

ASEAN-US
Technical Assistance & Training Facility



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PROJECT REPORT

First Semi-Annual Report:
Companion Document to the Third Semi-Annual Work Plan



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Semi-Annual Report for the ASEAN-US Technical Assistance & Training Facility (Companion Document to the Third Semi-Annual Work Plan)

Introduction

This semi-annual report, the first required of the ASEAN-US Technical Assistance and Training Facility, details activities completed during the Facility's initial year (October 2004-September 2005). It explains how activities completed during the performance period meet the priority areas outlined in ASEAN's current six-year plan of action, the Vientiane Action Programme (VAP), and progress during the period toward achieving performance indicators.¹

Results in the First Year October 2004 - September 2005

The ASEAN-US Technical Assistance and Training Facility provides technical assistance and training designed to strengthen the ASEAN Secretariat and ASEAN as an organization through implementation of VAP directives. The ASEAN-US Facility reviewed the VAP directives or "indicators for success" and in consultation with the Secretariat prioritized those areas into the following ASEAN-US Facility activity streams: Trade Negotiations, Trade-related Intra-ASEAN and Public-Private Sector Coordination and Consultation, Trade Facilitation, Investment, Trade in Services, Rules of Origin, ASEAN Textile Product Sector Integration, ASEAN ITC Sector Integration (proposed) and Strengthened Secretariat Resources.² Each ASEAN-US Facility activity stream is directly linked to one or more VAP directives as are related performance indicators.³ Thus, the success of the ASEAN-US Technical Assistance and Training Facility will be gauged on its ability to facilitate progress in ASEAN's implementation of the VAP directives targeted by each activity stream.

¹ For more detailed descriptions of the ASEAN-US Facility background and specific activities, see the project's semi-annual work plans, monthly status reports, and Activity Technical Instructions.

² A key characteristic of the ASEAN-US Facility technical assistance and training activities is that they are demand-driven. Consequently, priority areas or "activity streams" can be added, subtracted, contracted or augmented according to need as determined in consultation with ASEAN and approved by USAID through the established work plan development process. For example, the current draft work plan includes a newly proposed activity stream, ASEAN ICT Sector Integration. The work plan is updated on a semi-annual basis. Further, it should be noted that absence from this list does not indicate that any VAP directive is not a priority. This is simply the list of VAP directives, ASEAN priorities, where ASEAN and the ASEAN-US Facility have agreed the Facility should focus thus far.

³ The CTO can agree to exceptions to this rule, but there has been no need to date.

ASEAN approved the VAP in November 2004, and the ASEAN-US Facility's first work plan consisted of activities that responded to the then draft VAP. Consequently, progress in facilitating ASEAN's implementation of targeted directives can be measured against a baseline of a clean slate.

During its first year, the ASEAN-US Facility launched 36 activities. It completed 11 activities and is scheduled to complete 23 more in the subsequent semi-annual review period. The Facility completed activities in 5 of its original 7 VAP-responsive activity streams: Trade Negotiations, Trade Facilitation, Investment, Trade in Services and Strengthened Secretariat Resources. Activities are also well underway in 2 more activity streams: the Trade-related Coordination & Dialogue Activity Stream, an original activity stream; and the Integration of the ASEAN Textile and Apparel Product Sector Activity Stream, which was added in the Second Semi-Annual Work Plan. Close to 350 ASEAN Member Country and private sector representatives and Secretariat staff members benefited from ASEAN-US Facility training during the Facility's first year.

This report concludes that the Facility has facilitated progress in ASEAN's implementation of the VAP directives targeted by 4 of the 5 activity streams under which it has completed activities thus far: Trade Negotiations, Trade Facilitation, Trade in Services and Strengthened Secretariat Resources. We cannot draw that conclusion with respect to VAP directives targeted under the Investment Activity Stream. However, the work done there was important also and should lead to the facilitation of progress in implementing related VAP directives through follow on activities. Finally, we believe we have facilitated progress in implementing VAP directives targeted by the Trade-related Coordination & Dialogue Activity Stream and the Integration of the ASEAN Textile and Apparel Product Sector Activity Stream. However, since no activities were completed under those activity streams during the review period, we will save discussion of that progress for the next semi-annual report.

