

Chapter 2 Lao PDR in the Context of ASEAN

2.1 Socio-economic Changes

(1) Demographic Change

In the previous Section, socio-economic situations of Lao PDR have been analyzed in a broad term along with those of other ASEAN countries, they have been analyzed in more detail in this Section. Table 2.1 indicates Lao PDR's population and its annual average growth rates since the previous census year. It doubled from 2.9 million to 5.6 million from 1976 to 2005 because her population growth rate was the highest among the Asian countries. However, it was slowing down gradually from 2.5% in 1976-85 to 2.0% 1995-2005. According to the *Statistical Yearbook 2008*, her population reached 6 million in 2008.

Table 2.1 Population and Annual Average Growth Rate

Year	1976	1985	1995	2005
Total population (1,000)	2,886	3,618	4,605	5,622
Annual average growth rate (%)	-	2.5	2.4	2.0

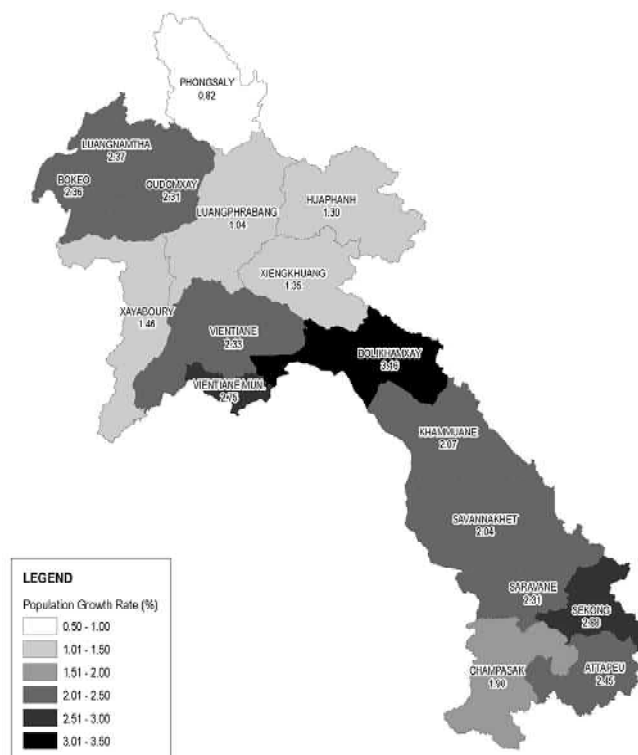
Source: DoS, *Statistical Yearbook 1975-2005, 2007*.

Figure 2.1 illustrates annual population growth rate by province between 1995 and 2005. The following characters are observed.

1. The northern provinces, Luangnamtha (2.4%), Bokeo (2.4%), and Oudomxay (2.3%), recorded higher growth rates than the national average (2.0%). Population of other provinces grew at lower rates.
2. In central and southern provinces except Champasak (1.9%), their growth rates were higher than the national average. In particular, Bolikhamxay (3.1%), Sekong (2.7%) and Vientiane Capital (2.8%) recorded very high growth rates.

JICA study teams working for industrial development and national logistics system development made population projection based on the present population and currently existing population estimates as shown in the second row of Table 2.2. It shows that population will increase by around 40% from 5.6 million in 2005 to 7.9 million in 2025.

As shown, the working age population defined as the population in the age group between 15 and 64 years old will increase from 3.2 million in 2005 to 5.0 million in 2025. The labor forces which mainly exclude students, household duties, retired, old, and disable persons will also increase by around 66% in the same period. It is necessary to create 73,000 new jobs annually until 2025.



Sources: Census 1995 and 2005.

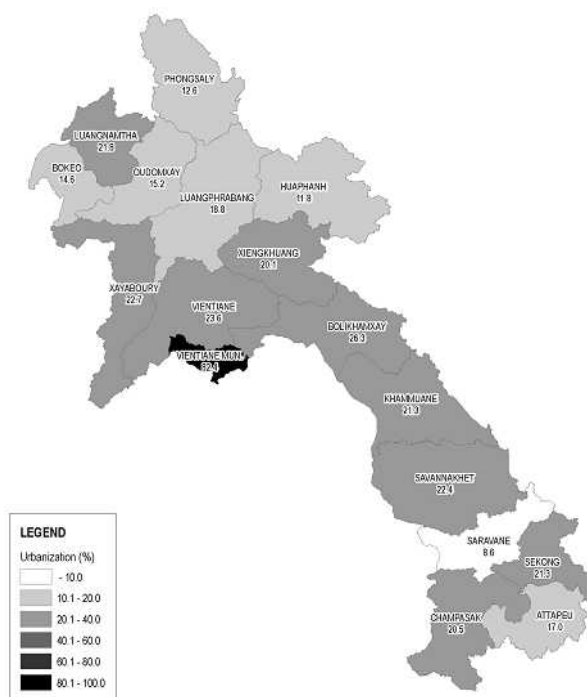
Figure 2.1 Population Growth Rate by Province, 1995-2005

