



DEVELOPING AND LIBERALISING SERVICES TO BOOST PRODUCTIVITY IN ASEAN

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Outline

- 1. *Motivation:*** Why services matter?
- 2. *Problem:*** Lagging services in ASEAN
- 3. *Option:*** Liberalising FDI in services



1. *MOTIVATION*: WHY SERVICES MATTER?

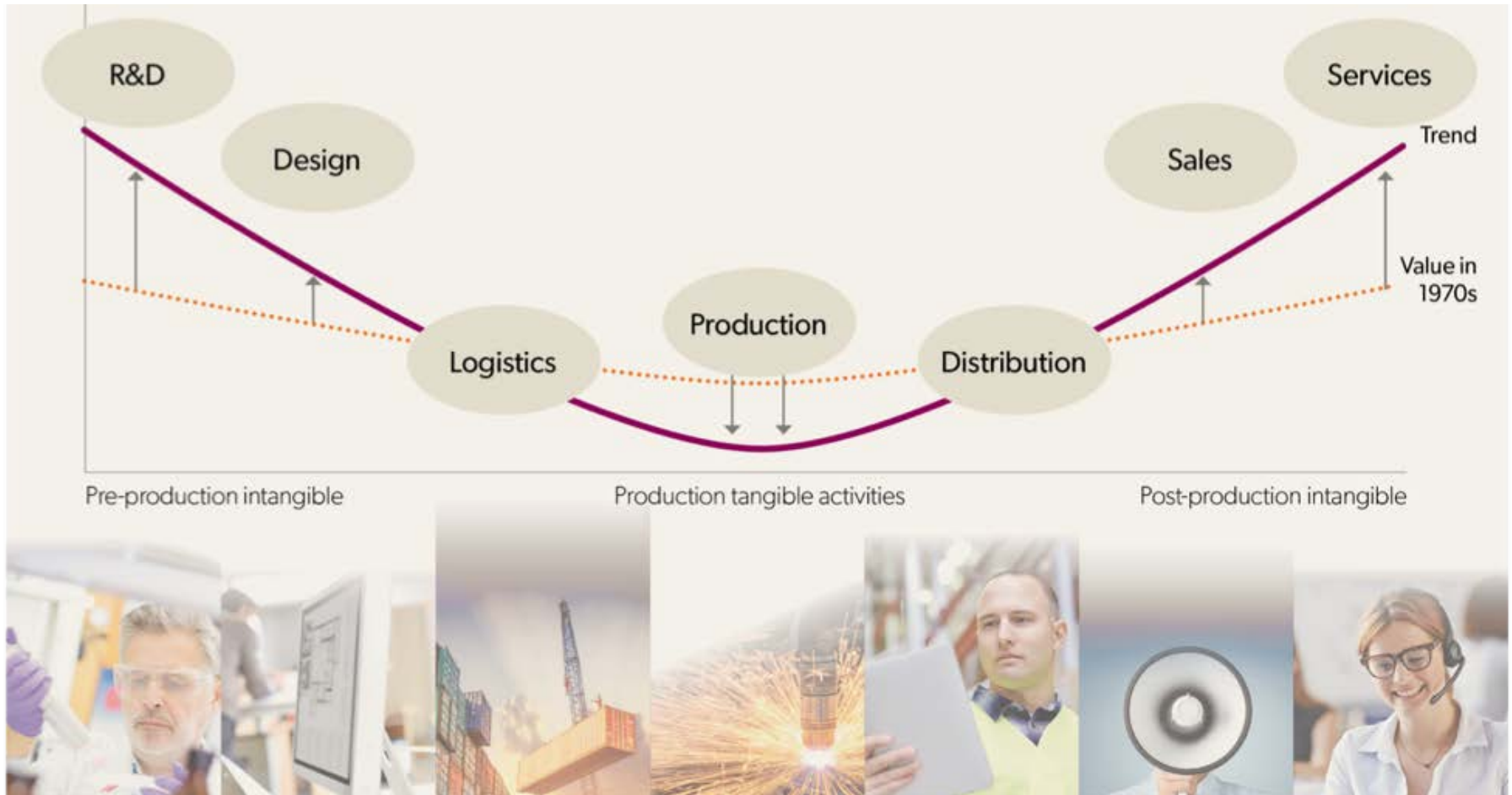


Services as a driver of inclusive growth and productivity

- ***Economy:*** Services are rising with technology upgrading along with demand-side shifts.
- ***GVCs:*** Services are used in manufacturing and integrated in global production networks
- ***Jobs:*** Services involve massive opportunities for job creation



