

UNITED NATIONS DEVELOPMENT PROGRAMME
Project of the ASEAN Governments of Brunei Darussalam, Indonesia,
Malaysia, the Philippines, Singapore, Thailand

PROJECT DOCUMENT

Number and Title: RAS/88/010/A/01/99 - Joint Study of ASEAN-US Economic Relations

Duration: One year

UNDP and Cost-Sharing Financing

Project Site: Indonesia

UNDP	
IPF	\$276,088
Other	\$ Nil

ACC/UNDP Sector & Subsector: 0710

Government Sector and Subsector: N/A

Govt. or third-party cost sharing	\$ Nil
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Executing Agency: ASEAN Secretariat
 (Government-Executed)

UNDP & cost sharing	_____
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Estimated Starting Date: September 1988

Total:	\$276,088
	=====

Government Inputs: In kind

Brief Description:

The project will provide an analysis of the trade and investment environment in the current ASEAN-US economic relationship covering, in particular, trade in goods, trade services and direct investment. Medium-term prospects for the ASEAN-US economic partnership will also be reviewed within the context of structural adjustment problems, the macroeconomic outlook for ASEAN and the United States in the near future and the potential for increased intra-ASEAN economic integration. The possibility of a framework agreement on trade and industry and of creating a consultative mechanism to deal with trade and investment issues between ASEAN countries and the United States will also be explored. In addition, potential formal trade and investment liberalization agreements will be considered and other recommendations will be presented.

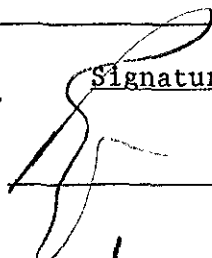
On behalf of:

Signature

Date

Name/Title

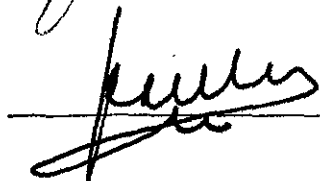
The ASEAN Governments



12/10/88

Roderick Yong
 ASEAN Secretary-General

United Nations
 Development Programme



12/10/88

Galal Magdi
 Resident Representative
 Indonesia

PART I: LEGAL CONTEXT

This Project Document shall be the instrument referred to as such in Article I, paragraph 1, of the Assistance Agreement between the United Nations Development Programme (UNDP) and the governments of those participating countries which have signed such an Agreement.

Alternatively, for those participating countries which have not signed such an Agreement, this Project Document shall be the instrument referred to as a plan of operation envisaged in Article 1, paragraph 2 of the Agreement concerning assistance under the Special Fund Sector of UNDP, between UNDP and the governments of those participating countries which have signed such latter Agreement.

PART II: THE PROJECT

A. Background and Justification

The ASEAN region comprises one of the world's fastest growing areas, achieving in the last two decades a fairly high degree of real growth and specialization. Accounting for this unprecedented prosperity is a boom in exports, particularly to the United States, Japan and the European Community. In recognition of this growing interdependence and the further benefits to be gained from increased co-operation, the ASEAN instituted mechanisms for dialogue with the United States and its other major trading partners. Over the years, however, consultations at the ASEAN-US Dialogues, the ASEAN-US Trade Ministers' meetings and at the ASEAN-US Economic Co-ordinating Committee

meetings have produced limited progress. In an effort to surmount the lack of progress, ASEAN and the United States at the February 1988 meeting of the ASEAN-US Dialogue in Washington, D.C., agreed to commission a major study of ASEAN-US economic relations to be jointly undertaken by both parties to define and examine their problems and prospects in areas of trade and investment and to recommend a framework for enhanced economic co-operation and explore the possibilities for co-operation, as well, in trade and investment-related areas of science and technology.

At a meeting held in Singapore on 14 July 1988, ASEAN and US officials and researchers finalized the Joint Study Outline and agreed on the timetable for the completion of the Study.

B. Special Considerations

Research under this project, from the ASEAN side, will be conducted by researchers from all ASEAN countries and will be co-ordinated by the Institute for Southeast Asian Studies (ISEAS) in Singapore, appointed by the ASEAN Secretariat. Parallel research will be conducted independently on the US side by the East-West Center in Hawaii.

C. Development Objective

The long-term objective of this project is to develop concrete policy recommendations for ASEAN and the United States to consider towards the promotion of ASEAN-US economic co-operation for their mutual benefit and to provide, if found feasible, a framework within which greater trade and investment can take place between both parties.