TRADE NEGOTIATIONS ACTIVITY STREAM

Related VAP Directive

Via Section 2.1 of the VAP and its supporting *Framework for Integration of Priority Sectors*, ASEAN has set an ambitious course to achieve the integration of priority sectors within a very few years. Related to that course and the *ASEAN Free Trade Agreement (AFTA)*, ASEAN holds trade-related internal discussions on an ongoing basis. In addition to these negotiations and WTO negotiations, pursuant to Section 2.12 of the VAP, ASEAN is engaging in bilateral trade negotiations with multiple external partners: "Since internal measures, aimed at creating a single ASEAN market and production base, may not be sufficient to attract the volume of investment required to sustain economic growth, efforts will be made to strengthen external economic relations and the terms of trade with major Dialogue Partners through the establishment of Free Trade Areas (FTAs) and Closer Economic Partnerships."

Pursuant to Section 2.1 and Section 2.12 of the VAP, the technical assistance and training that we provide under the Trade Negotiations Activity Stream is designed to produce more well-prepared ASEAN trade negotiators.

Better prepared negotiators will achieve better internal ASEAN agreements to support integration of the priority sectors and complementary agreement with external partners.

Activities Completed

The ASEAN-US Facility completed 3 activities (Training Activities 1, 8 and 9) under this activity stream. We conducted in July 2005 a trade negotiations course in Hanoi and Phnom Penh for 76 officials from ASEAN countries, mostly from Cambodia, Lao PDR and Viet Nam. A similar course for 45 negotiators from across ASEAN and Secretariat staff, was held in Jakarta in February 2005. Mrs. Tran Thu Hang, Vietnam's Deputy Director General of the Ministry of Trade's Multilateral Trade Policy Department, opened the course in Hanoi as did His Excellency Sok Siphana, Cambodia's Secretary of State for Commerce in Phnom Penh. Two former U.S. trade negotiators, Lance Graef and Robert Fisher, and ASEAN-US Facility Resident Trade Specialist Lojewski provided the training. The course covered rules of origin, regional and bilateral trade agreements, the WTO framework, services, investment, and models for trade-related intra-agency coordination and public-private sector dialogue. In Cambodia, HE Sok Siphana contributed a key component to the last session by describing his own extensive experience with coordination and private sector consultations during Cambodia's WTO accession.

Course participants rated all sessions in the Jakarta, Hanoi and Phnom Penh seminars as highly informative or relevant to their jobs in their evaluations (5 out of 6 possible). In the Hanoi and Phnom Penh sessions, however, they overwhelmingly viewed one additional component that was not included in Jakarta as the star. Graef and Fisher also lead an innovative three-part trade negotiation simulation to introduce trainees to the types of interactions and trade-offs that all negotiators routinely face. The simulation reinforced material presented in formal sessions while introducing points not easily covered in formal sessions.

Progress in Achieving Performance Indicators

We use 2 measures to track progress in achieving this activity stream's performance indicator, better prepared ASEAN trade negotiators: 1) the number of negotiators trained as reported in project activity reports and 2) whether or not negotiating skills of ASEAN trade negotiators have improved in the aggregate as reported in semi-annual surveys of Secretariat staff with responsibility for trade negotiations.

- 1 We trained over 100 ASEAN negotiators.
- 2 Secretariat staff responsible for trade in goods, services, and investment negotiations indicate that ASEAN Member Country negotiators' skills have improved during the last year but that continued improvement is highly desirable.

TRADE FACILITATION ACTIVITY STREAM⁴

Related VAP Directive

Section 2.3.5.1 of the VAP specifies that Customs integration will be carried out in seven core areas of Customs techniques: customs tariff classification; customs valuation; origin determinations; customs automation; customs clearance; temporary admission and customs transit. Pursuant to Section 2.3.5.1 of the VAP, the technical assistance and training that we provide under the Customs Activity Stream is designed to improve the degree to which customs structures in ASEAN are integrated and harmonized.

