Towards Liberalization of Services in ASEAN: Challenges and Opportunities of ASEAN Framework Agreement on Services (AFAS) on Tourism

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The proliferation of liberalisation has been historically generated by the establishment of World Trade Organisation (WTO). Services sector was comprehensively regulated by General Agreement on Trade in Services (GATS). Regionally, AFAS was initially established to bolster the objective of GATS. In inward-looking perspective, AFAS has underscored the increasing participation of ASEAN member states through strengthening their domestic services capacity, efficiency, and competitiveness. In outward-looking perspective, it was intended to eliminate progressively any restrictions and internal governmental regulations in the transaction of services whose impact eventually emerged trade harassment. As a legally binding sector under GATS and AFAS, tourism is moving invariably to be one of the most dynamic sector of economic activity in ASEAN. Hence, it has cardinal role for sustainable socio-economic growth and the diversity in cultures, economy, and the complimentary advantages across the region. This paper attempts to identify, decipher, and analyse meticulously challenges and opportunities of AFAS on tourism referring four modes of supplying services under article 1 of GATS encompassing; cross-border supply, consumption abroad, commercial presence, and natural persons presence. Intrinsically, ASEAN member states need to be strengthened and focused in achieving the target of a free trade area in services on tourism by 2015 as a pathway of anticipating liberalisation of services on tourism globally.

Keywords: Liberalisation of Services, ASEAN, AFAS, Tourism

I. Introduction

In the post industry era, a challenge ahead is obviously convoluted which is being permeated by liberalisation in myriad sectors. It had been commenced through comprehensive negotiation of trade in Uruguay Round when 123 nations committed unanimously to establish the World Trade Organization (WTO) in Marakesh, Morocco. That memorable moment could be a stepping stone of proliferation of liberalisation because of their substantial coverage encompassing investment in Trade Related Investment Measures (TRIMs), intellectual property rights in

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Trade Related Intellectual Property Rights (TRIPs), and services in General Agreement on Trade in Services (GATS), were an inheritance and interdependence part of tradable activities.

Referring services sector, despite being debatable, all participants agreed to establish a multilateral framework of principles and rules for trade in services that were well-accepted as GATS. They had hoped if GATS with entered into force in 1 January 1995, could remove gradually any restrictions and internal governmental regulations in the area of services whose impact eventually emerged trade barrier. The main document of GATS was a framework agreement which was evolved comprehensively and integrally in the area of services including bank, telecommunication, financial services, air transport, maritime transport and tourism. Most Favored Nation, National Treatment, Transparency, and Progressive Liberalisation were the paramount principles. Eventually, the enactment of GATS has been the new episode in the internationalization and institutionalization of services provision.¹

In addition, since the last decade service sectors have potential contribution for the world economy which were going to be the largest and fastest growing sector. In 1999, the value of cross-border trade in services amounted to US$ 1350 billion, or about 20% of total trade. This understates the true size of international trade in services much of which takes place through establishment in the export market, and was not recorded in balance of payments statistics.²

Basically, liberalization of services trade must be treated differently from trade in goods which is more complex and complicated than trade in goods. For instance, assessing the liberalizing content of regional agreements on services is a complex and challenging question. This is due to the characteristics of services as well as to the numerous ways in which services can be traded. Service activities are intangible and non-storable on the whole, require the proximity of consumers and producers in their trade, demonstrate both capital and labour mobility

associated with their forms of trade, and show a high prevalence of regulatory intervention to counteract market failure and achieve non-economic social objectives.\(^3\)

It is unmistakable if tourism is moving invariably to be one of the most dynamic sector of economic activity, generating a wide range of benefits including surprising exchange earning and a growing contribution to the GDP which in some cases reaches over 10%. Tourism has been a popular global leisure activity. In 2007, there were over 903 million international tourists arrivals, with a growth of 6.6% as compared to 2006. International tourist receipts USD 856 billion in 2007.\(^4\)

Based on that figures, it is not coincidence if all countries attempt to lure many tourists as much as possible that were openly liberalized as impact of GATS. Myriad special programs of tourism with resorted by creative and perspicacious promotions have been undertaken. They believe if tourism that is adduced as the collaboration of amusement, entertainment, enjoyment and education, will be a robust sector and can be immune from the symptom of economic slowdown currently.\(^5\)

In the regional perspective, ASEAN member states committed to establish an agreement and strategic plan related to liberalization of services which was expressly stated in GATS, especially in tourism sector. That was ASEAN Framework Agreement on Services (AFAS) which was supported by other related regional agreements. Basically, in term of ASEAN Vision 2020, those intensive cooperation are undertaken to achieve full integration of the tourism sector across all ASEAN member states which are commenced gradually by building ASEAN tourism brand and promoting ASEAN as a single tourism destination.

