Services Liberalization in AEC: A Focus on Logistics Sector

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Regional Conference/Forum for Freight Forwarders, Multimodal Transport Operators and Logistics Service Providers

United Nations ESCAP, Bangkok

25 June 2015

Objective

This presentation presents the progress of services liberalization in ASEAN/AEC with special focus on logistics services. It has two parts:

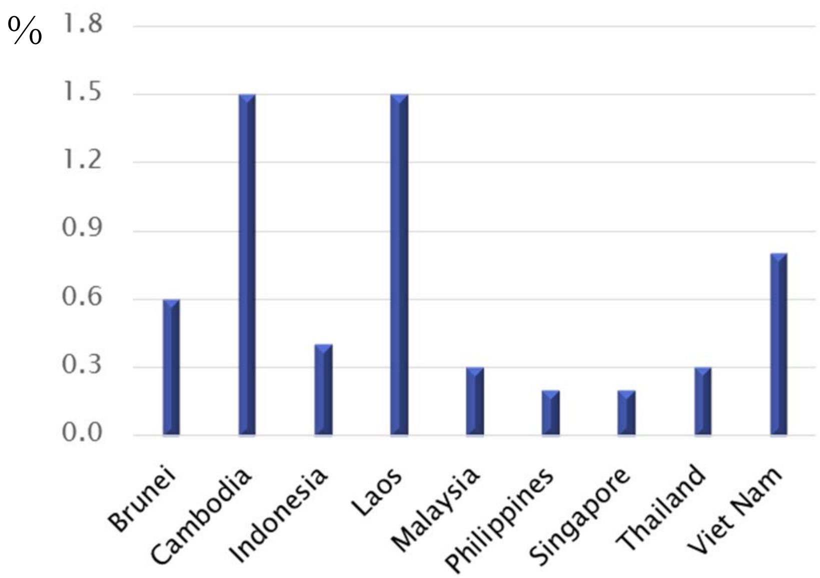
(1) The progress of liberalization of AFAS/services commitments.

(2) Implementation, or liberalization, of logistics-related services sectors (air transport, maritime services, rail services, and telecommunication).

Progress of AFAS Liberalization (emphasis on logistics sectors)

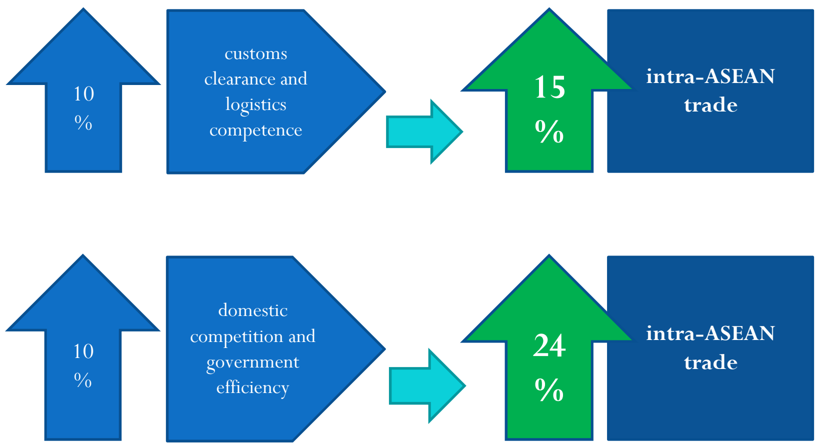
Impact of improved trade facilitation on economic growth and intra-ASEAN trade

Additional cumulative GDP growth rate from 20% Faster Clearance of Imports and Exports