Activities Completed

The ASEAN-US Facility completed 3 activities (Assessment 3 and Training Activities 5 and 13) under this activity stream. In Assessment 3, a consultant teamed with relevant Secretariat staff to identify and prioritize trade facilitation activities responsive to the VAP that would make most sense for the ASEAN-US Facility to conduct.

Following Assessment 3, a consultant began to implement the ASEAN Harmonized Tariff Nomenclature (AHTN) activity “sub-stream”, targeting the area ranked in the assessment as most important to VAP implementation of all the activity areas considered, ASEAN customs tariff classification harmonization. The AHTN Technical Review Committee has been tasked to update and improve classification structures in the AHTN with a view to ensure uniform classification and codification, and to make the AHTN more accessible and more understandable to end users in facilitating trade. Full implementation of the revised AHTN (HS 2007) is expected by January 1, 2007. During the performance period, in Training Activities 5 and 13, our consultant served both as advisor and trainer for 2 AHTN Technical Review Committee meetings. He served in those capacities based on his preparation of the corresponding part of Policy Study 6 in which he reviewed the AHTN Chapters to be covered by each meeting, related proposed amendments by ASEAN Member Countries to the forthcoming AHTN 2007/1, made recommendations as to the appropriateness of accepting or not accepting those proposed amendments, and related references to the international best practices and provisions of the HS International Conventions that he recommends should guide the Committee’s review.

The consultant conducted learning-while-doing exercises during the meetings in which he and the Secretariat staff went through the Nomenclature with the ASEAN Member Country representatives and properly revised amendments to the AHTN. In addition the consultant provided training to a pool of classification experts to help equip them to develop their national tariff nomenclatures to ensure the full implementation of the HS 2007 by January 1 2007. The training facilitated participants’ understanding as regards the task at hand and provided them with a methodological background to inform the discussion of proposed amendments.

⁴ At the request of Secretariat staff we changed the name of the in the ASEAN Harmonized Tariff Nomenclature Activity Stream to The Trade Facilitation Activity Stream in the Third Semi Annual Work Plan, currently under CTO review.

Progress in Achieving Performance Indicators

To track progress in achieving this activity stream's performance indicator, increased integration and harmonization of ASEAN Customs structures, we are tracking the degree to which the AHTN has been harmonized through the AHTN Technical Review Committee that our consultant is training and advising.

1. The Committee made significant progress in harmonizing Chapters 1 through 63 of the AHTN in the two meetings that were held during the performance period. The Committee expects to complete its work on those chapters and take up the remaining Chapters 64 through 96 in meetings scheduled in October 2005 and in 2006.

INVESTMENT ACTIVITY STREAM

Related VAP Directive

Section 2.2 of the VAP requires ASEAN Member Countries to liberalize (including expansion of the ASEAN Investment Area to include services), facilitate and promote investment in ASEAN. Pursuant to the related VAP directive, the technical assistance and training that we provide under the Investment Activity Stream is designed to build ASEAN capacity to liberalize, facilitate and promote investment in ASEAN.

Activities Completed

The ASEAN-US Facility completed 2 activities (Policy Studies 2 and 7) under this activity stream. In Policy Study 2, a consultant teamed with relevant Secretariat staff – both investment and services specialists – to research, analyze and develop policy recommendations for the ASEAN Secretariat and Member Countries on the potential expansion of the ASEAN Investment Area (AIA) to include services, while ensuring consistency with the ASEAN Framework Agreement on Services (AFAS). In Policy Study 7, a follow up to Policy Study 2, the consultant reviewed regulatory policies impacting investment and other modes of supply for three of the priority services sectors named in the ASEAN Framework Agreement on Priority Sectors in ASEAN dialogue countries (India, china, Australia and New Zealand) that might inform ASEAN efforts to improve the investment climate in ASEAN as regards those sectors (health care, tourism and e-ASEAN).

