.
- A score is then calculated from all the restrictions in place, to give an overall restrictiveness index for each sector in each country.

There are obviously a number of elements that are potentially difficult in this exercise:

- Judgement is involved in constructing the initial template of the type of restriction to include
- Judgement is also involved in deciding on the score to be given to each type of restriction
- The final index could be a simple average of the scores for each restriction but is usually some kind of weighted average. This raises questions about how to establish appropriate weights (there are examples of indexes using no weights, using arbitrary, judgement-based weights and using factor-analysis derived weights).
- Data are usually derived from scheduled commitments in trade agreements but

not all countries are signatories to the GATS so other sources need to be found.

- Agreements differ in architecture with some positive list and some negative list approaches. In the case of positive list (GATS type agreements) it is not always clear what situation applies in the sectors not scheduled.
- Actual regulations may be more liberal than trade commitments (which frequently “bind” at a higher level of restriction than is actually in force) so other data are needed if possible to reflect the reality.
- Increasingly countries are signatories to many agreements with different restrictions in a sector (these may be GATS plus but may only apply to the counterparty to the agreement. How should the overall degree of restrictiveness of barriers in a sector be assessed in this case – on the most liberal agreement in force or on the agreement that applies to the majority of trading partners?)
- Even when data are available the process is time consuming. Databases are gradually being built up but they are not always publicly available.

Once developed, the indices give a numerical value for individual restrictions in each sector and for the overall degree of restriction in the sector. The component restrictions can be grouped in a number of informative ways:

- By whether they affect only foreign suppliers (i.e. “national treatment” measures) or also domestic suppliers (similar, though not identical, to “market access” measures)
- By whether they affect the establishment of a business or the ongoing operations (i.e. whether the measures affect those trying to enter or those already in business)
- By whether they affect a specific mode of supply
- Or by whether they are mainly price increasing or cost increasing (see discussion above)

Once these indices are constructed they may be used for a number of purposes:

- To compare countries’ performance in liberalisation against peers and over time
- To discover what types of restrictions are most prevalent
- To show which sectors are most restricted
- To show which modes of supply are most restricted
- To estimate the economic effects of barriers in particular sectors (on the prices, costs and margins in the industries)

- To estimate (in general equilibrium models) the overall economic benefit from removing the barriers.

4.1. Assessments of barriers to services trade: how restricted is the region?

A number of studies have calculated restrictiveness indicators in some service sectors for countries within the region. There is not space here to describe them or to reproduce their results, and they do not all use consistent methods, but the consensus view can be summarised as:

1. The Asian region is fairly heavily restricted i.e. liberalisation in services has not yet made significant progress
2. There are significant barriers in banking, telecommunications and the professions (Dee, 2005). The barriers in these sectors are generally discriminatory against foreigners and are more rent-creating than cost raising. Barriers in distribution and electricity generation are, on the other hand, more cost raising.
3. In business services (accountancy, legal services, architectural services, software development and IT services, management consultancy services) barriers are higher in the regulated services than in management consultancy and IT services and the discriminatory element of the barriers is high (REPSEF 05/006, 2007).
4. The most recent set of studies for the region show high levels of restriction still remain in banking, insurance, distribution and logistics with liberalisation only in a few countries (ANU, 2008). There are significant variations across the region in restrictions on business services, maritime and postal services (NZIER, 2008) with restrictions on particular modes more important in some sectors than others.
5. It would be useful to have a more complete set of studies, that used the same methodology and covered more services sectors for the countries in the region and that allowed comparisons with other regional groupings and similar income level countries to make a better assessment of the current position. (Dee 2005, McGuire 2003, REPSEF 2007).

While the ASEAN Secretariat has committed to undertake a Stocktake on services by August 2008 no information is publicly available on how it is to be conducted. The

on-going ERIA project on Services Trade Liberalisation (ANU, 2008 and NZIER, 2008) could provide a basis for such a study and would make the base for a method to judge progress towards the liberalisation goals of the AEC. There have been other suggestions for methods to track progress (see for example Vo and Bartlett, 2003) but they have not been based on the best available methodology, which is a strength of the current ERIA research.