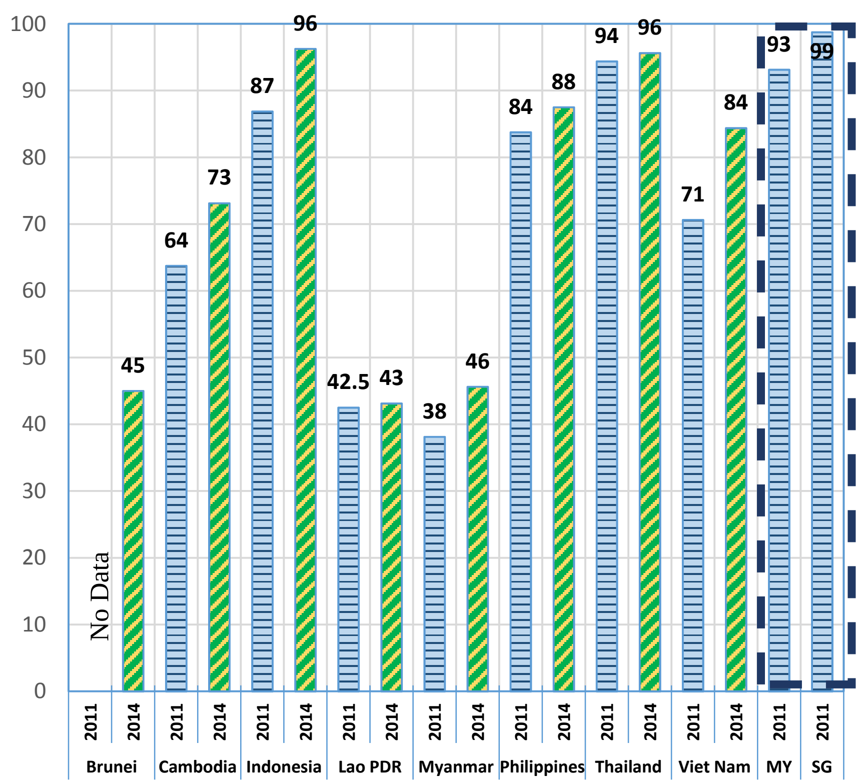
Source: Itakura, 2012

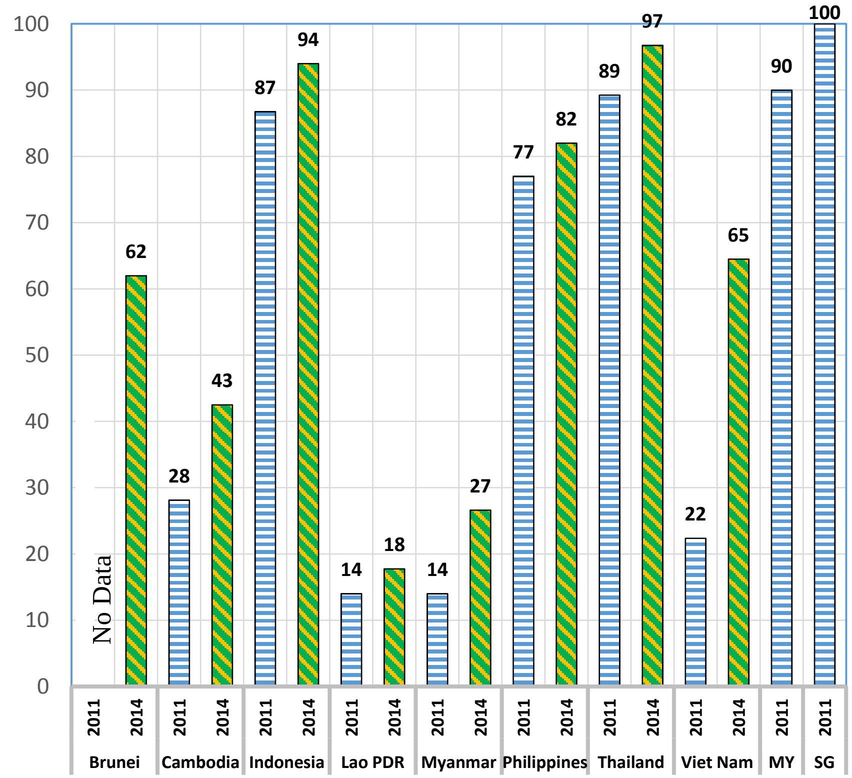
Impact on Intra- ASEAN Trade



Source: Dee, Narjoko, and Fukunaga, 2013

Customs Modernization (L) and National Single Window (R) Implementation Score



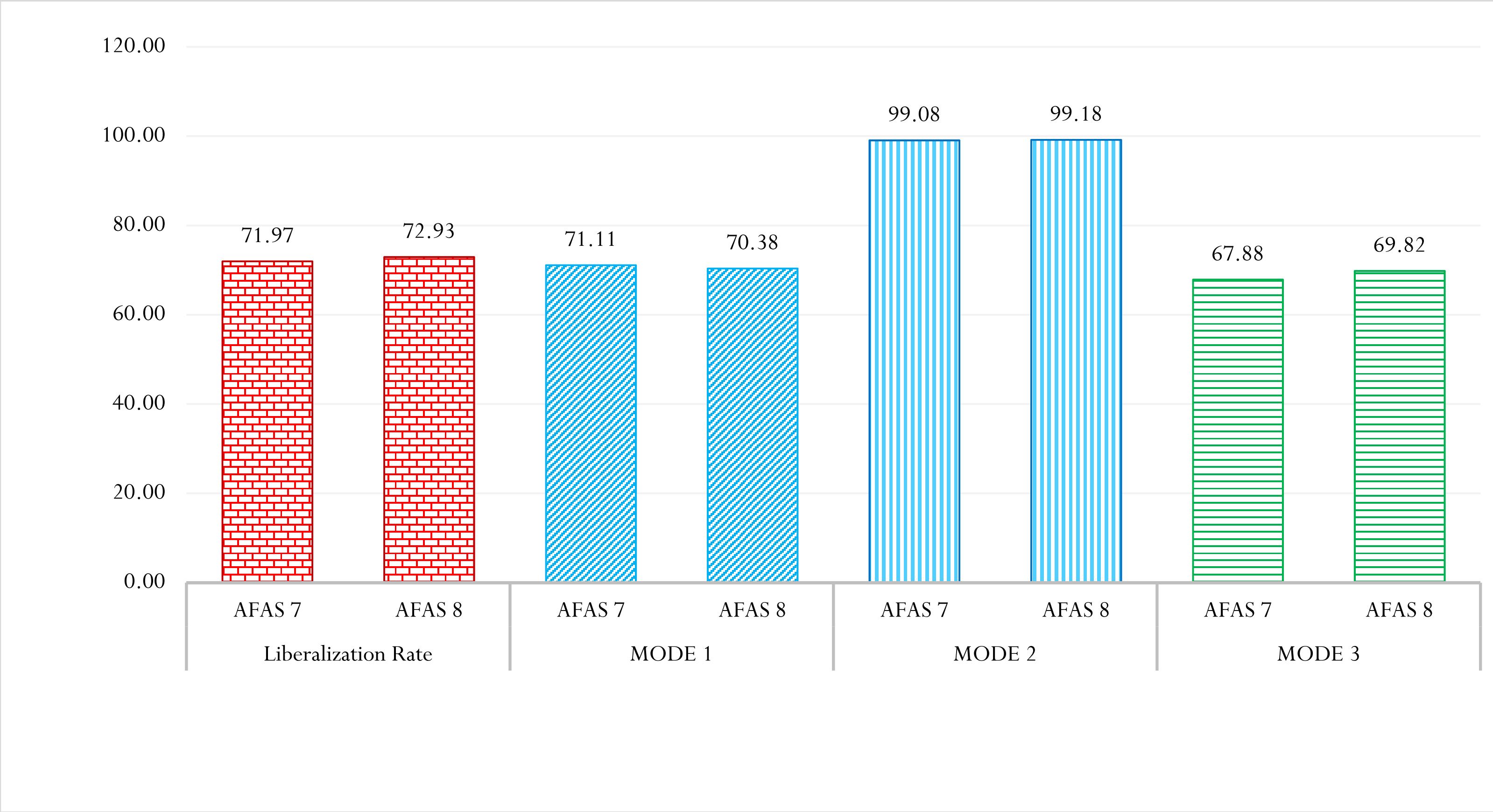


Summary of AFAS Commitments (from the AEC Blueprint)

	5th Package	7th Package	8th Package	New 9th Package	New 10th Package
Completion Target	AEM 2006	AEM 2009	AEM 2011	AEM 2013	AEM 2015
Scheduled Subsectors		65	80	104	128
Mode 1 (including horizontal)	None	None	None (for all 80 subsectors)	None (for all 104 subsectors)	None (for all 128 subsectors)
Mode 2 (including horizontal)	None	None	None (for all 80 subsectors)	None (for all 104 subsectors)	None (for all 128 subsectors)
Foreign Equity Limitation (including horizontal)	PIS: 49%	29 PIS : 51%	29 PIS : 70%	29 PIS : 70%	29 PIS : 70%
	Construction: 51%	9 LOG : 49%	9 LOG : 51%	9 LOG : 51%-70%	9 LOG : 70%
	OTHER: 30%	42 OTHER : 49%	42 OTHER : 51%	66 OTHER : 51%	90 OTHER : 51-70%
Mode 3 MA limitations (including horizontal)		29 PIS : max 2 lim	29 PIS : No limitation	29 PIS : No limitation	29 PIS : No limitation
		9 LOG : max 3 lim	9 LOG : max 2 lim	9 LOG : No limitation	9 LOG : No limitation
		27 OTHER: max 3 lim	16 OTHER: max 3 lim	26 OTHER: max 2 lim	90 OTHER: No limitation
			16 OTHER: max 2 lim	26 OTHER: max 1 lim	
Mode 3NT (including horizontal)		N.A	Max 4 lim /subsector	Max 3 lim /subsector	Max 1 lim /subsector
Mode 4		N.A	To be agreed	To be agreed	To be agreed
15% flexibility		N.A	To be agreed	To be agreed	To be agreed

[1] New 9th Package is a combination of the original 9th Package and the Logistics Package.
[2] New 10th Package is a combination of the original 11th Package and the original 12th Package.