Progress in Achieving Performance Indicators

We are tracking the degree of progress toward achieving the performance indicator for this activity stream, -- increased liberalization, facilitation through improvement in the investment climate, and regional promotion of investment -- through semi-annual surveys of relevant Secretariat staff and our expert(s).

1. Secretariat staff and our expert report that while the activities conducted under this activity stream were and will continue to be very useful to them in their effort to make progress toward achieving increased liberalization, facilitation through improvement in the investment climate, and regional

promotion of investment, achieving progress toward the performance indicator will require continued effort under this activity stream. Future activities are being planned accordingly.

TRADE IN SERVICES ACTIVITY STREAM

Related VAP Directive

Section 2.4.1 of the VAP directs ASEAN Member Countries to accelerate regional integration towards creating a single market in services through progressive liberalization. Pursuant to the related VAP directive, the technical assistance and training that we provide under the Trade in Services Activity Stream is designed to build ASEAN capacity to liberalize trade in services through raising awareness as to the benefits of liberalizing and methodologies for achieving liberalization.

Activity Completed

The ASEAN-US Facility completed 1 activity (Training Activity 2) under this activity stream. On Friday April 1 in Kuala Lumpur, the ASEAN-US Facility conducted a one day training seminar on services. Approximately 140 people attended the seminar, including ASEAN Member Country government and private sector representatives (5-7 representatives from each of the 10 member countries plus additional ones from Malaysia) and relevant technical staff from the Secretariat. All training course sessions spoke to the importance of liberalizing services trade. Specifically, they covered the importance of services generally, a review of the WTO General Agreement on Trade in Services (GATS), an overview of services in the United States, current trade in services negotiations, and developing countries relevance. Richard Self and Victoria Waite were the course speakers. Self served as a lead trade negotiator for the Office of the U.S. Trade Representative where he was one of the authors of the GATS and led the U.S. delegation in bilateral market access negotiations with some 90 countries. Waite, was formerly Program Manager of Financial Services at the Coalition of Service Industries (CSI).

Course evaluations gave each of the 7 course sessions a rating of 5 out of a possible 6, where 6 indicates that the session was highly informative or relevant to the evaluator's job. Two common themes emerged as suggestions/requests for follow-on activities. The first was the request for training on scheduling; the other was a request for specific follow-on work in the priority services sectors, especially health care and information technology. Though with less frequency, there were additional requests for follow-on assistance in the areas of dispute settlement and on negotiations.

Progress in Achieving Performance Indicators

We are tracking progress toward achieving the performance indicator for this activity stream, increased awareness of the benefits to ASEAN of liberalizing trade in services, by tracking 1) the number of ASEAN

Member Country government and private sector representatives and Secretariat staff members trained as regards the importance of liberalizing trade in services and 2) perceived increase in support in ASEAN for liberalizing ASEAN trade in services through semi-annual surveys of relevant Secretariat staff.

- 1 We trained 140 ASEAN Member Country government and private sector representatives and Secretariat staff members during the performance period.
2. Secretariat staff report that they perceive some increase in support in ASEAN for liberalizing ASEAN trade in services during the performance period but that additional, perhaps sector specific, effort under this activity stream will be required to make significant progress toward achieving the performance indicator.

STRENGTHENED SECRETARIAT RESOURCES ACTIVITY STREAM

Related VAP Directive

Since the Secretariat's Mandate tasks it to provide technical input to and facilitate effective decision making in ASEAN, expanding the capacity of Secretariat staff to play that role responds to each and every VAP directive. The basic mandate, functions, and powers of the ASEAN Secretariat are laid out in *The ASEAN Secretariat: Basic Mandate, Functions and Composition (Secretariat's Mandate)*. The Secretariat's mandate is "to initiate, advise, coordinate, and implement ASEAN activities" and "to function as coordinating Secretariat to help facilitate effective decision-making within and amongst ASEAN bodies." In other words, the Secretariat is tasked to provide technical input and to facilitate effective decision making in ASEAN to implement the Vientiane Action Programme.