D. Immediate Objectives

The immediate objectives of the project will be:

1. to assess the current ASEAN-US economic relationship and analyze the problems in and prospects for trade and investment;
2. to review and appraise the mid-term outlook for ASEAN macro-economic and structural adjustment trends, trade with the United States and the world. A similar review, structured along the same lines, for the US will be prepared separately by the East-West Center.
3. to analyze intra-ASEAN trade patterns, the current Preferential Trading Agreement (PTA) and Industrial Co-operation Schemes (especially AIJV) and its prospects and the opportunity for co-ordination in other areas of economic integration;
4. to study possible outcomes of the Uruguay Round of Multilateral Trade negotiations under GATT and prepare recommendations as to how ASEAN and the United States should adjust to these changes and respond in the form of increased co-operation.

E. Activities and Outputs

Activities undertaken by the six ASEAN country research teams organized under the following headings are as follows:

1. Trade in Goods

- (a) Study of US and ASEAN global trade as well as review of ASEAN and US trade patterns, particularly in respect of products of interest to either side, and analysis of policy and non-policy factors affecting the ASEAN and US trade pattern.

- (b) Study of prospects for and possible areas of co-operation in trade expansion, including the advantages and problems involved and recommended policy direction for the future.

2. Trade in Services

- (a) Analysis of US and ASEAN global trade in services as well as review of ASEAN and US service trade patterns, particularly in respect of services which are of interest to either side.
- (b) Analysis of government policies of trade in services - their economic, social and political dimensions in sectors of major interest to either side, as well as the role of trade in services in the economic development of ASEAN.
- (c) Study of prospects for and possible areas of co-operation in trade in services, including advantages and problems involved and recommended policy direction for the future.

3. Investment

- (a) Analysis of current patterns of foreign investment in ASEAN and foreign investment measures in ASEAN countries.
- (b) Analysis of US overseas investment including those in the ASEAN countries, the factors affecting the pattern of US overseas investment and the implications of US investment regulations and bilateral arrangements for US investment in ASEAN.

- (c) Study of prospects for and possible areas of co-operation in expanding US investment in ASEAN, including opportunities and problems involved and recommended policy directions for the future.

4. Science and Technology Co-operation

- (a) Examination of the relationship between economic growth of the ASEAN countries and the acquisition of new technology and identification of the principal sources of such technology. Study of prospects for and possible areas of co-operation in science and technology including advantages and problems involved and recommended policy directions for the future.
- (b) Consideration of creating an ASEAN-wide industrial research and development programme and/or institution with US involvement.

The outputs of the project will be (1) the six ASEAN country reports which provide special attention to each country's policies relevant to its economic relationship with the United States, (2) an ASEAN report which will synthesize all the six country papers and (3) the Joint Study, which will be the combination of the ASEAN and US reports.

F. Inputs

1. National Consultants/Researchers (Line 11.50)

The ASEAN Secretariat will appoint six research teams from each of the ASEAN countries to prepare the country papers under the supervision and co-ordination of ISEAS based in Singapore. Funding will be provided for their honoraria which will include the collection of data, statistical analysis, computer time, research discussions, office supplies and communication costs and the preparation and completion of the six country reports (approximately 50-75 typed pages in length).

Cost: \$12,000 x 6 teams = \$72,000

2. Travel (Line 15.00)

Airfare and per diem costs will be provided for a series of nine meetings of the ASEAN research teams and the Steering Committee as follows:

- | | |
|--|----------|
| (a) ASEAN Researchers' Preparatory Meeting,
Bangkok (5 persons) | \$ 5,134 |
| (b) ASEAN Researchers' and Steering Committee
Meeting, Manila (15 persons) | 15,712 |
| (c) ASEAN and US Researchers' and Steering
Committee's Joint Meeting for finalization
of research project and allocation of duties,
Singapore (15 persons from ASEAN) | 11,322 |
| (d) ASEAN Researchers' Meeting, Singapore
(8 persons) | 5,344 |
| (e) Co-ordinating Agencies (ISEAS/East-West Center)
Meeting, Bangkok (September 1988) | 2,408 |

(f) ASEAN Researchers' and Steering Committee Meeting to review progress of research, Bangkok, October 1988 (15 persons)	15,602
(g) ASEAN Researchers' Meeting, Singapore, November 1988 (8 persons)	5,344
(h) Co-ordinating Agencies (ISEAS/East-West Center) Meetings, Hawaii (November 1988)	4,963
(i) ASEAN and US Researchers and Steering Committee Meeting, Washington, D.C., December 1988 (15 persons from ASEAN)	<u>60,588</u>
Total Cost for 9 Meetings	\$126,417
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ASEAN government and Secretariat officials who are not members of the Steering Committee will travel at their own cost to these meetings.