4.2. Assessments of regional agreements

It is also possible to use a similar methodology to assess how liberalising are recent trade agreements such as AFAS and the various PTAs in the region. The index methodology used in several recent studies (Vo and Bartlett, 2006; Roy et al, 2006; Fink and Molinuevo, 2007; Ochiai et al, 2007) is similar to the method outlined above. The difference is that the template against which the scoring takes place is tailored to the characteristics of trade agreements rather than to the regulations applying to a particular sector. These studies provide a judgement about the liberalising effect of the AFAS and various regional agreements.

The broad conclusion here is that AFAS is not particularly liberalising compared with GATS commitments (Stephenson and Nikomborirak, 2002; Vo and Bartlett, 2006; Roy et al, 2006; Fink and Molinuevo, 2007) and that most regional PTAs do not add significant new liberalising elements over GATS (Ochiai et al, 2007). Since AFAS does not go much beyond the GATS it is, therefore, not providing much impetus to liberalising services trade within ASEAN.

5. CONCLUSIONS

Services are an important part of all economies in the region and an increasingly important part of trade both within the region and between the region and the rest of the world. The nature of services, both within domestic economies and in trade and trade negotiations is complex and different from trade in goods. There are difficulties about

accurately measuring output and trade in services but even within the constraints of existing data it is possible for research to provide a clearer picture than now exists. Policy-focussed research can also help identify the most urgent priorities for the data collection exercise that is necessary.

Because of the complexities of services they have been treated differently in international trade agreements since the GATS. This introduces a lot of new terminology that helps to categorise barriers to trade in services but from an economic point of view these classifications are not the most important ones. Recent research has identified the main economic effects of barriers to services trade depending on whether the restrictive policy measures raise price margins or raise costs. A considerable research effort is needed to identify which measures have which effect but the methods now exist to create indexes of restrictiveness by sector, by type of measure and by mode of supply. All of these are needed to identify the priorities in liberalising regulations in sectors both at the border and behind the border.

Existing approaches to services liberalisation in the region have been limited in effectiveness. The AFAS has been analysed by several researchers and judged not to have delivered much beyond GATS commitments and regional PTAs have a very mixed effect. There is concern that both the architecture and the negotiating methods within the region may actually hinder, rather than help, the extension of the commitments by the early liberalisers to other economies. Within ASEAN, the group that will lead the way in regional liberalisation, services are not treated consistently as a whole sector. Different sectors come under different parts of ASEAN's structure and investment issues are treated separately again.

6. POLICY IMPLICATIONS

There are several policy implications that follow from the issues raised in this paper.

1. Gains are much larger from reducing non-discriminatory barriers than from reducing the discriminatory barriers that are typically the focus of trade negotiations. The reason for this is that most if these barriers are of the cost-raising (i.e. productivity reducing) type rather than the price raising (or tax) type though it is not yet clear exactly which type of barriers has which type of effect in all the major services sectors.
2. It is important to increase understanding of this important message and this requires further research that identifies the costs of specific barriers in specific sectors and by clearly spelling out the costs to the *domestic* economy (not just to foreign trading partners) of these restrictions.
3. Commitments to liberalise should be concentrated on the most costly barriers in the most restricted sectors (where the gains are greatest). Further research is needed to identify these sectors. A useful compendium (Dee, 2005b) brings together current studies of sectors and countries but much remains to be done to improve the coverage.
4. Monitoring progress towards the strategic schedule of the Blueprint needs indexes that show the level of restrictiveness by sector and by country. Without a measure of a starting point there is no yardstick for progress.
5. The ASEAN Secretariat's plans for a Services Stocktake may be a useful step but its methodology is not yet public. It is important that there is consultation at an early stage with researchers familiar with the best practice methods for doing such a stocktake². ERIA and its network of research institutes in the region could be a useful structure for compiling the additional information needed to carry out this task.
6. Negotiating strategies and the architecture of regional agreements can be improved to focus on
 - non-discriminatory barriers as well as discriminatory

- strategies that reduce all forms of barriers in a parallel fashion to avoid the potential reduction in quantity of supply of services that could follow reductions of discriminatory barriers alone.
7. It is necessary to establish best practice structures for ASEAN-x agreements and other PTAs so that extension to non-members is straightforward (not clearly the case at present). Index methods should be used to assess the liberalising value of new agreements involving regional economies (most are currently not GATS-plus despite the claims made for them and frequency methods of measuring the breadth and depth of cover are misleading).

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NOTE

1. See box below describing the methods used.
2. A relevant research project is underway at the ANU with support from the Productivity Commission and the Australian Research Council.