The smiling curve: Services generate most value



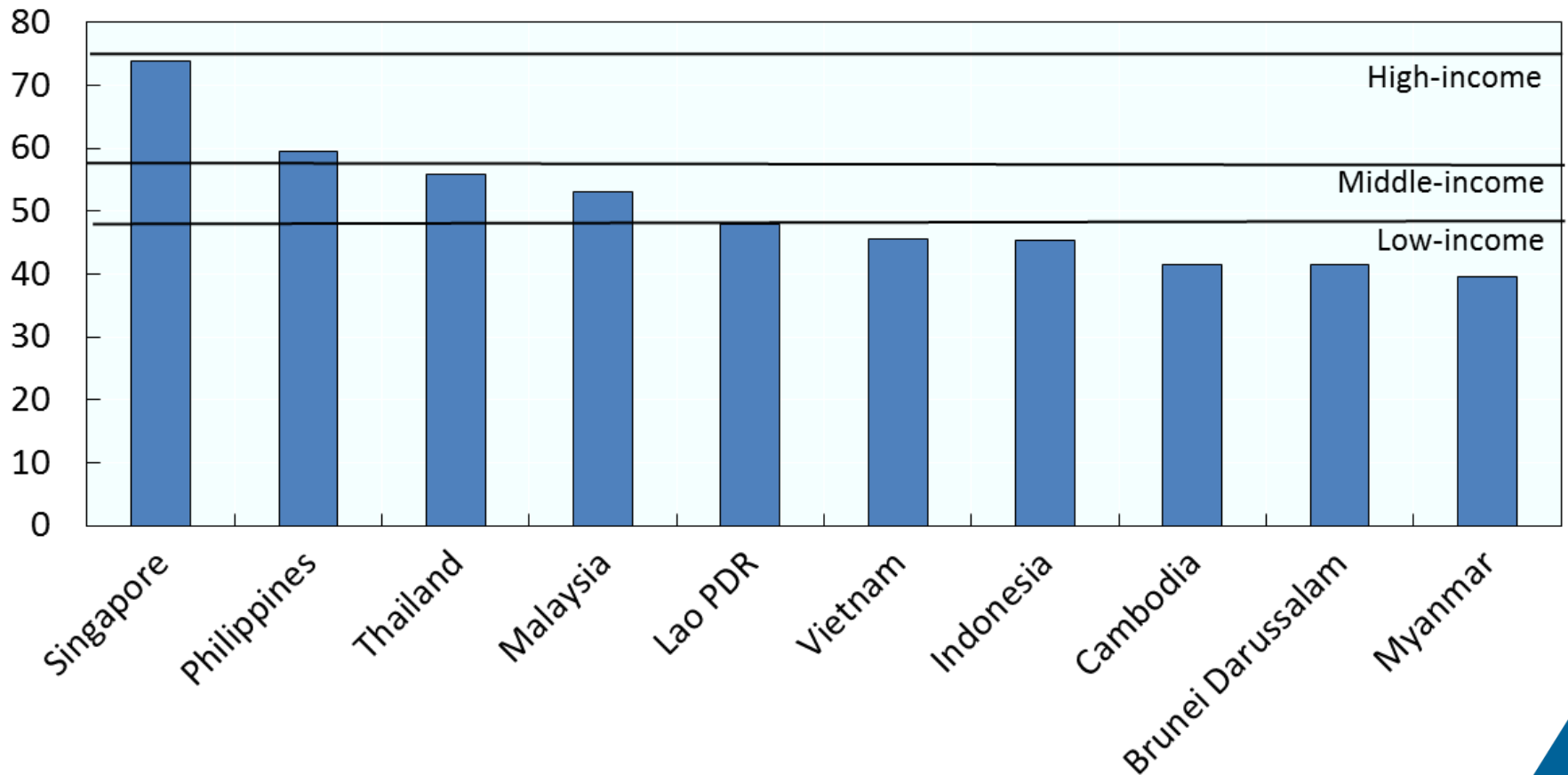


2. *PROBLEM:* LAGGING SERVICES IN ASEAN



ASEAN has less developed services than peers elsewhere

Services share of GDP (2016)

