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ASEAN
Private Investment and Trade Opportunities
Project (399-0358)

Issues Paper for
January 17, 1989 PRC Meeting

A. Is the broad scope of activities adequately focused/integrated to assure project objectives are attainable on a sustainable basis?

1. The stated multiple purposes of the project appear to be so broad that the proposed activities (interventions) may not yield adequate impact to make any difference in the existing conditions limiting private investment and trade expansion. Would a more focused approach with clear priorities and intermediate benchmarks yield better long-term results?

2. The interventions that have been proposed are presented as stand alone activities, when in fact a productive synergy among components could be promoted to enhance results. I.E. Policy reform studies may in many instances develop from the investment and trade opportunity component which may identify policy constraints to trade and investment expansion. Also, investment and trade studies can provide the hard analysis for identifying investment and financing shortfalls in the individual ASEAN countries.

How can the project assure that linkages among components are developed and maintained, e.g. that investment and trade analysis by sector for each ASEAN country will lead to more specialized analysis and negotiation for policy reforms as well as debt/equity systems improvement?

3. It does not appear that the proposed interventions can demonstrate their capacity to reach self-sustainability over the life of the project. Since the momentum started by this project may be lost over time if the sustainability issues is not adequately addressed, how can we assure sustainability of project efforts?

4. Given the limited financial resources currently available for the ASEAN program (as identified at the January 10, 1989 PIR Review), are we prepared to proceed with this project and the Technology for Growth project this year? Is it feasible to combine elements of the Technology for Growth Project with this effort rather than have two separate projects?

B. Do the project components form a comprehensive strategy to reasonably address the perceived problems to expanding investment and trade activities in ASEAN?

1. The stated achievements that are to be attained by the proposed interventions and the linkages to their attainment by the three main project components are not clear. How do we know when the project has attained its objectives and how will we measure progress?

2. The Capital Market Development component appears too narrowly defined to entail support only for a growth fund and the project's fund allocation for this component appears too meager for any measurable impact. What are the extent of other resources for this component? Is the A.I.D. input necessary? Should the component be broadened to include local/regional debt/equity markets to the extent possible on a policy and promotional level given the project's limited resources?

3. Given the relative need for the project services by smaller firms, how will the project assure preferential emphasis will be provided to small and medium enterprises vis-a-vis larger firms whose participation may be needed early in the project to gain credibility and demonstrate results from the interventions? How will the project address particular problems posed by inadequate laws and enforcement efforts for intellectual property rights?

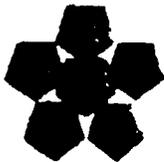
C. Can this complex project be simplified to minimize the coordination and implementation actions needed as well as reduce the workload placed on the limited A.I.D. ASEAN office?

1. The "nature of the beast" in designing and implementing private sector development activities require extensive coordination and involvement of both public and private sectors. It is further complicated for ASEAN due to the number of ASEAN countries and the multitude of U.S. Agencies interested in the region's commercial development. The PP will have to be sensitive to new means of overseeing implementation and coordination actions while minimizing the number of contract actions required for implementation. How may the project be best structured to simplify the proposed implementation structure and multitude of contracting actions given limited A.I.D. ASEAN staffing levels and minimal AID/W support available.

2. The CTE grant was recently amended to carry out some of the preliminary sector analysis including constraints and business opportunity identification. This refocusing of the CTE effort should demonstrate to what extent they can play a meaningful role in the project. Since the results of this analysis is due for presentation to A.I.D. in late January 1989, should we decide to include CTE in this new project before the results of their new effort can be assessed?

3. The Project Design Strategy is very complex involving a mix of buy ins, IQCs and PSCs. Can this be simplified by using a single contractor who would be responsible for the product and who would arrange for subcontracting as necessary?

NOTE: The Scope of Work for the design of this project should be modified to incorporate the findings and recommendations of the P.I.D. review process, including expansion for W.I.D. participation in the project.



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COMMENTS AND RECOMMENDATIONS

**PRIVATE INVESTMENT AND TRADE OPPORTUNITIES
PROJECT IDENTIFICATION DOCUMENT**

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INTRODUCTION

The comments in this paper are derived from a meeting of members of the ASEAN-U.S. Business Council, U.S. Section, held on January 11, 1988.

