

UNITED NATIONS DEVELOPMENT PROGRAMME

PROJECT OF THE GOVERNMENT OF THE ASEAN COUNTRIES

Project Document

Project number: RAS/91/002/A/01/99

Project title: ASEAN Economic Cooperation for the 1990s

Duration: Nine months

Project site: ASEAN countries

ACC/UNDP and subsector: 02 - General development issues, policies and planning;
0210 - Development strategies, policies and planning (Economic integration)

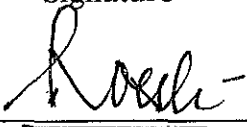
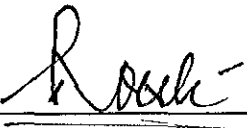

Executing agency: ASEAN Secretariat

Estimated starting date: 1 February 1991

UNDP inputs: US\$ 200,000 (Regional IPF)

Government inputs: In kind.

Brief description: This project will provide assistance in the preparation of a brisk study on future directions and new areas of economic cooperation among member-countries of the Association of South East Asian Nations (ASEAN). A high-level Advisory Committee will be organized which, together with a study team of consultants and resource persons and the ASEAN Secretariat, will prepare the study. The final report will be submitted to ASEAN authorities in order that its findings and recommendations can be considered in the ASEAN Summit Meeting planned for late 1991.

On behalf of:	Signature	Date	Name/title
The Governments of ASEAN:		8 Feb. 1991	Rusli Noor Secretary General ASEAN Secretariat
Executing agent:		8 Feb. 1991	Rusli Noor Secretary General ASEAN Secretariat
UNDP:		MAR 7 1991	Krishan G. Singh Assistant Administrator & Regional Director, RBAP

A. Context and justification

In the early 1970's, a United Nations team was commissioned to undertake the monumental task of identifying opportunities for closer economic cooperation among member-countries of the Association of South East Asian Nations (ASEAN). Comprising more than 40 experts and resource persons, the team produced, after a period of two years, a comprehensive report titled "Economic Cooperation for ASEAN." This report laid the foundations for the establishment of a number of economic cooperation programmes pursued by the Association.

Three of the report's main recommendations were adopted, with modifications, by the ASEAN: selective trade liberalization which led to Preferential Trade Arrangements (PTA); industrial complementarity agreements which became the ASEAN Industrial Complementation (AIC) programme; and the package-deal technique which gave birth to the ASEAN Industrial Projects (AIP). Another major programme was later conceived and added to the existing programmes -- the ASEAN Industrial Joint Ventures (AIJV). Through the years, these programmes have undergone various transformations and improvements; to this day, they continue to be the main pillars of ASEAN cooperation in the economic field.

Although considerable progress has been reached in furthering ASEAN economic cooperation, there is a growing feeling that, given a resolute will, much more could be achieved. For instance, the coverage of items under the PTA has expanded from the initial 71 in 1976 to over 20,000 due to the change from an item-by-item to the across-the-board approach. However, the exclusion list remains large. A number of difficulties have also been encountered in expanding the number of projects under the AIC and the AIP. And while the AIJV programme has been significantly improved as a result of the ASEAN Summit of December 1987, its effects on increasing the number of private sector joint venture arrangements have not yet been felt. Similarly, other efforts at economic cooperation, such as finance and banking, are moving not as fast as they should.

At the same time, various external forces exert tremendous pressures on ASEAN to accelerate the pace of economic cooperation. Among these are: the political and economic transformation of Eastern Europe; the unification of the European Community in 1992; the delay of the Uruguay Round of Trade Negotiations; the formation of regional trade blocks in North America, Latin America and the recent call for similar arrangements in East Asia; the fast-stabilizing situation in Indo-China; the evolution of APEC as a framework for broader cooperation; and the economic consequences of the Middle East crisis. These external developments present both threats and/or opportunities that call for greater collaboration and cohesion of action among member-countries of the Association.

Within the ASEAN countries, varying types of economic reforms such as trade liberalization, privatization, deregulation etc., at the national level, are taking place which augur well for increased intra-regional cooperation. Although many of these countries export competing products, considerable scope exists for economic complementarities in view of their respective natural resource endowments, skills availabilities and wage levels, and industrial and financial structures. Importantly, the private sector, long a supporter of a more vigorous ASEAN, is assuming greater responsibilities in national development and keen on exploring opportunities created through cooperation with ASEAN partners.

In the light of these external and internal influences, there has emerged a broad consensus that the time has come for "bold and innovative approaches" and for "new directions" -- as successively expressed by the ASEAN Economic Ministers in their 1989 and 1990 meetings -- to energize ASEAN economic cooperation and give mutual strength in meeting the challenges that member-countries face, individually and collectively. But the question frequently asked is: what are these bold approaches and new directions which ASEAN can pursue?

In search for answers, the Association has turned to UNDP, its only international organization dialogue-partner, for assistance in preparing a basic field study on future directions and new modalities of ASEAN economic cooperation. Through a process of intensive research, discussions and consultations involving eminent persons from ASEAN member-countries, distinguished ASEAN scholars and practitioners, and other experts in the field of regional economic cooperation, the study is expected to produce recommendations on concrete and practical measures acceptable to ASEAN. These recommendations (together with the results of the on-going study on the strengthening of the ASEAN Secretariat RAS/90/016) will be submitted to the ASEAN authorities with the end in view that these will be considered in the ASEAN Summit Meeting planned for late 1991.