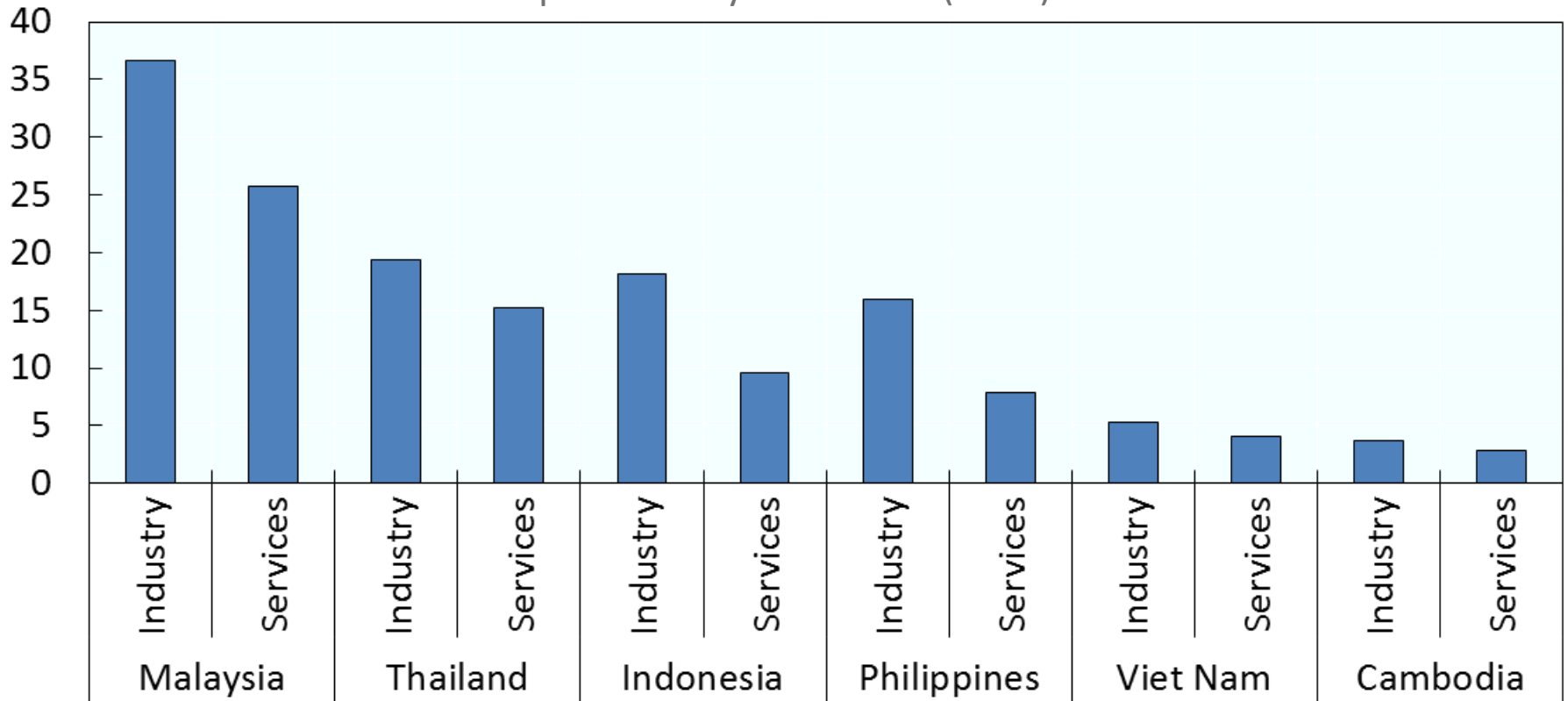


Source: OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018



Although growing, labour productivity in services remains low

Labour productivity in industry and services in % of Singapore's productivity in services (2016)