This paper attempts to describe and analyze the concept and implementation of the liberalization of services in the ASEAN on tourism sector based on GATS and AFAS. Author think over that it

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is worthwhile to make ASEAN community stakeholders including business practitioners, government and people, are used to living in the liberalization era especially in tourism scope. Afterwards, those explanations can assist author to identify the challenges and opportunities of liberalization of services on tourism for Indonesia and other ASEAN member states which influence significantly in the attainment of tourism development targets.

II. Liberalisation of Services from the Perspective of GATS

In the preamble of GATS, it is clearly mentioned that the purpose of establishing a multilateral framework of principles and rules for trade in services, is to the expansion of tradable activities under conditions of transparency and progressive liberalisation. Likewise it is as a tool of promoting the economic growth of all trading partners and the development of developing countries. In the inward looking perspective, GATS has underscored the increasing participation of developing countries through strengthening of their domestic services capacity and its efficiency as well as competitiveness. Meanwhile, in the outward looking perspective, GATS was aimed to ensure the equitable and fair treatment which was accompanied by overall balance of rights and obligation among all participants.

Referring to the article 1 of GATS, it can be distinguished into four modes of supplying services encompassing:

1. Cross-border supply is defined to provide services from the territory of one member into the territory of another member;
2. consumption abroad refers to situations where a service consumer moves into another member's territory to obtain a service;
3. commercial presence implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service;
4. presence of natural persons consists of persons of one member entering the territory of another member to supply a service.

The definition of services is clearly mentioned in article 1 point 3. Services include any kinds of services except services supplied in
exercise of governmental authority. Afterwards, a service supplied in the exercise of governmental authority must be defined as any service, which is supplied neither on a commercial basis, nor in competition with one or more service suppliers.

Within GATS, there are three main principles for all members and must be undertaken promptly and unconditionally. The first is Most Favoured Nations Principle (MFN) which can be found in article II GATS. It obliges that each member shall accord an equal treatment to services and service provider from another country as well as from other countries of member.6

Transparency which can be found in Article III GATS is the second principle. Each country of member must publish all the laws, rules of execution, and all generally applicable resolutions issued both by central and local government, which have impacts on the practices of GATS. Every change in laws and the addition of new rules must be reported to The Council of the Trade of Service (CTS). The countries must also comply with the demand of specific information from other countries of member about many generally applicable rules. Therefore, the countries have to find one information centre, or more, to provide all the information needed and demanded.

The last principle is National Treatment which can be found in Article XVII. Within this principle, each member shall accord to services and service suppliers of any other member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like service and service suppliers.

The establishment of schedule of specific commitment is a part, that can be a crucial point in which each country is obliged to set up a list of liberalized sectors accompanied by timely manner schedule. The commitment will be an integral part of the agreement and it has also become an integral appendix. Referring to the article XX, each member shall set out in a schedule the specific commitments with respect to sectors, where such commitments are undertaken. From each schedule shall specify:

a. Terms, limitations and conditions on market access;

b. conditions and qualifications on national treatment;
c. undertaking relating to additional commitments;
d. where appropriate the time-frame for implementation of such commitments; and
e. the date of entry into force of such commitments.

Referring to the article XXI GATS, each member may modify or withdraw any commitment in its schedule, at any time after 3 years have elapsed from the date on which its commitment entered into force in accordance with the provisions of this article.

III. Indonesia’s Schedule of Specific Commitment on Tourism

According to its potential tourism resources, Indonesia is widely recognized as the world’s largest archipelago. It has more than 17,000 islands, 300 different ethnic groups and 250 distinct languages. For tourism, it brings competitive value that can provide the diversity of its products. Moreover, as an indispensable part of growing Indonesia’s economy which is being reconstructed after massively crisis in 1998, tourism has been becoming a solution of our twin towers problems in reducing unemployment and alleviating poverty. In 2008, tourism sector contributed about 70 trillion rupiah and received 6.45 million foreign visitors with each spending up to 1,178 dollars per day.7

Recognizing the GATS provision and as a part of its strong commitment, Indonesia has also drawn up a schedule of specific commitments which is contained in the document GATS/SC/43 dated in April 1994. Indonesia’s Schedule of Commitments covers market access and national treatment for all four modes of supply and commits to the Liberalisation of telecommunications, industrial services, transportation services (maritime transport services), tourism and financial services.

