

CII-EABC RCEP Business Stakeholders' Consultations

Session II: Services



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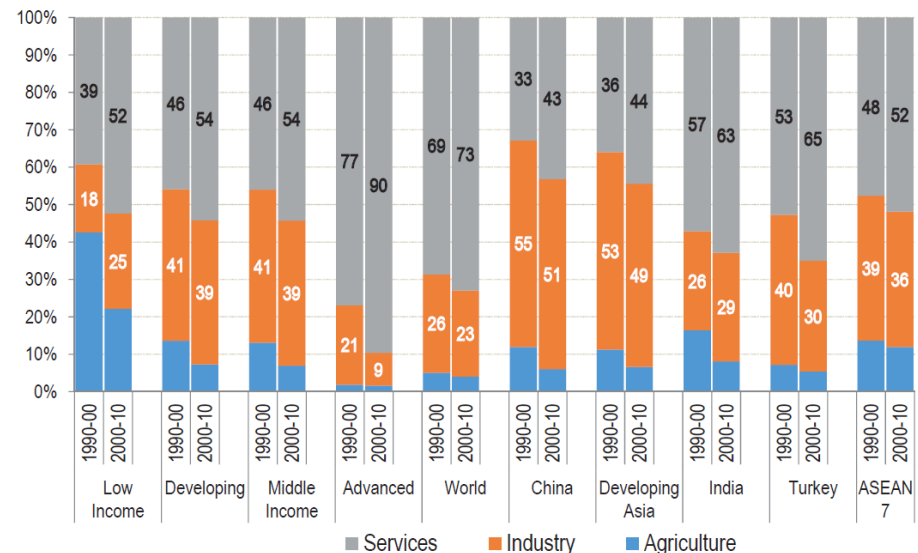
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ASEAN Services: Where Do We Stand?

- ❖ “Services contributed more than 40 percent of total value added in ASEAN Member States in 2010 and accounted for more than 50 percent of total employment”, according to the Joint Report*
- ❖ Services are getting more important as economies moving toward new growth pattern.
- ❖ Traditional services such as transportation, travel and tourism are still the dominant form of exported services in most ASEAN members.
- ❖ Despite having AFAS in place, ASEAN countries have not undertaken significant liberalization in the last four years.
- ❖ In the financial sector, ASEAN Member States are working to deepen financial services integration in the ASEAN context.

Decomposing GDP Growth in Developed and Developing Countries, 1990–2000 and 2000–2010



Services now account for almost 75 percent of global economic growth (55 percent in developing economies). The contribution of services to total growth is higher than industry's contribution. Also, services have made an increasing contribution to growth.

Source: * The ASEAN Secretariat and The World Bank. (2015). *ASEAN Services Integration Report: A Joint Reporting by the ASEAN Secretariat and the World Bank*. Retrieved from <http://documents.worldbank.org/curated/en/759841468178459585/pdf/100637-Revised-WP-PUBLIC-Box393257B-ASEAN-Report-web.pdf>.

Challenges and Opportunities

Challenges	Opportunities
❖ Value from trade in services is well recognized but services are far behind trade in goods in the context of FTA.	❖ Nice activities are emerging. Air Travel, Service Hub and Medical.
❖ Sensitivity does exist in liberalization of certain sectors. Financial is one among those.	❖ Qualified ASEAN Bank Scheme has adopted the bilateral approach.
❖ With technology encroaching on finance, financial landscape is now changing. Market structure is harder to define.	❖ FinTech has become another sector of service trade.
❖ Most ASEAN economies have a close linkage to or even become part of the Global Value Chain (GVC). Exposure to global economic impact is getting larger.	❖ GVC can technically help economies sustain investment flows or even give them a leverage.
❖ Demographic changes in some economies are a cause for concern.	❖ Immigration policy is reviewed and people mobility can be accommodated.

Thailand: Service Trade Facilitation Developments

- ❖ National E-payment, a national agenda, has moved the country toward digital-based economic activities.
- ❖ Regulatory reform has started. Korean model is now under study. Bank of Thailand streamlined its FX regulations.
- ❖ Ease of Doing Business is committed for improved ranking and government services are target.
- ❖ Alien Business Act has been reviewed and revised to potentially liberalize service sectors.

Recommendations for TNC consideration

1

For sensitive sectors, bilateral approach might be pragmatic as in the case of banking.

2

Technology and related professional services can become new backbone services. They can play a key role in driving e-Commerce. Perhaps, it is time to reclassify service sectors.

3

With GVC getting more important, taking them into account in world trading regime might be a task for working group to study.

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