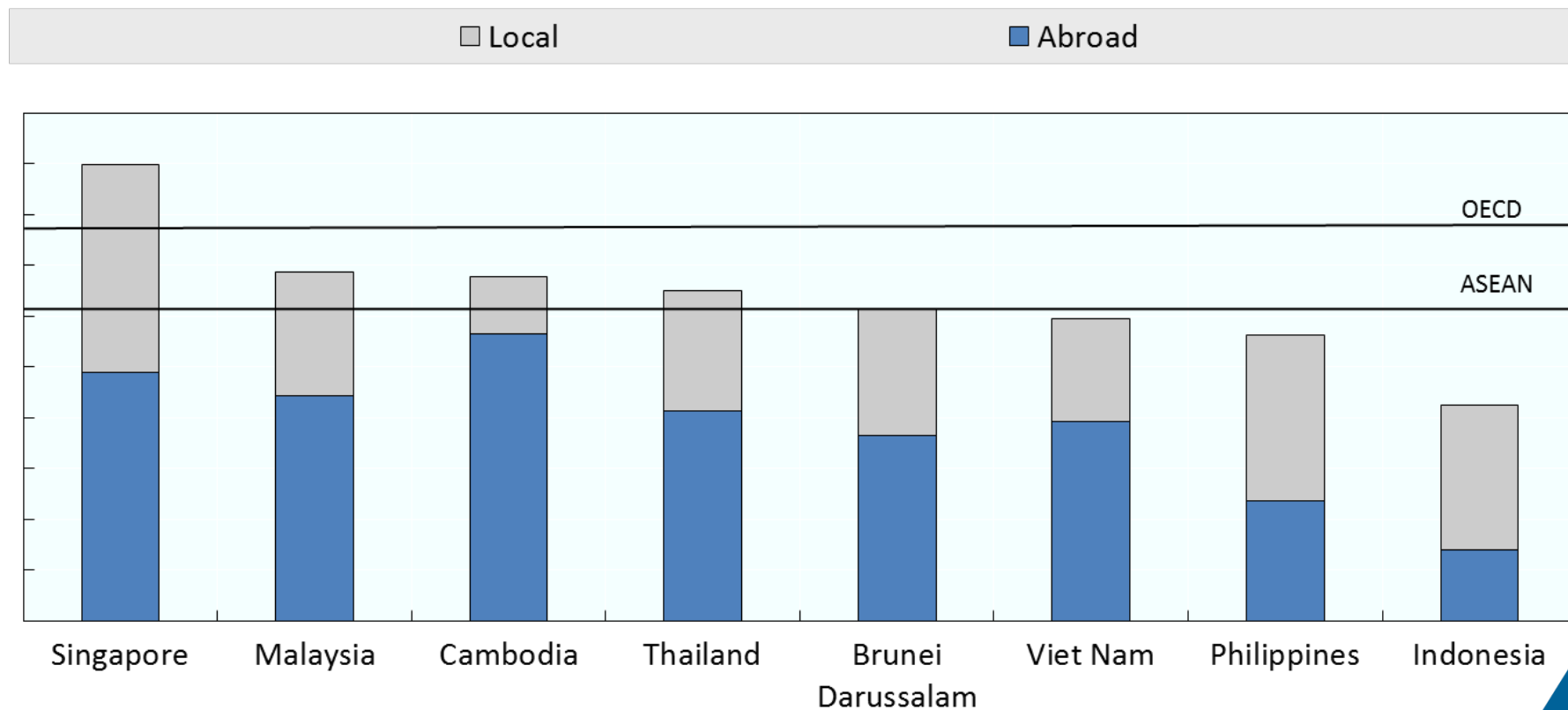


Source: OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018



The use of services in manufacturing and exports is relatively low

Services value added produced locally and abroad: share of gross manufacturing exports (in %) 2014