Table 2.2 Population and Labor Force Projection (1,000)

Year	2005	2010	2015	2025
Total population	5,622	6,133	6,696	7,874
Population from 15 to 64 years old (Working age population)	3,187	3,713	4,200	5,013
Labor force	2,197	2,704	3,058	3,650

Source: JICA Study Team, *Industrial Zone Development*

The JICA study teams analyzed also changes of urban population. All villages in Lao PDR are classified as “urban,” “rural with road” or “rural without road” in her census survey. Urban population is defined as population in urban villages in this analysis. Urban population will be 1,523,000, amounting to 27% of total population in 2005. Figure 2.2 indicates percentage of urban population in each province. It was 82% in Vientiane Capital, followed by Bolikhamxay (26%), Vientiane (24%), Savannakhet (22%), Luangnamtha (22%), Khammuane (21%), and Sekong (21%).



Source: *Census 1995 and 2005.*

Figure 2.2 Percentage of Urban Population in 2005

The JICA study teams’ estimates show that shares of urban proportion will increase from 27% in 2005 to 40% in 2025 as indicated in Table 2.3. As a result, urban population will increase from 1.5 million to 3.1 million in the respective year. This increase in urban population will be originated mainly from the following two factors. The first one is population pressure in rural areas as indicated in Table 2.4. It is very serious there and people will move from rural to urban areas continuously. The other one is economic development of rural areas through public and private investments. It may turn some rural areas which have development potentials into urban areas. The teams’ estimation is almost similar as the projection of “World Urbanization Prospects” prepared by Population Division of the United Nations. According to them, a share of urban population will increase by 22 points from 27% in 2008 to 49% in 2025.

Table 2.3 Urban and Rural Population in 2015 and 2025 (1, 000)

Year	Total	Urban	Rural
1995	4,575 (100.0)	782 (17.1)	3,793 (82.9)
2005	5,615 (100.0)	1,523 (27.1)	4,092 (72.9)
2015	6,696 (100.0)	2,204 (32.9)	4,491 (67.1)
2025	7,874 (100.0)	3,149 (40.0)	4,724 (60.0)

Source: JICA Study Team, *Logistics System Development*

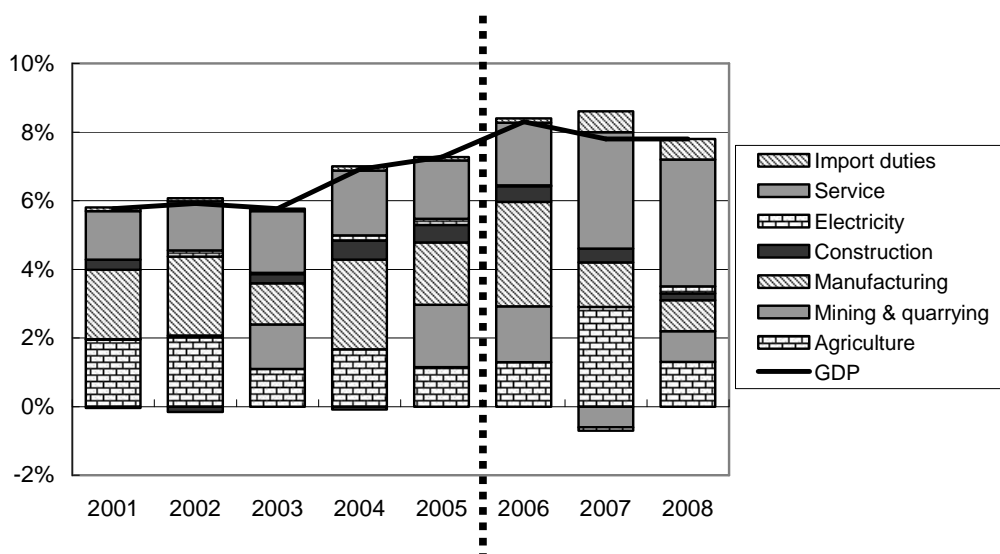
Table 2.4 Arable Land per Rural Inhabitant in 2004

