

## **A Seminar on ASEAN Service Integration Report**

**At World Bank Office, Bangkok, Thailand**

### **Participants**

1. World Bank
2. Public agencies such as Office of the Public Sector Development Commission (OPDC), National Economic and Social Development Board (NESDB), etc.
3. ASEAN Embassies in Bangkok such as Philippine Embassy, etc.

### **Fact-Findings:**

- An important of service and service integration: Concept and World Bank Experience
  - Services are not only important on the demand side but are critical intermediate inputs on the supply side. They are the glue that holds international production and trading systems, global value chains together.
  - ICT/ Digitalization and global production networks in the 1990s led to an explosion in service trade: 20 percent of global trade in nominal terms and 50 percent of trade in value added terms are in services.
  - Regional integration in service can offer particular benefits as they help to achieve economies of scale, factor market integration and regulatory cooperation.
  - Service growth and trade are closely linked to productivity growth, especially in middle income countries.
  - In ASEAN countries, services are a fundamental input to other activities and thus a key determinant of the region's competitiveness. Data suggests that there is scope for greater regional integration in services in ASEAN that can help to achieve gains from economies of scale.
- Progress in ASEAN Service Integration
  - Empirically, government is best at accommodating liberalization to contain adverse impacts, rather than micro-managing the process.

- Setting and controlling quality standard is important but uniform requirements seem difficult to implement region-wide in diverse ASEAN.
- Reforms can be initiated at different levels, but overlapping, overambitious targets might be counterproductive.
- Strengthening the ASEAN Service Negotiation Process and Institutions
  - It is shown that significant steps in the liberalization of trade and investment refer to service sector. But lack of regulatory cooperation has become an impediment to implementation and real integration.
  - ASEAN members must redirect the agenda towards cooperation on the regulation of service trade in order to achieve a single market.
- Moving towards regulatory cooperation
  - It is shown that regulatory heterogeneity may have a strong negative impact on service flows in the case of integration.
  - It is suggested there are two ways of reducing regulatory heterogeneity: regulatory harmonization or mutual recognition. Both of them imply a significant degree of regulatory cooperation.
  - In the context of EU, mutual recognition has a positive impact in three dimensions which affect heterogeneity: regulatory and administrative opacity, the area of explicit barriers to trade and investment, and the area of barriers to competition.

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