Source: OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018

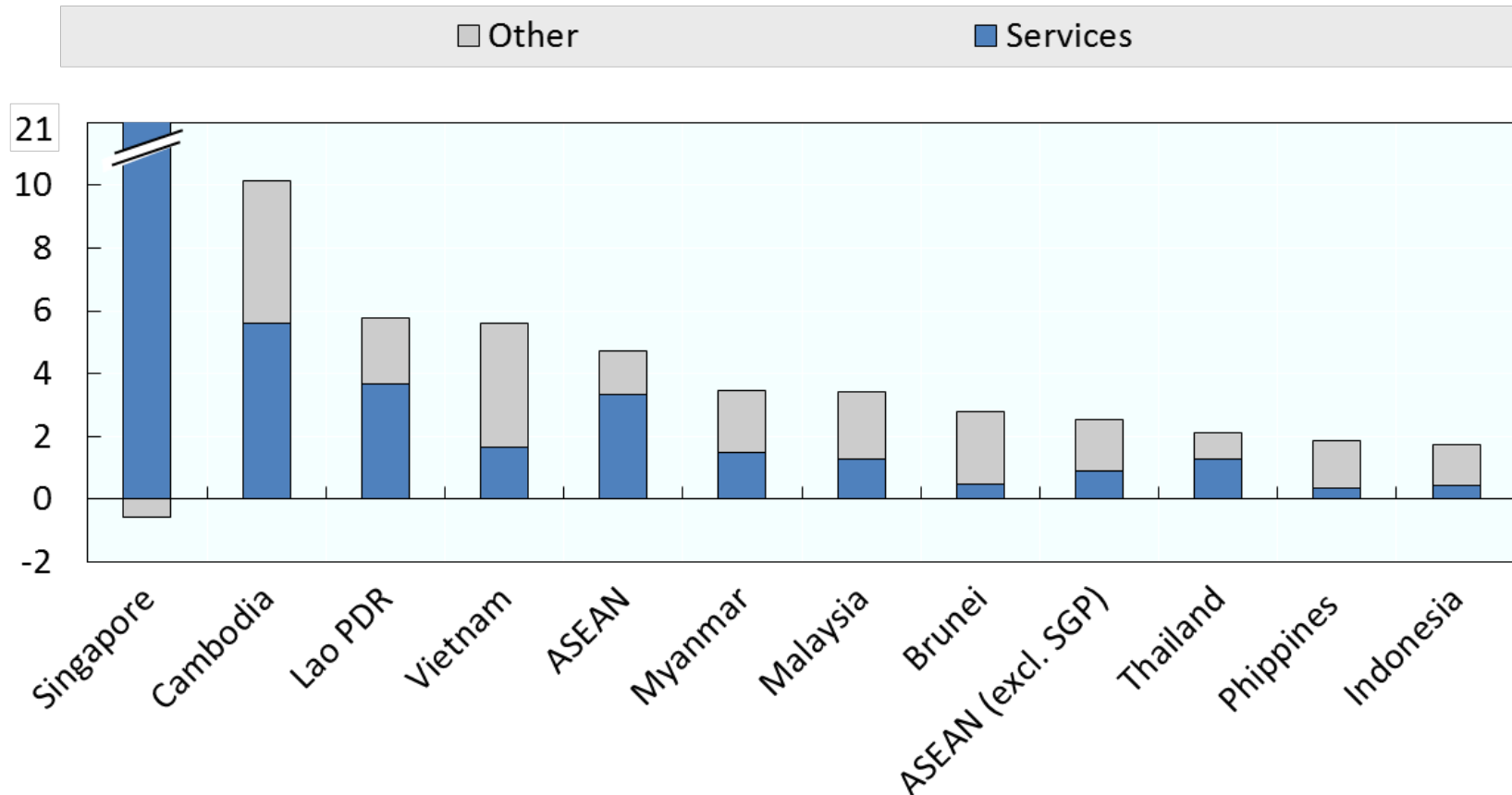


3. *OPTION*: LIBERALISING FDI IN SERVICES



Services FDI can foster modern services but FDI remain low in AMS

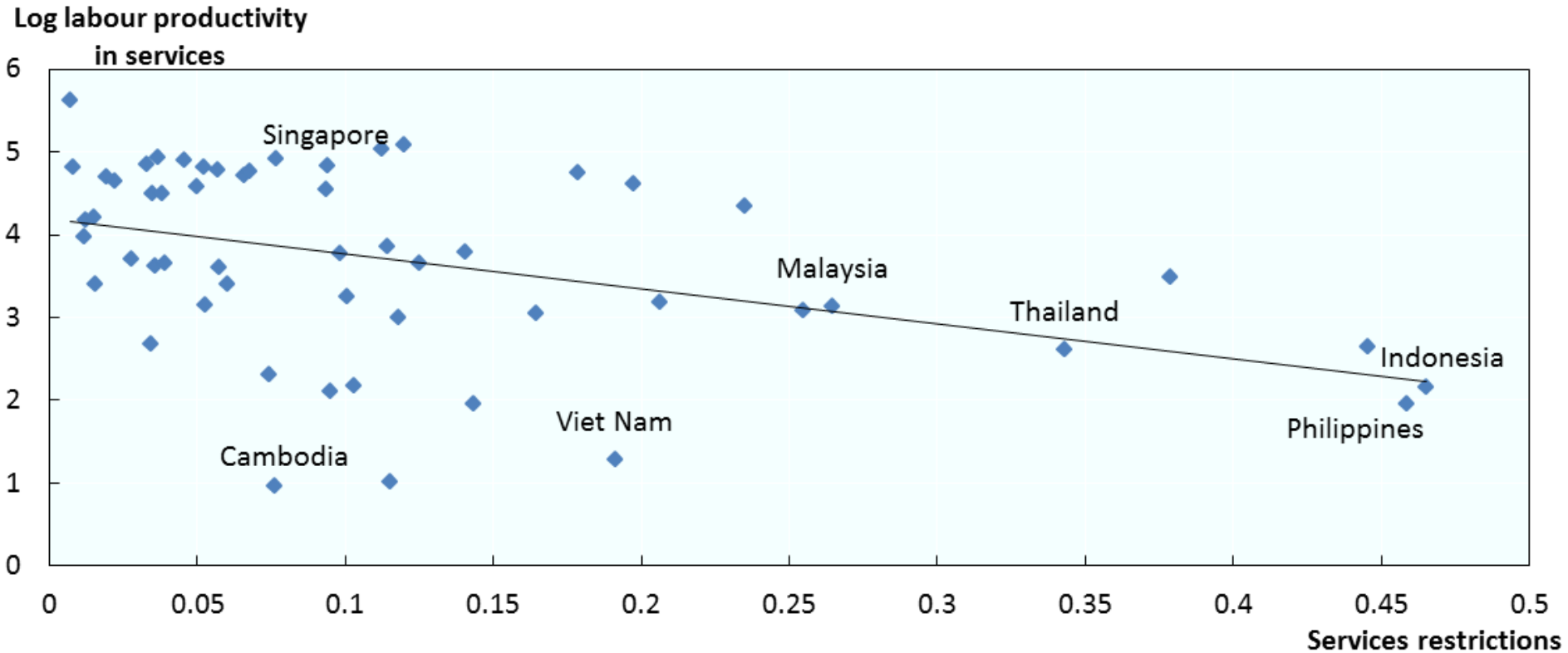