Baseline information collected at the inception of the ASEAN-US Facility indicated that the Secretariat lacked the capacity to optimally perform those duties. ASEAN Secretariat Resources are severely strained. The Secretariat is staffed by 50 professionals who are openly recruited throughout ASEAN and 80 who are recruited in Jakarta where the Secretariat is located. Those professionals serve a multitude of coordinating committees and working groups, not to mention more high level ASEAN bodies like the Senior Economic Officials Meeting, the ASEAN Economic Ministers, and the Summits; and they staff over 500 ASEAN meetings per year. In initial October 2004 meetings with the ASEAN-US Facility Resident Trade Specialist and Training Coordinator, Secretariat representatives consistently reported that because Resources are so strained, the Secretariat lacks capacity to perform optimally its technical duty in a number of areas (e.g. regarding various investment, customs, services, negotiations, cyber crime and other economics and transnational issue topics) and its duty to facilitate effective decision making (i.e. its communication/coordination/consultations duties intra-ASEAN, for example, among ASEAN Committees and working groups, and with the private sector).

Pursuant to all VAP directives, the technical assistance and training that we provide under the Strengthened Secretariat Resources Activity Stream is designed to build skills and improve and expand infrastructure at the

Secretariat so as to build the Secretariat's capacity to fulfill its duties to support implementation of the VAP by providing relevant technical input and by facilitating effective decision making in ASEAN through its communications/coordination/consultation obligation.

Activities Completed

The ASEAN-US Facility completed 2 activities (Training Activity 6 and Other Activity 1) under this activity stream. First in response to a direct request from Secretariat staff in October 2004, we implemented Other Activity 1, *ASEAN-US Facility Support of ASEAN Secretariat to Laos for the 10th ASEAN Summit and Related Meetings*. Through this activity the ASEAN-US Facility made it possible for the Secretariat to field a group of Secretariat staff to support Laos's Ministry of Foreign Affairs when it hosted the November 2004 ASEAN Summit where the VAP was agreed. As a result, the Summit and related meetings were successfully convened and produced high quality, strategic and substantive documents and agreements, including the VAP.

Second in Training Activity 6, *Trade Resources on the Web*, ASEAN-US Facility Training Coordinator Cena Maxfield conducted 3 half-day training courses over a period of three weeks in March and April for Secretariat staff on web-based trade research. Because Secretariat human resources are so strained and Secretariat staff duties require so much travel, it is difficult to schedule group training for them. By scheduling these training sessions over a period of three weeks, however, most relevant Secretariat staff members were able to attend one of the training sessions.

The training was based on a Nathan Associates guide, *Trade Resources on the Web*, which Maxfield heavily revised, updated and streamlined to achieve an effective ASEAN-centric guide. It contains links, descriptions and tips for surfing websites of relevant international organizations, government agencies, research and non-profit institutions, and sector-specific resources. The guide was disseminated at the training sessions and electronically.

In each training session, Maxfield introduced the guide and provided "hot tips" for speeding up internet searches. Participants were each provided with a computer in a training room at a local Internet Café so they could follow along and practice during the training. The training was quite pertinent given the rise of internet access in the region. Speed of browsing was slow at times, but participants were encouraged to multi-task and provided with smarter techniques for easing their searches. Suggested follow-up activities include provision for and training of TradeMap, which USAID/Bangkok is providing throughout ASEAN in 2006, and more in-depth quantitative training on how to find and interpret data concerning trade flows, trade barriers, and other international indicators. Several participants requested a full day of quantitative training, complete with case studies or exercises.

Progress in Achieving Performance Indicators

We are tracking progress toward achieving the performance indicator for this activity stream, increased Secretariat capacity to support implementation of the VAP, by tracking the number of Secretariat staff

members who receive training designed to increase their capacity to support VAP implementation and through semi-annual surveys of senior Secretariat staff.

- 1 We trained 32 Secretariat staff members on Trade Resources on the Web under this activity stream. It should also be noted that approximately 25 Secretariat staff participated in training courses under other activity streams and that the material covered in those training courses should also increase their capacity to support VAP implementation.
- 2 Senior Secretariat staff report that the two activities completed and others ongoing under this activity stream during the review period have increased Secretariat capacity to support implementation of the VAP.