Over the past several months, the AUSBC has been working with AID on the ASEAN Private Investment and Trade Opportunities project. Representatives of AID have participated in various Council meetings, including a U.S. section meeting in Washington, and a Plenary Meeting of the Council in Manila. In addition, the Council has consulted with its membership by telephone and in several meetings to discuss the project.

The comments below reflect these consultations.

COMMENTS

1. The Council applauds the initiative of AID in proposing a project which relies so directly on the active participation of the business community. The public/private sector partnership which would be both a means and a result of this project could very well serve as a model for other initiatives to promote growth through commercial relationships.
2. The project can only achieve its overall purposes of promoting growth and increased U.S.-ASEAN trade and investment if there is full partnership with the private sector at all stages (design and implementation). Relevant U.S. Government agencies, including OPIC, TDP, Commerce, State, USTR, SBA, and EXIM also have a critical role to play in the forging of an integrated U.S. approach to trade and investment expansion.

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Page 2

The private sector has and will continue to provide direct and in-kind financial support for the activities contemplated in PITO. In a time of declining availability of AID resources, a partnership with the private sector is a sensible means of leveraging AID funds, and achieving mutually agreed goals.

3. The key private sector institutions which represent both the U.S. and the ASEAN business communities are the ASEAN U.S. Business Council and the U.S.-ASEAN Center for Technology Exchange. These organizations have the contacts, the ability to tap private sector financial and in-kind support, and the interest and capacity to work with AID in the design and to manage key elements of the project. Both organizations have substantial ASEAN private sector participation. For example, the Council has existing ASEAN national sections, and the CTE maintains ASEAN program advisory councils. Also, ASEAN representatives comprise one-third of the Board of CTE.

4. The purpose of the project appears too vague to provide a clear guide for project implementation. The purposes are so broad as to include virtually any commercially related activity. The PID should more carefully define exactly what is to be achieved, so that the goals of the project and be refined into realistic objectives.

5. The project has too many components. As currently envisioned, it is too comprehensive and proposes to undertake too many activities. Instead of tackling all aspects of trade and investment, the project should focus on those in which public/private cooperation can achieve tangible results.

6. Research and policy analysis must be tied to the real needs of business -- i.e. not theoretical or academic. Therefore, business must take the lead in identification of issues, in making recommendations and in seeking policy improvements.

7. The design team needs to take into account that most trade and investment will take place in a bi-lateral context.

RECOMMENDATIONS

1. AUSBC and CTE should be designated as private sector coordinators for the project. These institutions are, in effect, the only organizations involved specifically with ASEAN and in the promotion of improved commercial and

Page 3

economic ties between the United States and the region. They are the natural partners to the U.S. and ASEAN Governments in this project, and in fact their missions are identical to the objectives of the project.

2. The private sector, through the AUSBC and the CTE, must play an active role in the design of the project. If possible, a representative designated by AUSBC should be a member of the design team. Also, a review committee should be formed to work with the design team. This will ensure that the joint venture nature of this project is initiated at the outset.

3. The design team should explore the extent to which the objectives of the TFG project can be met through PITO. Technology flow is a natural ingredient in investment; in fact, they are integrated and mutually supportive processes, both flowing from business relationships, whose initiation is the aim of PITO.

4. Rather than simply performing a demand analysis for an ASEAN Growth Fund, the project should undertake a broader analysis of the gaps in the financing mechanisms available to U.S. and ASEAN firms for trade, project and investment financing. Such a study should be undertaken as one of the first activities to be done by the project implementors because this issue overlaps both the policy and promotion components. This approach is preferable to a separate project element to assess the feasibility of only one financing mechanism (the Growth Fund).

5. Project management should be directly involved in determining project activities and components. The scope of work of the design team should be more limited so that the private sector, through AUSBC and CTE, will determine the activities, including their management and direction. For example, the design team should not be charged with identifying sectors and sub-sectors. This should be determined by the project implementors in consultation with the private sector. Since the project implementors will rely on both AID and private sector resources, shifting these decisions to the implementation phase will be cost effective and augment scarce AID funds.