Thus, this project has been prepared to provide support in preparing the study. Eminent persons from ASEAN countries and distinguished experts will, to a large extent, be tapped for this purpose. In accordance with the decisions of the UNDP Governing Council (May 1990) on national execution modality and in parallel with efforts to strengthen the ASEAN's institutional structure, this project will be executed by the ASEAN Secretariat.

B. Development objective

To intensify ASEAN subregional cooperation and collective self-reliance through a more vigorous programme of trade and economic cooperation that will lead to a larger market, increased flows of foreign investments, greater technological exchanges, and better income and employment opportunities for its member-countries.

C. Immediate objectives, outputs and activities

1. **Immediate objective 1**

To recommend future directions and new modalities of subregional economic cooperation for consideration/adoption by ASEAN decision-makers.

1.1 **Output**

A comprehensive report containing analytical findings, conclusions and recommendations on future directions and new areas of ASEAN economic cooperation, with emphasis on concrete and practical measures, covering:

- trade and industrial cooperation;
- cooperation in finance and banking;
- ASEAN external relationships;
- other related areas (such as transport and communications).

1.1.1 **Activity 1**

Organization of a high-level Advisory Committee composed of eminent persons, one from each ASEAN member-country, to provide over-all guidance, insights and advice in the preparation of the study. From among its members, a *Committee Chairman shall be appointed who will also take the lead and provide directions to the work of a study team to be established for the purpose.*

1.1.2 **Activity 2**

Appointment of a study team of distinguished consultants and resource persons which will undertake, individually and/or collectively, the following tasks based on the advice of the Advisory Committee and as directed by its Chairman:

- detailed research and statistical analysis;
- field interviews and consultations;
- preparation of topical papers;
- presentation/discussion of findings;
- formulation of conclusions and recommendations;
- drafting of the report.

1.1.3 Activity 3

Coordination and arrangements for field missions and consultations.

1.1.4 Activity 4

Organization of planning, consultative meetings and brainstorming sessions involving the Advisory Committee, the study team and the ASEAN Secretariat.

1.1.5 Activity 5

Provision of technical and secretariat support, preparation of required documentation and finalization of the report.

1.1.6 Activity 6

Coordination and arrangements for printing and proper dissemination of the final report after clearance from UNDP and ASEAN.

D. Inputs

1. Governments

The Governments of the ASEAN countries, through their national ASEAN secretariats and the ASEAN Secretariat will arrange the programme of meetings and consultations to be carried out by the Advisory Committee and the study team of experts and resource persons. All relevant information and statistical data which may be required for the study will be made available. Meeting rooms, local transportation, secretarial, logistics and other support services, as necessary, will also be provided by the member-countries. In Jakarta, the ASEAN Secretariat will make available conference and office facilities.

The ASEAN Secretariat will designate a senior official to oversee implementation of the project, provide substantive backstopping and coordinate arrangements for the completion of the output. This person will need to familiarize himself with UNDP reporting, accounting and auditing procedures with the assistance of UNDP-Jakarta.

2. UNDP

UNDP will provide the following inputs:

- 2.1 Short term consultancies (fees, DSA, and travel expenses for the 6 eminent members of the Advisory Committee and 4 to 5 experts/resource persons of the study team; total of 12 work-months)
- 2.2 Administrative support costs (Administrative Assistant/Secretary; 9 work-months)
- 2.3 Mission costs (DSA and travel expenses of ASEAN Secretariat coordinator and relevant staff)
- 2.4 Subcontract (for the printing of the final report)
- 2.5 Equipment (expendable: purchase of pertinent books and publications; and nonexpendable: purchase of one laptop computer and one ink-jet printer)
- 2.6 Miscellaneous expenses (telephone, telefax, supplies, sundries).

E. Reporting

The final report to be prepared by the Advisory Committee and the study team shall be considered as the terminal report of the project.

F. Legal context

This project document shall be the instrument referred to as in Article 1, paragraph 1, of the Basic Agreement between the United Nations Development Programme and the Governments of the participating countries which have signed such Agreement. Alternatively, for those participating countries which have not signed such Agreement, this project document shall be the instrument referred to as a Plan of Operation in Article 1, paragraph 2, of the Agreement concerning assistance under the Special Fund Sector of the United Nations Development Programme, between the UNDP and the Governments of those participating countries which have signed such latter Agreement.

G. Project Budget Covering UNDP Contribution
(in US Dollars)

Country: ASEAN Countries

Project Number: RAS/91/002/A/01/99

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B/L	Description	w/m	Total (1991)
10.00	PROJECT PERSONNEL		
11.97	Short term consultants	12	156000
11.99	Sub-total	12	156000
13.00	Administrative support		
13.01	Admin. Asst./Secretary	9	6000
13.99	Sub-total	9	6000
16.00	Mission costs		15000
19.00	Component total	21	177000
20.00	SUBCONTRACT		
21.00	Subcontract		7000
29.00	Component total		7000
40.00	EQUIPMENT		
41.00	Expendable equipment		1000
42.00	Non-expendable equipment		5000
49.00	Component total		6000
50.00	MISCELLANEOUS		
53.00	Sundries		10000
59.00	Component total		10000
99.00	TOTAL	21	200000