**ASEAN-US Technical Assistance and Training Facility
Performance Monitoring Framework**

RDMA Strategic Framework A. Improved Regional Governance and Economic Reform /1							
PC 4. Increase participation in global trade and investment							
ASEAN-US Technical Assistance and Training Facility Activity Streams							
Negotiations Activity Stream	Trade-related Coordination & Dialog Activity Stream	Customs Activity Stream	Investment Activity Stream	Trade in Services Activity Stream	Rules of Origin Activity Stream	Textiles Activity Stream	Strengthened Human Resources Activity Stream
ASEAN Vientiane Action Programme Directives							
2.12. Economic Relations with Dialogue Partners...Since internal measures, aimed at creating a single ASEAN market and production base, may not be sufficient to attract the volume of investment required to sustain economic growth, efforts will be made to strengthen external economic relations..with major Dialogue Partners...	5. 2.Institutional Arrangements...The ASEAN Secretariat will facilitate the consultation process among ASEAN bodies and seek the most efficient modality in setting up the appropriate institutional arrangement at the programme/project level. Approaches and mechanisms to closely involve other ASEAN stakeholders, including the private sector and civil society, must also be addressed.	2.3.5.1. Customs...Integrate customs structures in ASEAN...	2.2.ASEAN Investment Area ...Implementation of the AIA will be intensified...liberalization...improve the investment environment...adopt a strategic promotion programme...	2.4.1. Trade in Services... Accelerate regional integration towards creating a single market in services through progressive liberalisation...	2.3.5.2. Rules of Origin...Strengthen the Common Effective Preferential Tariff Scheme Rules of Origin...more transparent, predictable and standardised...	2.1. Initial Eleven Priority Sectors for Integration...textiles and apparel...a roadmap will serve as the basis for economic integration of each of the priority sectors...	5.Implementation Mechanisms ...Strengthen existing institutions
Performance Indicators							
Better prepared ASEAN Member Country trade negotiators.	Improved public-private sector consultation in ASEAN trade-related policy making process.	Increased integration and harmonization of Customs structures.	Increased liberalization, facilitation through improved environment. and regional promotion of investment.	Increased awareness of the benefits to ASEAN of liberalizing trade in services.	More transparent, predictable and standardised Rules of Origin	Progress toward integrating the ASEAN textile and apparel product sector	Increased Secretariat capacity to support implementation of the VAP
Measures of Progress Toward Achievement of Performance Indicators							
1. Number of negotiators trained	2. Report in semi-annual surveys of relevant Secretariat staff on the degree of improvement in the quality of private sector input to trade policy making.	1. Number of AHTN Chapters where progress toward harmonization has been achieved.	1. Report in semi-annual surveys of Secretariat staff and our experts whether progress has been made toward achieving the performance indicator.	1. Number of ASEAN Member Country government and private sector representatives and Secretariat staff trained.	1. Number of ASEAN Member Country government and private sector representatives trained.	1. Integration road map finalized.	1. Number of Secretariat staff who receive training designed to increase their capacity to support VAP implementation.
2. Report in semi-annual surveys of Secretariat staff responsible for trade in goods, services and investment negotiations on the degree of improvement of ASEAN Member Country negotiator skills.	2. Report in semi-annual surveys of private sector representatives on the degree of improvement in transparency of ASEAN trade policy making.			2. Report in semi-annual surveys of Secretariat staff whether or not support in ASEAN for liberalizing trade in services has increased	2. Report in semi-annual surveys of relevant Secretariat staff, private sector representatives, and our experts whether or not progress has been made toward achieving the performance indicator.	2. Report in semi-annual surveys of relevant Secretariat staff, private sector representatives and our experts as to whether progress has been made toward implementing the integration roadmap.	2. Report in semi-annual surveys of senior Secretariat staff whether or not progress has been made toward achieving the performance indicator.