

# **Services Diagnostic and Needs Assessment Study**

## **ABSTRACT**

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Liberalisation of trade in services and associated domestic reforms is fundamental to the realisation of the ASEAN Economic Community (AEC). However, this requires real ('on the ground') liberalisation, not simply "on paper" liberalisation in the form of commitments under the ASEAN Framework Agreement on Services (AFAS), a sideshow in services liberalisation. The decision by leaders to form an AEC covering also the free flow of services has put the emphasis very much on ensuring each ASEAN Member State (AMS) removes restrictions affecting trade in services (including related foreign investment) and implement related reforms. However, the diagnostic analysis presented in this Services Diagnostic and Needs Assessment Study (SDNAS), including in the in-country reports, suggests this is not happening, or at least is going very slowly, especially when set against the adopted start date for the AEC of 2015. Hence, key and effective technical assistance and capacity building is needed to advance 'on the ground' liberalisation of services and related reforms.

The in-country fieldwork and other analysis undertaken in the SDNAS helped identify constraints and provided a list of potential technical assistance and capacity building projects to help address them, both from a primarily cross-cutting but also a sectoral perspective.

The SDNAS has also adopted an economic framework based on the fundamental benefits of unilateral liberalisation and a strategic structured approach, to identify key areas ('umbrellas') needing technical assistance and capacity building activities, such as strengthening the evidence base, promoting transparency, developing strategies and planning, and raising understanding and awareness. Key activity clusters were also identified within these three 'umbrellas', such as policy analysis, services policy visions, and organisations for dialogues, respectively.

Individual priority technical assistance and capacity building project proposals within these clusters were determined using a cost-benefit analytical approach.

The SDNAS importantly recommends the need to re-balance much of the technical assistance and capacity building activities away from being directed at servicing the AFAS trade negotiations and focusing on 'on-paper' liberalisation towards efforts to build transparency and fundamental support for services trade liberalisation and related reforms in AMS. This is what is required to achieve the necessary 'on-the-ground' changes to achieve the AEC. This is consistent with international experience that significant 'on-the-ground' services liberalisation and related reforms requires unilateral efforts, and that trade negotiations have generally failed to deliver such changes.

With this in mind, the SDNAS has developed and recommended a number of detailed proposed technical assistance and capacity building project templates.