	Arable land per rural inhabitant (ha)
Lao PDR	0.19
Thailand	0.37
Vietnam	0.10
Cambodia	0.32
Myanmar	0.28

Source: FAO, *State of Food and Agriculture*

(2) Economic Growth

Figure 2.3 indicates GDP growth rate and sector's contribution to GDP growth. GDP estimates before and after 2006 are not on the same bases because Department of Statistics, the Ministry of Planning and Investment (hereinafter abbreviated as "DoS") changed an estimation method of GDP. The figure shows that the manufacturing and mining & quarrying sectors are major contributors of the rapid growth until 2006. Out of 8.3% GDP growth in 2006, 4.6% was originated from those sectors. The service sector has been a major contributor to GDP growth since 2007.

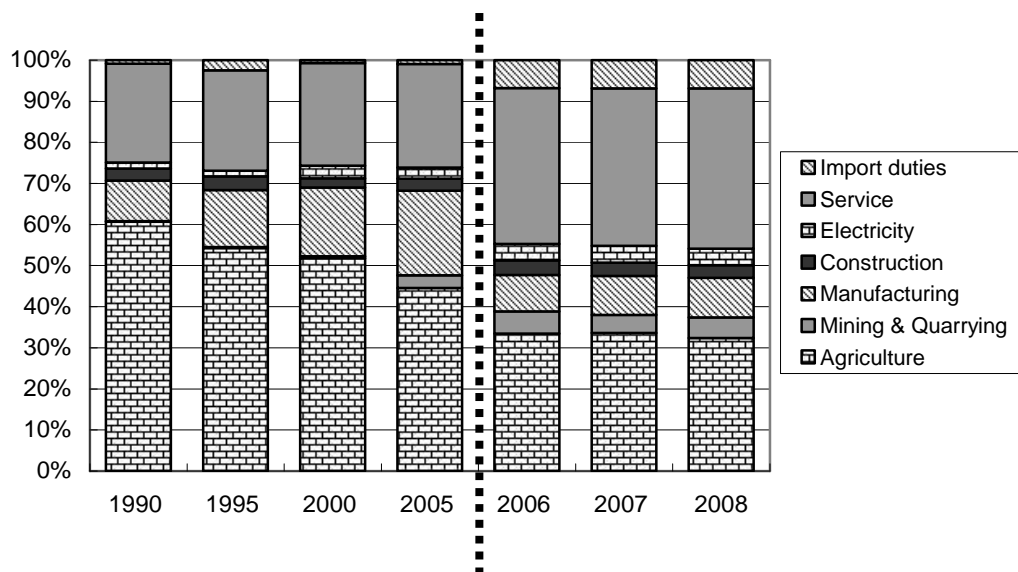


Source: DoS, *Statistical Yearbook 1975-2005, 2007*.

Figure 2.3 GDP Growth rates and Contribution by Sub-sector

Figure 2.4 indicates GDP compositions by sub-sector from 1990 to 2008. Like the estimation of GDP growth rate, an estimation method was changed in 2006. The share of the agricultural sectors was as high as 60% in 1990, but it dropped gradually to 32% in 2007. On the contrary, the share of manufacturing sub-sector increased from 8.9% in 2006 to 9.6% in 2008. Also that

of the services sub-sector increased gradually from 37.9% in 2006 to 39.0% in 2009.



Source: DoS, *Statistical Yearbook 1975-2005, 2007*.