3. Subcontract (Line 21.00)

As selected by the ASEAN governments, ISEAS, based in Singapore, will be engaged on a subcontract basis to provide the following: management and implementation of research, organization of researchers' meetings, guidance to country teams on the preparation of their reports and quality control, the preparation for and production of the ASEAN integrated report, preparation for and production of the Interim/Final Joint ASEAN-US report in co-operation with the counterpart institute (East-West Center).

Cost: \$55,000

4. Reporting and Miscellaneous Costs (Lines 52.00 and 53.00)

Editing, preparation costs, printing and binding,	
distribution and dissemination of final report	\$10,000
Contingency costs and sundries	\$12,671

G. Project Reviews, Reporting and Evaluation

The project will be subject to a joint review between the ASEAN governments, as represented by the ASEAN Secretariat and the UNDP. In view of the short duration of the project, the joint review would be held at the end of the project activities. In such case, a project terminal report will be prepared for consideration at the terminal joint review. It shall be prepared in draft sufficiently in advance to allow review and technical clearance at least four months prior to the terminal tripartite review.

In addition to the above, a project performance evaluation report (PPER), a mid-term project progress report (in November 1988) will be made available by the ASEAN Secretariat to the UNDP Resident Representative in Jakarta. The report of the proceedings of the Steering Committee meetings shall be provided by the Secretariat to the UNDP Resident Representative in Jakarta.

Since this is a government-executed project, special attention is drawn to the Annex on Financial and Accounting Arrangements governing the Project. The ASEAN Secretariat is requested to comply with the financial reporting requirements prescribed for all UNDP government-executed projects, as described in the Annex and its attachments.

H. Work Plan and Timetable

Activities will be implemented according to the following timetable:

<u>Activity</u>	<u>Date/Venue</u>
ASEAN Researchers' Preparatory Meeting	2 April 1988 Bangkok
ASEAN Researchers and Steering Committee Meeting	6 June 1988 Manila
ASEAN and US Steering Committee and Researchers Joint Meeting for Finalization of Research Project and Allocation of Duties	14 July 1988 Singapore
Draft ASEAN Country Reports	15 September 1988
Draft Interim ASEAN Report as well as Draft Interim Report	30 September 1988
Meeting of Co-ordinating Agencies to review Joint ASEAN-US Draft Interim Report	5-9 October 1988
Meeting of ASEAN-US Researchers to review and finalize Joint ASEAN-US Interim Report	10 October 1988
Presentation of Joint ASEAN-US Interim Report to Joint Steering Committee	12 October 1988 Bangkok
Submission of ASEAN-US Joint Report to the ASEAN-US Steering Committee	12-13 December 1988 USA

I. Institutional Framework and Arrangements

The Joint Study will be based on independent research conducted, in parallel, by the East-West Center in Hawaii for the US side and ISEAS in Singapore for the ASEAN side. Financing for the ASEAN research side has been requested by the ASEAN Secretariat and is being provided by UNDP, while counterpart funds (approximately \$250,000) for the US research effort are being provided by the United States Agency for International Development (USAID).

The preparation of the Joint Study was discussed and negotiated by the US State Department and by the Committee on Trade and Tourism (COTT) of the ASEAN Secretariat. On the ASEAN side, the Joint Study will be supervised by the ASEAN Steering Committee on the ASEAN-US Initiative, chaired by the COTT Chairman, whose members are composed of the COTT leaders from the ASEAN member countries. The Steering Committee has been constituted and will hold meetings at specified intervals to review and monitor the progress of the Project.

Six ASEAN researchers will be selected for the six ASEAN countries to prepare the country papers and will be supervised by ISEAS, which will synthesize the six papers into the ASEAN integrated report.