In tourism sector, Indonesia’s government puts 3 sub sectors in the commitment of tourism service, including:8

1. As for hotel and tourist resort (hotel, marina, golf courses, and other

7 IGN Parikesit Widiatedja, op.,c.,p,112.
sport facilities) in East Indonesia, that is in Borneo, Bengkulu, Jambi, and Celebes, foreign investor may own their shares even up to 100 percent. The hotel category is limited to three, four, and five-star hotel.

2. For building hotel and tourist resort, the capital adequacy deposited by foreign investor is higher than one deposited by local investor, but this limitation will be eliminated in 2020.

3. For movement of natural persons in the field of hotel affairs, the commitment made is unbound except for top level managers and highly skilled professionals in the hotel business, they are general manager, resort manager, food and beverage manager, resident manager, controller, marketing director, executive chef, sous chef and specialty chef.

4. The allocated number for Travel Agent and Tour Operator (CPC 74710) is limited to at most 30.

5. The tour operator must be a travel agent which operates in Jakarta and Bali.

Actually, Indonesia’s government has not extended its schedule of specific commitment in tourism yet since entered into force in 1995. This strategy must be applauded as it denotes the government commitment to be a shelter of Indonesian need and interest. On behalf of welfare state, it is reasonable and undeniable if Government must protect them because we have not been ready to compete directly and unconditionally. The low proficient of human resources, traditional concept of marketing, shoddy accessibility of infrastructures and technology, uncertainty regulation either central or regional level, limited funding of development, are the shortcoming elements which have been afflicting since we proclaimed our independence in 1945.

In terms of progressive Liberalisation principle, its government policy is a lawful act. Referring to the article XIX point 2 GATS the process of Liberalisation shall take place with respect to the national policy objectives and the level of development of individual members both overall and individual sectors. There shall be appropriate flexibility for individual developing country members for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation.
IV. Liberalisation of Services of Tourism under AFAS

A. The Nature of AFAS

Entering 2011, liberalization of services which was legally stated in General Agreement on Trade in Services (GATS), has been undertaking for sixteen years since it was proclaimed on 1 January 1995. During this period, it has reached specific agreements through intensive round negotiations both regionally and internationally that essentially eliminate multifarious barriers both tariff and non-tariffs on trade in services, and to the expansion of liberalization commitments from its member, mainly from developing countries.

It is undeniable that GATS has emerged fierce competition which tends to be massive, expansive and exploitative. As a developing country, we will be impinged by myriad difficulties in competing frontally with developed countries which were predominantly covered by unlimited fund, sophisticated infrastructure and skillful human resources. It could be possible if GATS will be a silver lining for foreign services provider to explore and exploit all resources services without considering to the carrying capacity of related sectors.

Avoiding that possibility and referring on noble faith in achieving the benefits and common prosperity, economic ministers of ASEAN Countries committed to establish the ASEAN Framework Agreement on Services (AFAS). That regional agreement which was formally signed on 15 December 1995 is aimed to realize the following objectives:

1. to enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity and supply and distribution of services of their service suppliers within and outside ASEAN;
2. to eliminate substantially restrictions to trade in services amongst Member States;
3. to liberalize trade in services by expanding the depth and scope of liberalisation beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services.

As affirmative action, a series of complementary guidelines and targets have been applied at the ASEAN level. The most relevant was the

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agreement formulated at the 37th ASEAN Economic Ministers' (AEM) Meeting in Vientiane in September 2005. All ministers reassured their commitment to liberalize trade in services in the region in accordance with the vision to build the ASEAN Economic Community (AEC). Strengthening the importance of trade in services liberalization, the Ministers agreed that 2015 would be the end-date for the liberalization of all services sectors, although it was also agreed that flexibility shall be allowed for some sub-sectors.10

By promulgating of AFAS in 1995, ASEAN adopted a 'positive list' mechanism to negotiate liberalization in services trade. In other words, the negotiating modality identifies sectors in which there is scope for mutual benefit through services trade liberalization and includes these on the positive list. This is based on the GATS negotiation modality. For each sector or sub-sector on the positive list, commitments are made for 'market access' and 'national treatment' across each of the above 4 modes of supply. Using this approach, liberalization of services trade under AFAS is also intended to achieve commitments beyond Member Countries' commitments under GATS. This is well-known as the GATS-Plus principle.11

Besides, AFAS also emerges elaborate rules specific aspects such as mutual recognition, dispute settlements, institutional mechanisms and other areas of cooperation in services. To date, there have been three successive negotiation rounds which have resulted in four packages of commitments from each ASEAN country in each agreed economic sector and sub-sector as well as mode of supply. These packages provide for details of commitments from each ASEAN Member Country (AMC) to the others in the following 7 services sectors:12

1. Air transport: sales and marketing of air transport services, computer reservation, aircraft repair and maintenance, etc.