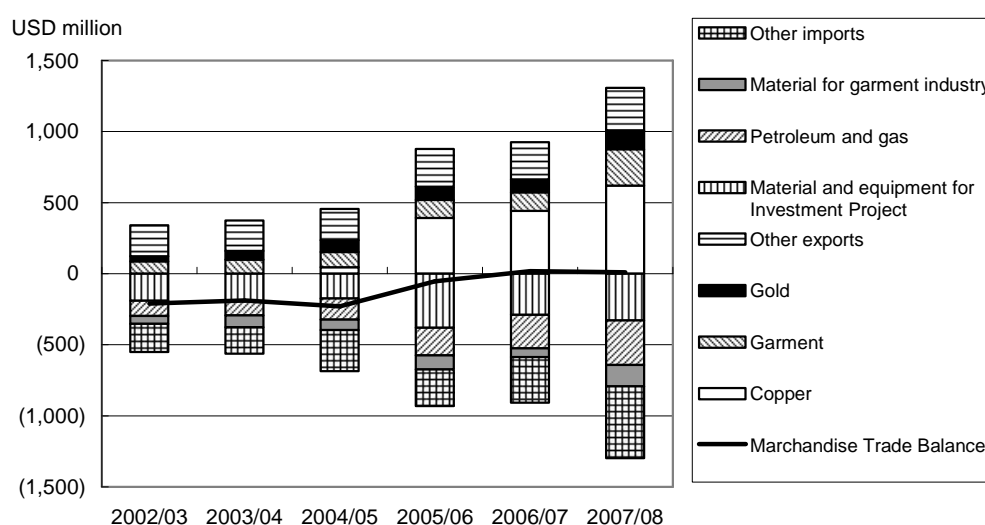
Figure 2.4 Changes of Sub-sector Composition

The Ministry of Investment and Planning prepared “Mid-term Review of the Sixth National Socio-Economic Development Plan (2006-2010)” (hereinafter referred as “Mid-term Review”) in November 2008. The objectives of Mid-term Review were to assess achievements and progress over the previous three years and to identify issues and problems in implementation. The results and lessons of Mid-term Review will be reflected in the coming 7th Five-Year Plan starting from 2011.

Regarding the economic performance, the report pointed out that Lao PDR achieved 8% GDP growth during 2005/06 and 2007/08 although it was planned as 7.5%. The average GDP per capita already exceeded the planned target of US\$700 two years ahead of schedule, and the economy will continue to be industrialized and modernized more during the period.

(3) Economic Relations with the Neighboring Countries

Figure 2.5 illustrates changes of Lao PDR trade in goods in recent years. The volumes of imports and exports increased by 2.3 and 3.8 times during the recent six years, respectively. Trade in goods recorded deficits until FY2005/06 but it became surplus since FY2006/07 due to rapid growth of copper exports. Regarding imports, the volumes of petroleum and gas have been increasing. Items of imports have been more diversified in recent years.



Source: Data from Ministry of Industry and Commerce

Figure 2.5 Trade in Goods and Its Major Items

Table 2.5 indicates changes in trade volume with major trading partners. As for exports, 77% of the total exports were directed to Thailand, Vietnam, Australia and the EU in FY 2007/08. Major export items to Thailand, Vietnam, and China were copper, electricity, agricultural produce and wood products. In addition, gold was exported to Australia, whereas garments were mainly exported to the EU.

Table 2.5 Trade Volumes and Major Trade Partners

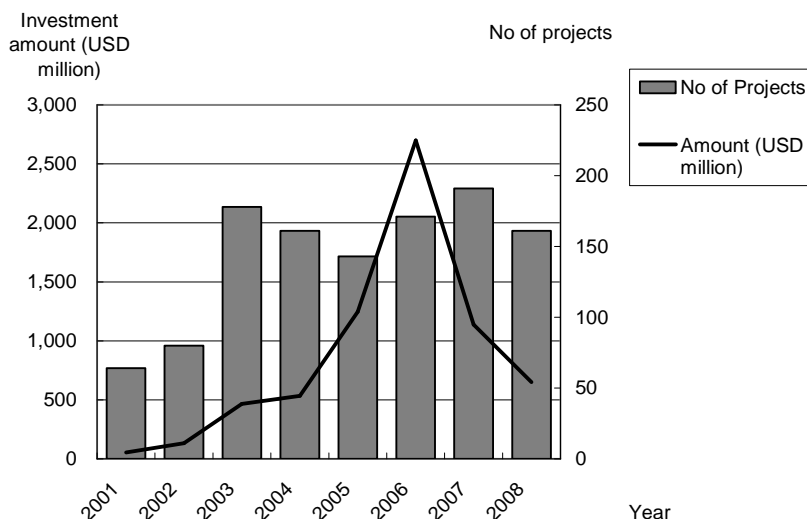
Unit: USD million

Export	2006/07		2007/08	
Thailand	284	31%	383	29%
Vietnam	112	12%	148	11%
Australia	86	9%	134	10%
EU	154	17%	354	27%
Import	2006/07		2007/08	
Thailand	602	66%	984	76%
Vietnam	134	15%	109	8%
China	86	9%	96	7%