Liberalization Rates (in %) of AFAS Commitments (7th & 8th) by Modes of Services



Liberalization Rates (in %) of AFAS Commitments (7^{th} & 8th), Mode 1 by Groups of Sectors

Country	Mode 1					
	PIS		Logistics		Other Services	
	AFAS 7	AFAS 8	AFAS 7	AFAS 8	AFAS 7	AFAS 8
1 - Brunei Darussalam	92.1	93.7	100.0	100.0	54.5	54.7
2 - Cambodia	100.0	100.0	42.9	62.5	60.0	64.0
3 - Indonesia	98.2	95.2	77.8	81.8	61.9	61.3
4 - Lao PDR	100.0	100.0	100.0	100.0	98.3	93.6
5 - Malaysia	100.0	100.0	100.0	100.0	48.7	50.5
6 - Myanmar	100.0	100.0	100.0	100.0	74.5	77.0
7 - Philippines	75.7	73.5	26.9	26.9	44.1	43.2
8 - Singapore	83.6	83.6	96.8	96.8	93.5	94.1
9 - Thailand	82.4	83.8	71.4	76.2	54.1	49.8
10 - Viet Nam	80.4	80.8	75.0	75.0	35.9	34.2
Average	91.2	91.1	79.1	81.9	62.6	62.3

Liberalization Rates (in %) of AFAS Commitments (7th & 8th), Mode 3 by Groups of Sectors

Country	Mode 3					
	PIS		Logistics		Other Services	
	AFAS 7	AFAS 8	AFAS 7	AFAS 8	AFAS 7	AFAS 8
1 - Brunei Darussalam	21.6	75.0	63.9	79.3	60.2	64.6
2 - Cambodia	46.9	84.3	88.0	91.1	92.0	92.5
3 - Indonesia	49.4	46.1	89.2	52.4	79.7	67.7
4 - Lao PDR	78.6	84.9	86.3	78.1	81.0	73.9
5 - Malaysia	56.0	75.4	82.6	72.1	57.5	69.5
6 - Myanmar	81.3	82.4	79.1	83.5	80.2	77.7
7 - Philippines	39.2	41.9	66.1	62.9	45.9	40.8
8 - Singapore	45.0	82.3	55.5	64.0	77.8	80.4
9 - Thailand	27.6	50.1	58.6	40.5	70.3	51.9
10 - Viet Nam	89.5	69.6	89.5	67.7	84.4	82.3
Average	53.5	69.2	75.9	69.1	72.9	70.1

Services Liberalization: Implementation (emphasis on sectors related to logistics)

Source: Dee (2012)

Air transport

- AFAS commitments exclude services associated with 'the exercise of traffic rights'
  - cover repairs and maintenance, selling and marketing, computer reservation systems, aircraft rental, catering
- Open skies agreements cover cross-border trade in international and domestic passenger and freight transport
  - Do not allow cross-border trade in domestic services
  - Can effectively prevent significant foreign ownership of international carriers, even if FDI legislation allows this
- Commercial presence in domestic air services does not appear to be covered anywhere
- But in practice most ASEAN countries appear to allow significant foreign commercial presence

Maritime services

- Commitments match actual practice
- Actual practice relatively liberal, except for
  - port management and operation
  - cabotage
- Cabotage = sensitive sector
  - need to square this with ASEAN aspirations for connectivity
- Port operation = domestic regulatory issue
  - A more competition-friendly regulatory environment requires
    - Separating the regulatory and management functions of port operators and
    - Guaranteeing new entrants access to ports and/or port superstructure

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Rail services

- A domestic regulatory issue
- For win-win outcomes, need to
  - Ideally separate operations of the bottleneck infrastructure (track bed) from the operations of the rolling stock
  - Guarantee new entrants access to track bed on reasonable and non-discriminatory terms, but subject to competition
- Cambodia and Indonesia have made some progress
- Links to connectivity agenda
  - A single operator needs to be able to run a train from one end of the regional network to the other

Telecommunications

- More developed ASEAN economies are tending to keep commitments less generous than actual practice
- Some less developed ASEAN economies failing to make commitments for services that are not yet developed in their markets
- In both cases, regulation appears to be lagging technological developments
  - Market structures reasonably competitive in a majority of ASEAN countries, irrespective of regulation
  - Most new services relatively scalable – regulation not an issue, so regulatory capacity no reason not to commit

Key References

Dee, P. (2012), *Services Liberalization: Impact and Way Forward*. Report prepared for the ERIA. Jakarta: ERIA.

Dee, P., Narjoko, D., & Fukunaga, Y. (2013). *In pursuit of informed regulatory conversations and regulatory coherence in ASEAN towards AEC 2015 and beyond: Logistics services sector and trade facilitation*. Jakarta: ERIA

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Thank You

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