11 Ibid.

2. Business services: IT services, accounting, auditing, legal, architecture, engineering, market research, etc.

3. Construction: construction of commercial buildings, civil engineering, installation works, rental of construction equipments, etc.

4. Financial services: banking, insurance, securities and broking, financial advisory, consumer finance, etc.

5. Maritime transport: international passenger and freight transport, storage and warehousing, etc.

6. Telecommunication: public telephone services, mobile phone services, business networks services, data and message transmission, etc.

7. Tourism: hotel and lodging services, food serving, tour operator, travel agency, etc.

B. AFAS and Other Related Tourism Policies in ASEAN

1. ASEAN Tourism Agreement (ATA)

Subject to the objectives of the ASEAN Framework Agreement on Services which laid down the basic principles and scope for negotiations on trade in services among ASEAN with a view to liberalizing intra-ASEAN trade in services, ASEAN member states agreed to promulgate ASEAN Tourism Agreement (ATA) which was signed on 4 November 2002 in Phnom Penh, Cambodia. The objectives of this agreement are:¹³

1. To cooperate in facilitating travel into and within ASEAN;

2. To enhance cooperation in the tourism industry among ASEAN Member States in order to improve its efficiency and competitiveness;

3. To substantially reduce restrictions to trade in tourism and travel services among ASEAN Member States;

4. To establish an integrated network of tourism and travel services in order to maximise the complementary nature of the region’s tourist attractions;

5. To enhance the development and promotion of ASEAN as a single tourism destination with world-class standards, facilities and attractions;

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6. To enhance mutual assistance in human resource development and strengthen cooperation to develop, upgrade and expand tourism and travel facilities and services in ASEAN; and

7. To create favorable conditions for the public and private sectors to engage more deeply in tourism development, intra-ASEAN travel and investment in tourism services and facilities.

In related with travel, ASEAN Member States agreed to facilitate:

1. Extending visa exemption arrangement for nationals of ASEAN Member States traveling within the region on the basis of bilateral visa exemption agreements concluded between Member States that are ready to do so;

2. Harmonizing the procedures for issuing visas to international travelers;

3. Phasing out travel levies and travel taxes on nationals of ASEAN Member States traveling to other ASEAN Member States;

4. Encouraging the use of smart cards for ASEAN business and frequent travelers and, where appropriate, for cross-border travel on the basis of bilateral agreements concluded between Member States that are ready to do so;

5. Improving communications with international travelers through the use of universal symbols and multi-lingual signs and forms; and

6. Easing the process of issuance of travel documents and progressively reducing all travel barriers.

ASEAN member states admitted that one of the main obstacle was the low quality of human resources. It triggered a low performance of development as human resources even created the inundation of unemployment here which fully covered by low-level of skills, poor-concept of management and pragmatism of mindset. Desiring to embattle all those challenges, they committed to:

1. Formulating non-restrictive arrangements to enable ASEAN Member States to make use of professional tourism experts and skilled workers available within the region on the basis of bilateral arrangements;

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14 Article 2 of ATA
15 Article 8 of ATA.
2. Intensifying the sharing of resources and facilities for tourism education and training programmes;
3. Upgrading tourism education curricula and skills and formulating competency standards and certification procedures, thus eventually leading to mutual recognition of skills and qualifications in the ASEAN region;
4. Strengthening public-private partnerships in human resource development; and
5. Cooperating with other countries, groups of countries and international institutions in developing human resources for tourism.

 Basically, ASEAN Tourism Agreement can be considered as a stepping stone of realizing ASEAN economic integration in comply with ASEAN Vision 2020. Hence, ATA has to be formulated to build ASEAN tourism brand and promote ASEAN as a single tourism destination. Afterwards, if it is implemented consistently and sustainably, it will create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities in year 2020.

B. ASEAN Tourism Strategic Plan

Mobilizing all tourism resources to be a tool for accelerating development, all tourism ministers of ASEAN has promulgated ASEAN Tourism Strategic Plan 2011-2015 in Phnom Penh, Cambodia. The Plan was formulated in 21 January 20011 which expected to promote the region as a single destination, establish a set of ASEAN tourism standards followed by a certification process, enable tourism professionals to work in any of ASEAN Member States and allow visitors to travel throughout ASEAN with a single visa. Beside, the Plan has also gained strong support from China, Japan and the Republic of Korea. Those countries are willing to provide their assistance for ASEAN member states to ensure its successful implementation. The ASEAN Tourism Strategic Plan 2011-2015 was developed by the ASEAN National Tourism Organization (NTO) with the assistance of
the private sector and support from USAID.\textsuperscript{16}

1. The plan is organized around three different targets of strategic
directions encompassing:\textsuperscript{17}
2. The development of experiential and innovative regional products
and creative marketing and investment strategies;
3. Increasing the quality of human resources, services and facilities in
the region;
4. Enhancing and accelerating travel facilitation and ASEAN
connectivity.