Source: Data from Ministry of Industry and Commerce

Figure 2.6 indicates the number of projects and volume of foreign direct investment (FDI) from 2001 to 2008 in terms of application base. FDI has accelerated since 2003 in both cases and volume, and the volume increased by more than USD 1 billion from 2005 to 2007 mainly due to a huge investment in electricity. In 2008, the volume of investment dropped significantly to

USD 650 million, but the number of projects reached at a record high level which was as many as 161 projects.



Source: Data from Investment Promotion Department, MPI

Figure 2.6 Numbers and Amounts of FDI

In the total volume of accumulated FDI from 2001 to 2008, electricity has the largest share, 47%. It is followed by agriculture (14%), mining (11%), and manufacturing (9%). In the number of FDI projects in the same period, manufacturing industry has the largest share, 19%. It is followed by agriculture (17%), services (16%) and mining (14%). With respect to FDI origin by country, Thailand has the largest share, 28%. She is followed by China (23%) and Vietnam (14%). These three countries account for two thirds of the total FDI volume. In terms of the number of FDI projects, China has the largest share, 44%. She is followed by Thailand (31%) and Vietnam (25%).

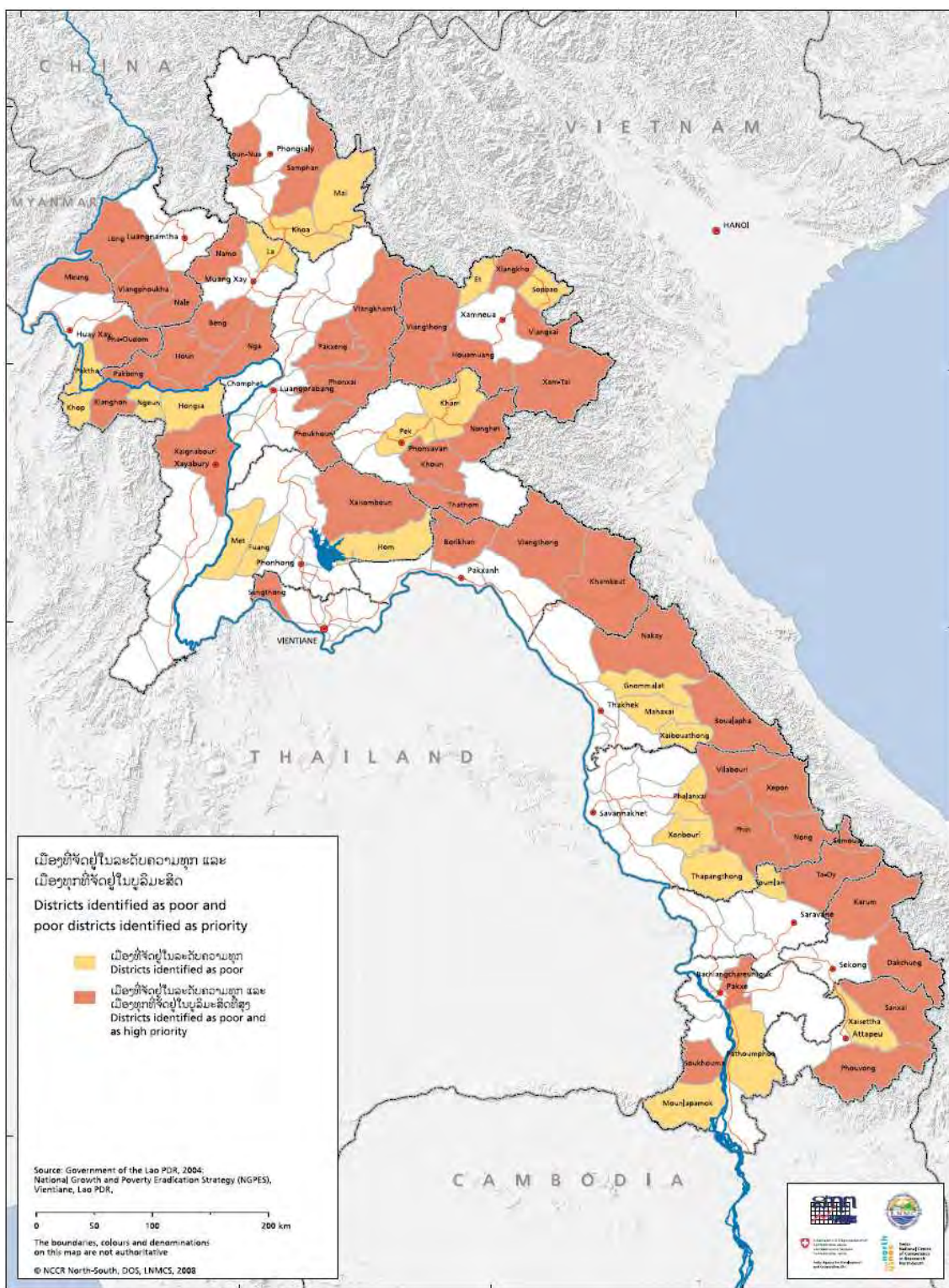
(4) Situation of Poverty

Figure 2.7 illustrates poor and poor with priority districts. Out of the 141 districts throughout the country, 47 districts were identified as poor with priority, and 32 districts as poor. In poor with priority districts, more than 70% of district population cannot get 2,100 kcal food intakes per day. In addition to that, other criteria such as accessibility to schools, healthcare centers, roads and safe water are also applied to define poor and poor with priority districts. Most poor with priority districts are located at mountainous areas of the northern region and at east side areas neighboring with Vietnam in the central and southern regions.

Table 2.6 indicates a level of household consumption by province. From Lao Expenditure and Consumption Survey (LECS) 3 (2002-03) to LECS 4 (2007-08), it grew as much as 1.7 times in