Inward FDI flows over 2012-16 (in % GDP): Services versus other



Source: Adapted from OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018



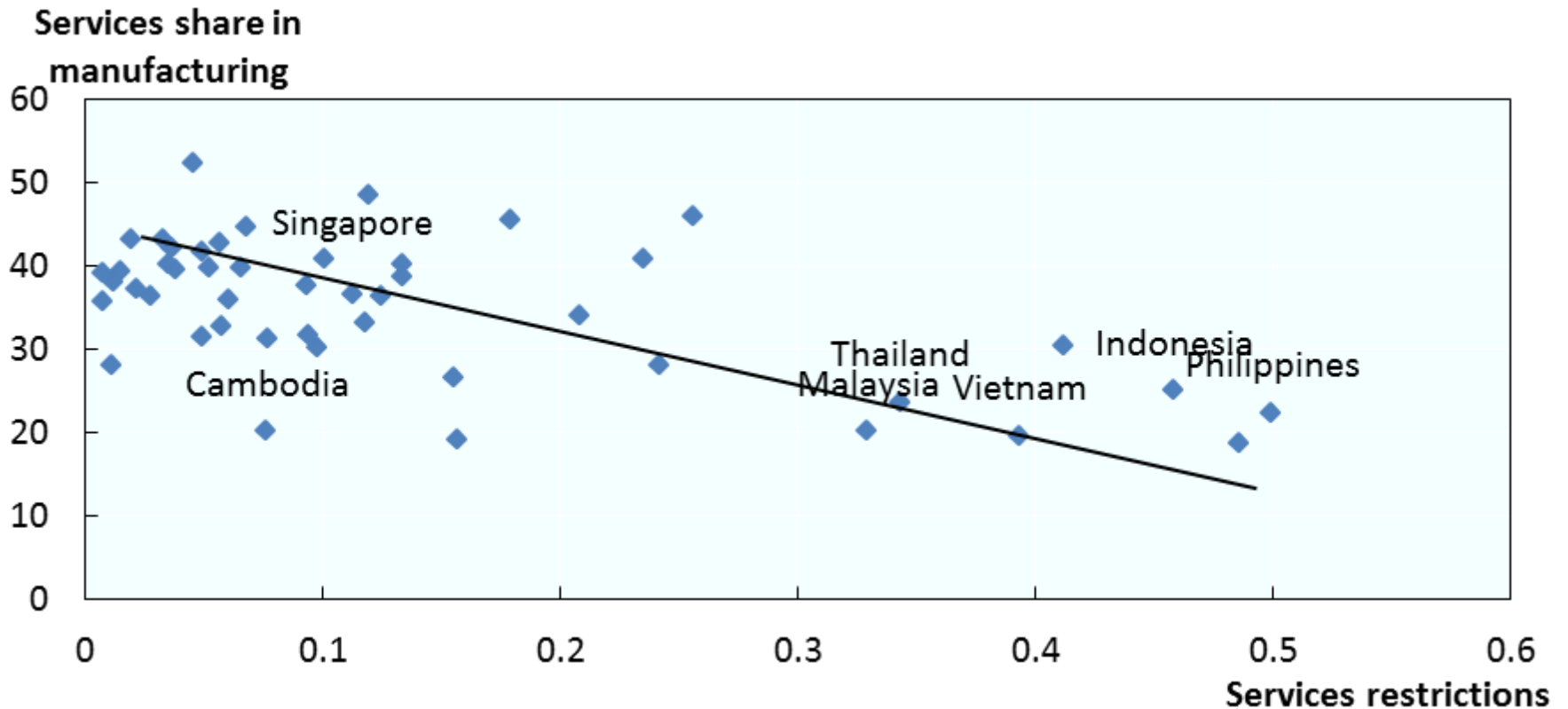
Barriers to FDI depress labour productivity in services