Project Budget Covering UNDP Contribution

Country: All ASEAN Countries

Project Number: RAS/88/010/A/01/99

Project Title: Joint Study of ASEAN-US Economic Relations

		<u>Total</u>		<u>1988</u>	
		<u>M/M</u>	<u>\$</u>	<u>M/M</u>	<u>\$</u>
10.	<u>Project Personnel</u>				
11.50	National Consultants	12	72,000	12	72,000
15.00	Travel	-	<u>126,417</u>	-	<u>126,417</u>
19.00	Component Total	12	198,417	12	198,417
		==	=====	==	=====
20.	<u>Subcontracts</u>				
21.00	Subcontract to ISEAS	-	<u>55,000</u>	-	<u>55,000</u>
29.00	Component Total	-	55,000	-	55,000
		==	=====	==	=====
50.	<u>Miscellaneous</u>				
52.00	Reporting Cost	-	10,000	-	10,000
53.00	Sundries	-	<u>12,671</u>	-	<u>12,671</u>
	Component Total	-	22,671	-	22,671
		==	=====	==	=====
99.00	GRAND TOTAL	12	276,088	12	276,088
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FINANCIAL AND ACCOUNTING ARRANGEMENTS

A. General

1. The ASEAN Secretariat,^{1/} hereinafter referred to as "the Secretariat", is responsible to the Administrator of UNDP for the custody and proper use of funds advanced to it by UNDP.
2. The Secretariat will maintain separate accounts (including a separate bank account) for UNDP resources. It will use the funds provided to it only for inputs financed by UNDP, in accordance with the project budget covering UNDP's contribution (reference UNDP Policies and Procedures Manual, Section 30305, subsection 3.0).
3. Advances of funds to and payments by UNDP on behalf of the Secretariat are governed by the applicable UNDP Financial Regulations and Rules and directives regarding the utilization of currencies.
4. The Secretariat will provide UNDP with financial statements of UNDP funds received and spent, prepared in accordance with the UNDP financial year (1 January to 31 December) in English. The periodicity and content of such statements are set out below. Annual financial statements will be audited by the legally recognized auditors of the Secretariat's own accounts. To the extent feasible, the audit principles and procedures prescribed for the United Nations will be applied by the auditors, who will provide reports annually together with the reports set out below.
5. For the purpose of reporting to UNDP, US dollar equivalents will be calculated at the United Nations operational rates of exchange. The resident representative of UNDP will inform the Secretariat of such United Nations rates of exchange and of changes thereto when they occur.

B. Advance of Funds

6. Advances will be made by the Resident Representative in Jakarta at the request of the Secretariat in accordance with the project document and in the required currencies subject to the conditions set out below.
7. The Secretariat will indicate its cash requirements from UNDP funds for each period of the schedule of advances included in the project document at least two weeks before payment is due (Attachment 1 of this annex, Request for Advance of Funds). Advances will be made by UNDP at the time indicated in the schedule of advances, in the amounts and currencies requested by the Secretariat.

^{1/} This is the co-ordinating body of the Association of Southeast Asian Nations (ASEAN) composed of the Governments of Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand.

8. If the schedule of advances included in the project document no longer reflects actual requirements for funds, a new schedule will be prepared by the Secretariat in consultation with the Resident Representative, in accordance with the format indicated in Attachment 4 of this annex, Schedule of Advances. Advances should normally be sufficient to cover anticipated cash requirements for a maximum of three months.

9. All local currency advances to the Secretariat will be made by the Resident Representative.

10. Advances to the Secretariat in US dollars will be made by the Resident Representative if this currency is available to him or her. The Resident Representative will arrange for advances in currencies not available to him or her to be made by UNDP headquarters or other field offices, as deemed appropriate.

C. Direct Payments by UNDP

11. At the request of the Secretariat, UNDP will, after verification of the supporting documentation, make payments directly to individuals or firms providing UNDP-financed services or goods. The requests will be addressed to the Resident Representative who will either arrange for the payments to be made by his or her office or by UNDP headquarters. The requests will indicate payee, amounts and currencies required, justification for the request and payment instructions reflecting payee's bank, its address and the account number.

12. The Resident Representative will provide the Secretariat with statements of direct payments made by UNDP within 15 days following 30 April, 31 August and 31 December, for incorporation in the project delivery report in accordance with paragraph 13(b), below.