Each of these strategic directions has a series of actions and
activities. There are recommendations for realigning and restructuring
the way that the ASEAN tourism cooperation functions in order to
acquire economies of scale and to engender best use of scarce resources.
It is expected that this realignment will enable the ASEAN tourism
cooperation to become ever more effective in guiding tourism in the
region.\textsuperscript{18}

The overall objective is to develop a blueprint defining the policies,
programs and projects of the ASEAN NTOs in the areas of marketing,
product development, standards, human resources development,
investment, and communication, among others. The blueprint will be
developed using world recognized sustainable and responsible tourism
principles and practices. Meanwhile, specific objectives encompassing:\textsuperscript{19}

1. Review the ASEAN Leaders and Ministerial Declarations in regard
to the establishment of ASEAN Community and the integration
of tourism sector under the ASEAN Framework Agreement on
Services (AFAS), the Vientiane Action Plan, ASEAN Tourism
Agreement, and Roadmap for Integration of Tourism Sector, among
others.

\textsuperscript{16} Connecting the Region Through Tourism: ASEAN Adopts Tourism Strategic
retrieved on 2011-07-11.
\textsuperscript{17} Joint Media Statement of the Thirteenth Meeting of ASEAN Tourism Ministers (13th
retrieved on 2011-07-09.
\textsuperscript{18} Ibid.
2. Conduct consultations and interviews with the ASEAN NTOs and Chairs of the Task Forces and Working Groups as well as the private sector, including the ASEANTA and NTO officials from Dialogue Partners to elicit their inputs, ideas, opinions and recommendations on the vision, goals and objectives for ASEAN Tourism by 2015.

3. Conduct an assessment of the work and projects undertaken by the NTOs, Task Forces and Working Groups in the areas of marketing, product development, standards, manpower development, investment, cruise tourism and crisis management and other relevant committees.

4. Identify new areas as well as programs and activities that the NTOs, Task Forces and Working Groups as well as other ASEAN forums should be engaged and undertake in to attain the vision and goals for ASEAN Tourism by 2015.

5. Prepare a new roadmap for ASEAN Tourism identifying programs and activities, timeframes and coordinating/responsible units.

These measures were consistent with the objectives of the ASEAN Tourism Agreement (ATA) adopted by the ASEAN Leaders during their 8th Summit in November 2002 in Phnom Penh, Cambodia. The ATA was aimed at facilitating travel into and within ASEAN, enhancing cooperation in the tourism industry to improve its efficiency and competitiveness, reducing restrictions to trade in tourism and travel services, establishing an integrated network of tourism and travel services to maximize the complementary nature of the region’s tourist attractions, promoting ASEAN as a single tourism destination, enhancing mutual assistance in human resources development and training, and creating favourable conditions for public and private sector partnerships.  

V. Challenges and Opportunities

A. Global Positioning of ASEAN

Referring the data from Organization of Economic Cooperation and Development (OECD), most ASEAN member states have risen from the global economic slowdown with an average growth of 7.3 percent and

\[ \text{Ibid.} \]
6 percent over the next five years. One of the most important contributors is provided by services sector. They have contributed between 40-70% of Gross National Income in ASEAN member states which share of 5% of world trade in commercial services worth U.S. $ 343 billion in 2009. Furthermore, Foreign Direct Investment (FDI) in services sector has reached more than 50% of the total FDI of ASEAN.

Related to tourism, based on the information provided by ACD, global visitors has contributed 698.8 million and generating tourism receipts of US$476 billion in 2000. Europe has preserved its position as the most popular region with the biggest market share of 57.7% of total arrivals which was around 403.3 million visitors. This was accompanied by the Americas which was market share of 18.5% and Asia Pacific with 16.0% of its market share. The WTO forecast that Asia including the Asia-Pacific, South Asia and the Middle East would become the world’s second most popular destination after Europe in 2020. These estimations have reflected that the future of tourism in Asia is very potential if all Asian countries work hand in hand nurturing each other to ensure mutual benefits among them.