Source: OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018



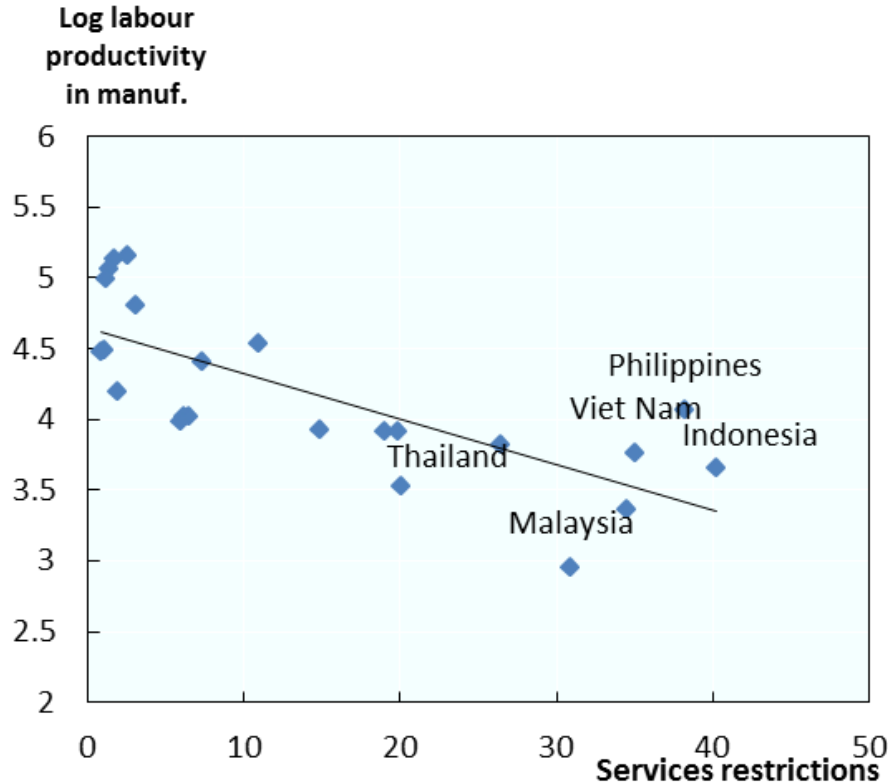
Opening services may increase the use of high quality services in production



Source: OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018



More open services would raise manufacturing productivity



Additional key policy insights from econometrics:

- ✓ Liberalising services in countries with relatively high restrictions is particularly favourable for productivity
- ✓ Restrictions in upstream services have a relatively stronger negative effect on SME manufacturers

Source: OECD (2018), OECD Investment Policy Reviews: Southeast Asia 2018



CONCLUSION



Key messages

1. Services are key for growth, competitiveness and jobs
2. AMS have could boost productivity by developing services
3. FDI can foster services development, but remains low in many AMS
4. Opening services FDI could boost productivity across economic sectors, and benefit SMEs in particular



thank you

terima kasih

cảm ơn bạn

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salamat

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