D. Periodic Financial Statements

13. The Secretariat will furnish the resident representative with certified financial statements within 30 days following 30 April and 31 August and within 60 days following 31 December. The statements will include the following:

(a) Status of funds advanced by UNDP (Attachment 2 of this annex). The statement will be submitted for each period indicated above and will be prepared in the currency of the advance. Separate statements will be issued where different currencies have been advanced. Each statement will reflect cumulatively for the year the amount of funds available at the beginning of the year, funds advanced by UNDP, funds expended by the Secretariat during the reporting period and the resulting balance at the end of that period. The statement will also detail expenditure incurred by month in local currency and the US dollar equivalent calculated at the applicable United Nations operational rate of exchange;

(b) Project delivery report (Attachment 3 of this annex). The report will be submitted for each period indicated above and will reflect cumulative current-year expenditure classified according to the items listed in the approved project budget. It will incorporate the expenditure incurred by the Secretariat and the statement of direct payments made by UNDP.

14. If the Secretariat cannot submit the financial statements on the date on which they are due, it will inform the Resident Representative of the reasons and indicate the planned submission date.

E. Secretariat's Annual Audited Financial Statements

15. A certified and audited annual financial statement of the status of funds advanced by UNDP, as described in paragraph 13(a), above, will be made available by the Secretariat to the Resident Representative within 120 days after the end of the calendar year.

16. The financial statement will be audited and attested to by the entity specified in paragraph 4, above.

F. Secretariat's Final Financial Statements

17. Upon financial completion of UNDP assistance to a project, the Secretariat will provide final financial statements to cover the period 1 January to the date of either financial completion or refund of the unspent balance of UNDP funds, if any (see paragraph 18, below). The financial statements will be audited so as to conform to the requirements set out in section E above. The format given in Attachments 2 and 3 of this annex should be used. The statements will be provided within 120 days from the date of financial completion to the Director, DOF, with copies to the UNDP Resident Representative.

18. If there is an unspent cash balance of UNDP funds held by the Secretariat, that balance will be refunded by the Secretariat in the currency of the advance not later than 30 days after the date of financial completion.

G. Audit by UNDP

19. All accounts maintained by the Secretariat for UNDP resources may be audited by the UNDP internal auditors and/or the United Nations Board of Auditors or by public accountants designated by the United Nations Board of Auditors.

GOVERNMENTS OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)^{a/}

STATUS OF FUNDS ADVANCED BY UNDP

FOR PROJECT: JOINT STUDY OF ASEAN-US ECONOMIC RELATIONS (RAS/88/010)

For the period 1 January to _____ 19__
(In _____) ^{b/}

<u>A. Summary of funds received and expended</u>	<u>Amount</u>
Balance at 1 January 19__	
Add: Advances received from UNDP	_____
Total funds available for project purposes	
Deduct: Total expenditure for year-to-date ^{c/}	_____
Balance at _____ 19__	=====
Represented by:	
Cash in bank	
Cash on hand	_____
Balance at _____ 19__	=====

^{a/} Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand, as represented by the ASEAN Secretariat.

^{b/} Specify currency in which advance was made.

^{c/} This amount should be the same as the total expenditure in Table B.

B. Summary of expenditure by month

	<u>Expenditure</u> <u>(In currency</u> <u>of advance)</u>	<u>UN operational</u> <u>rate of exchange</u>	<u>Expenditure</u> <u>(In US\$ equivalent)</u>
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
TOTAL	a/ =====		=====

a/ This amount should be the same as the total expenditure for year-to-date in Table A.

Certified correct by:

Approved by:

Name
Chief Accountant
ASEAN Secretariat

Name
Title
ASEAN Secretariat

AUDIT CERTIFICATE
(As issued and signed by the Auditors)
REQUIRED ONLY FOR ANNUAL AUDITED
AND FINAL AUDITED FINANCIAL STATEMENTS

RAS/88/010 - JOINT STUDY OF ASEAN-US ECONOMIC RELATIONS

SCHEDULE OF ADVANCES^{a/}

US\$

A. Fund advanced to dateB. Funds to be advanced in forthcoming 12 months^{b/}1. To ASEAN Secretariat

<u>Date</u>	<u>Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL

2. To the Institute of Southeast Asian Studies (ISEAS)

<u>Date</u>	<u>Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

C. Funds to be advanced in subsequent periods

TOTAL ALLOCATION PER PROJECT BUDGET (LINE 99)

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^{a/} To be included in the project document immediately following the budget for UNDP's contribution. Advances should only cover anticipated cash requirements for a maximum of three months.

^{b/} The period to be covered should be the 12 months following the date of approval of the project revision.