Based on those figures, ASEAN member states have huge opportunities to enhance its positioning in global market on tourism. It has been proved in 2009 when Intra-ASEAN travel contributed 49 per cent share of 65 million total international visitor arrivals. Subsequently, it is increasing foreign exchange earnings, creating jobs and attracting investors, both local and foreign. A new range of products and services emerged, leading to a massive creation of capacity and inventory which required strong marketing efforts. The entire industry was able to single-mindedly get together under one banner, leading to unprecedented levels of budgetary allocations and industry cooperation.

In term of action plan of ASEAN member states in enhancing their role, it must be undertaken to promote the region as a single tourist destination. Beside, they also need to develop a set of ASEAN tourism standards with a certification process. It will provide tourism professionals to work in any of the ASEAN member states and allow visitors to travel throughout ASEAN with a single visa. Sketchily, it will realize gradually the vision of ASEAN Community in a Global Community of Nations.
B. Challenges for ASEAN

1. Large Disparities of Economic Development

ASEAN member states fully committed to establish economic cooperation by promoting liberalization in trade, investment, industry and services. Under the ASEAN Vision 2020, partnership among ASEAN member states aims in creating a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities. All those measures comply with the objective of liberalization of services that was formally expressed in GATS and AFAS.

However, there are a number of challenges which are or may prove to be obstacles to the realization of ASEAN Vision 2020. These challenges assume many dimensions encompassing religious aspect, spread of population, political systems, and geographical contour. Hence, it will emerge large of disparities of economic growth which is subsequently hampered the attainment of economic cooperation including tourism among ASEAN member states. For instance, Malaysia, Indonesia, Philippines confront serious internal ethnic, linguistic, religious divisions impeding agreement on even a single set of national, or even region wide, cultural norms internally.

One of the most significant differences is in religion and population side. Thailand is a Buddhist state while Islam is dominant among the Malay population in Malaysia and Indonesia. Singapore supports Confucianism and Catholicism take much part in Philippines. The population in Southeast Asia is mainly composed of Austronesian, Tai, and Mon-Khmer-speaking immigrants who migrated from Southern China during the Iron Age, but it also includes a large number of Chinese, European, Papuans, Eurasians and their hybrids.

Different political systems also affected ASEAN member states. Colonialism takes part in inducing such diverse systems. None other than Thailand had any state in the Southeastern Asia escaped from

22 Ibid.
colonial rule. As the Southeast Asian states had been under control of various countries - Indonesia under the Dutch, Malaysia and Singapore under the British, and the Philippines under Spain and later the United States - they have different administrative, political, and legal systems. The international relations each country pursues with regard to its former “motherland” often clashes as well.

Another kind of diversity that leads to different national interests is the natural structure of the countries. Indonesia and the Philippines are archipelagoes with approximately 13009 and 7800 islands respectively, whereas Malaysia and Thailand are embedded on the Asian continent, and Singapore is a small island. Transportation, communication, and defense problems call for entirely different concepts and policies in a state with numerous islands and state located on land.23

All those disparities above emerge huge gap among ASEAN member states in terms of economic development. In 2006, the GDP per capita in 2000 purchasing power parity (PPP) dollars in Singapore was 28,305, virtually on par with France. The gap of Singapore with the rest of ASEAN is enormous; the GDP per capita of Malaysia and Thailand, the next best countries, is merely 36 and 28 per cent that of Singapore. The GDP per capita of the remaining ASEAN and the Lao People’s Democratic Republic being just 9 and 7 per cent, respectively.24

Referring tourism, ASEAN member states seem to be convoluted in building core strategy of tourism development in handling liberalization of service especially in cross border supply aspect. Some of them are predominantly focused on the preservation, conservation and promotion of the natural, cultural, and historical heritages. Meanwhile, other ASEAN member states are cozy to emphasis their advance technology and scrumptious infrastructure. Furthermore, it is questionable that ASEAN member states can improve integrally their efficiency and competitiveness in establishing single tourism destination with world-class standards, facilities and attractions while huge disparities among them are still occurred and unresolved.

2. Large Disparities in Technology

It is undeniable that technology has been a major driving force behind industrial and economic progress in terms of globalization and liberalization. States are known to be able to expand their output due to higher productivity. Thus, their competitiveness is enhanced through the application of technology. However, although the educational level of the population in ASEAN has increased significantly after independence, it is still much lower when compared to the world’s average and particularly the developed nations. For instance, only the Philippines (78%) and Singapore (76%) have a larger proportion of their school-going children attending secondary school than the world’s average (68%). Furthermore, only Singapore (39%), the Philippines (35%) and Thailand (21%) have a higher tertiary enrollment ratio than the world’s average (19%). None of the Southeast Asia countries has reached levels attained by the developed nations both in secondary (96%) and tertiary education (58%).

Disparities in ICT infrastructure are striking in the ASEAN member states. While Singapore has more than 40 telephone subscribers per 100 inhabitants, other ASEAN countries have less than 1.19 subscribers. While Internet users amount to about 40 per cent of the population in Brunei Darussalam, Malaysia, and Singapore, less than 1 per cent of the population has Internet access in Cambodia, the Lao People’s Democratic Republic and Myanmar.

In the liberalization of services era, the affordability of technology is a cardinal role related marketing tourism especially in the level of consumption abroad under GATS. When visitors consume their products, they did not meet tourism products directly, but all kind of information has been fulfilled through Internet. The huge disparities technology tends to be considerable hindrance in constructing integrated information systems of technology which was expressly mentioned on ASEAN Tourism Agreement and ASEAN Tourism Strategic Plan. Furthermore, it will also impede the attainment of liberalization of services globally.

26 Ibid.
3. Large Disparities in Human Resources Competence

It is unmistakable that labor productivity is a prominent factor of the economic development of a nation. Higher labor productivity contributes to lower unit labor costs, which is in turn are an important determinant of overall cost competitiveness. On the other hand, higher labor productivity allows for higher wages and shorter working hours, directly improving the living standards of the working population and its dependants. At US$ 47,975 in 2005, the labor productivity of Singapore was by far the highest in the ASEAN region, more than double that of Malaysia and almost three and a half times that of Thailand, the second and third best-performing countries on this score. The contrast of Singapore with Vietnam, Myanmar and Cambodia is even starker, the labor productivity in 2005 of the latter three countries being just 10 per cent, 9 per cent and 6 per cent, respectively, of the former.27

Those figures become arduous homework for ASEAN member states in implementing common competency standards for tourism professionals. They have to intensify a sharing process of resources especially for tourism training programs and education. Moreover, tourism curricula are very substantial to be upgraded which accommodate actual need and readiness of all ASEAN member states that subsequently reduce gap of human resources competency among them. In the future perspective, it will also enhance our human resources quality to compete globally with other professionals around the globe as a impact of the obligation of natural person presence under GATS Agreement.

4. Lack of Marketing Strategy

The lack of marketing strategy of ASEAN member states can be identified by their failure to build brand name of ASEAN. Instead, they are about to embark upon a new marketing campaign and strategic plan that will seek to downplay or, as they claim, “co-brand” the ASEAN name with “Southeast Asia.” Fundamentally flawed in concept, this co-branding campaign is based on a raft of questionable consultancy advice and poor research.

This measure has the potential to confuse consumers and the market

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27 United Nations Economic and Social Commission the Asia and the Pacific, loc.cit.

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and dilute the power of the ASEAN brand. Nor does it meet any of the wider objectives of the ASEAN leaders to build an ASEAN identity, one of the primary goals of the ASEAN socio-cultural integration process. Having failed to meet two key objectives of the 2002 ASEAN Tourism Agreement in building the ASEAN tourism brand and promoting ASEAN as a single tourism destination, ASEAN tourism industry leaders will have much to answer for if this entire exercise falls flat.

5. Lack of Transparency

In international trade agreements, transparency is desirable because it helps reduce transaction costs for private actors, promotes accountability and good governance, and facilitates international trade negotiations. The lack of transparency in design and enforcement of regulations constitutes one of the main impediments to services trade. Foreign investors, particularly those that are seeking to establish a commercial presence in the domestic market, are unlikely to commit resources in countries where it is unclear how the design and enforcement of regulation will affect their business activities. 28

In general, agreements in liberalizing trade in services are less transparent than those in liberalizing trade in goods. It also afflicts ASEAN member state in facing liberalization of services on tourism. This negative tendency is still occurred because trade statistics for certain service categories in ASEAN member states are simply not collected. Beside, certain services transactions may not be registered. For example, where central bank records are used for data collection transactions involving no financial intermediary may not be recorded. Services transmitted electronically are also frequently unregistered, particularly where transactions take place within one multinational corporation. 29 The lack transparency will emerge huge difficulties in navigating comprehensive policy to enhance our competitiveness and efficiency based on real need, interest, and preparedness of ASEAN member states.

29 Vo Tri Thanh and Mr Paul Bartlett, loc.cit.
6. Duplication of Agreement

The Duplication of Agreement tend to be undeniable referring regional architecture in the Asia Pacific including ASEAN. Following the establishment of ASEAN, there are other pillars of regional economic cooperation that exist in the region, namely: the Asia Pacific Economic Cooperation (APEC), the ASEAN Regional forum (ARF), the ASEAN Plus Three (APT) with China, Japan and Korea and the East Asian Summit (EAS). Since ASEAN as a group has been actively involved in all these regional mechanisms, ASEAN can only play its role if its members can cooperate more cohesively to solve their internal problems in the region. But how will ASEAN be able to play a convergent role among all these regional mechanisms? The answer is clear; it is necessary to consolidate all the existing regional mechanisms in order to avoid duplication in terms of focus of cooperation and activities.

C. Opportunities for ASEAN

1. Population in ASEAN

Sketchily, All ASEAN member states are generally conducive for tourism. Furthermore, their demographic contours are very unique in the sense that all member states are experiencing different levels of socio-economic development with differing socio-cultural imperatives. Unleashing their potential resources, they have to cooperate more closely in order to improve the efficiency and competitiveness, diversify production capacity and supply and distribution of services. Besides, they have to gradually remove many of the restrictions that remain in order to realize more fully tourism’s potential for the region which was clearly stated in AFAS.

One of the important factors is depend on ASEAN member states in managing their population. It is expected that a large population could encourage greater specialization, and a large market increases returns to human capital and knowledge. It was very competitive in term of liberalization of services globally. The combined population of ASEAN is 576 million which was equal to 8.7 percent of the world population with a combined GDP of $1.28 trillion in 2007. Based on those
opportunities, they have to enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity and supply and distribution of services of their service suppliers within and outside ASEAN which was strictly expressed by AFAS.

2 Intensive Cooperation with Other Parties

In order to realize Liberalization of Services on Tourism, ASEAN member states also gained valuable supports from China, Japan and the Republic of Korea. The Plus Three countries are willing to provide their assistance to ASEAN to ensure its successful implementation. All those supports mainly focused on human resources development, provided fund, and marketing strategy. Beside them, ASEAN member states also conducted intensive cooperation with Australia, New Zealand, Russia, and India. To be more effective, they also committed to coordinate and consult with related international economic organization surprising PATA, ADB, World Bank, UNESCO, UNESCO and UNWTO (World Tourism Organization).

The intensive cooperation with other parties either state or international organization will provide huge opportunities to grab remarkable progress in ASEAN. If all those stages implemented consistently and sustainably, it will create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities in year 2020.

IV. Conclusion and Recommendation

To sum up, the realization of liberalization of services on tourism stipulates an exceptional effort of cooperation, solidarity, and solidarity based on courage, sacrifice, willingness, good faith, and a noble commitment from ASEAN member states, to increase significantly capacity and mobilize all resources in tourism. Government as a guiding hand, business practitioners as a strong hand and people as last consumer, must be noble to work together and become a set of expectations in anticipating liberalization of services on tourism which
is forecasted to be fully undertaken in 2020.

First and foremost, it is important to formulate comprehensively regulation of liberalization on tourism which accommodates the large disparities and heterogeneity of ASEAN member states in the field. It will subsequently reflect honest differences in tastes and may be derived from the history and culture of each state in ASEAN. Author recommends that a regulation must be referred by Ability, National Interest, Gradual, Equality, and Legality of each ASEAN member states.

Ability means when designing a policy around ASEAN, shall be based on the real capabilities of each states, both in terms of internal and external dimensions. The reality existing policy, quality of human resources, innovative products, availability of infrastructure and technology until the configuration of global competition, can be a parameter as a means to identify and analyze our capability in dealing with the liberalization of tourism services in ASEAN.

National interest requires or obligates government around ASEAN to prioritize the national interest in designing a policy. This will dwell on aspects of the benefits for the government as decision maker, tourism businesses practitioner, and the community itself in its participation in the liberalization of services on tourism.

Gradual is the next requirement which was assumed as a trademark of GATS. This step can be undertaken after assessing our own abilities and interests based on progressive liberalization. In the other word, it is reasonable if not all tourism sub-sector should be liberalized. If we are able and ready, then we can open for liberalized. If not, it must be protected before opening widely and unconditionally. The role of government around ASEAN is so dominant when determining the sub-sectors that are ready or not ready to face the liberalization of services through declaring schedule of specific commitment.

Equality in this context is the distribution that reflects the soul, spirit and ideals of each design policies that will be executed mainly in liberalization era. it should lead to the achievement of equitable development and its results, and not pursue the ideology of economic growth is being heavily promoted by the capitalist states. Equity can be reached through the distribution of welfare among ASEAN states in the form of legal protection and economic development priorities for those
who were in the minority groups and tend to be marginalized.

Legality is the last requirement which obliges all kind of regional agreements must be underlaid by higher norm in term of its validity. Hence, in the perspective of procedural law, it will be more effective to be undertaken and enforced among ASEAN states especially in tourism.

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