Vientiane Capital. However, the levels in some mountainous provinces were still very low in comparison to Vientiane Capital.

As will be described in section 2.3, poverty reduction is one of the important development objectives together with economic development. Lao PDR government has been making an effort to reduce poverty with the assistance of international partners. As a result, poverty ratio declined from 46% in 1992-93 (LECS 1) to 26% in 2002-03 (LECS 4).



Source: DoS, *Socio-economic Atlas*, 2008.

Figure 2.7 Location of Poor Districts

Table 2.6 Comparison of Household Consumption Levels (1, 000 Kip)

Area	Province	LECS3 (2002-03) (1)	LECS 4 (2007-08) (2)	Ratio of (2) to (1) (3)	Percent of (2) to Vientiane Capital (4)
North	Phongsaly	763	1,259	1.6	39
	Luangnamtha	1,029	1,655	1.6	52
	Oudomxay	804	1,735	2.2	54
	Bokeo	833	1,279	1.5	40
	Luangprabang	1,118	2,178	1.9	68
	Huaphanh	939	1,472	1.6	46
	Xayabury	1,102	3,035	2.8	95
Central	Vientiane Capital	1,900	3,193	1.7	100
	Xiengkhuang	1,062	2,191	2.1	69
	Vientiane	1,212	1,858	1.5	58
	Borikhamxay	963	2,019	2.1	63
	Khammuane	873	1,872	2.1	59
	Savanakhet	965	2,365	2.5	74
	Xaisomboun SR	899	na	na	na
South	Saravane	684	1,456	2.1	46
	Sekong	804	1,519	1.9	48
	Champasak	1,054	2,300	2.2	72
	Attapeu	838	1,760	2.1	55

Note: "na" indicates that figures are not available.

Source: *LECS 3 and LECS 4 Reports*

(5) Environment and Development

Table 2.7 tabulates a list of power plants under construction and planning. GDP share of electricity accounted for 4% in 2008; however, it will increase dramatically in the coming five years. The proportion of the value added which was generated from constructing power plants to GDP in 2008 was 12%, and the proportion of the value added which will be generated from the planned power plants to the future value added from planned power plants will be 36% of GDP. In particular, Nam Theun 2 (installed capacity 1088 MW) which will be in operation in December 2009 and Hongsa Lignite (installed capacity 1800 MW) which is expected to be in operation in 2015 will have huge impacts on GDP. On average, the power sector will contribute more than 2% of GDP growth rate annually until 2020.

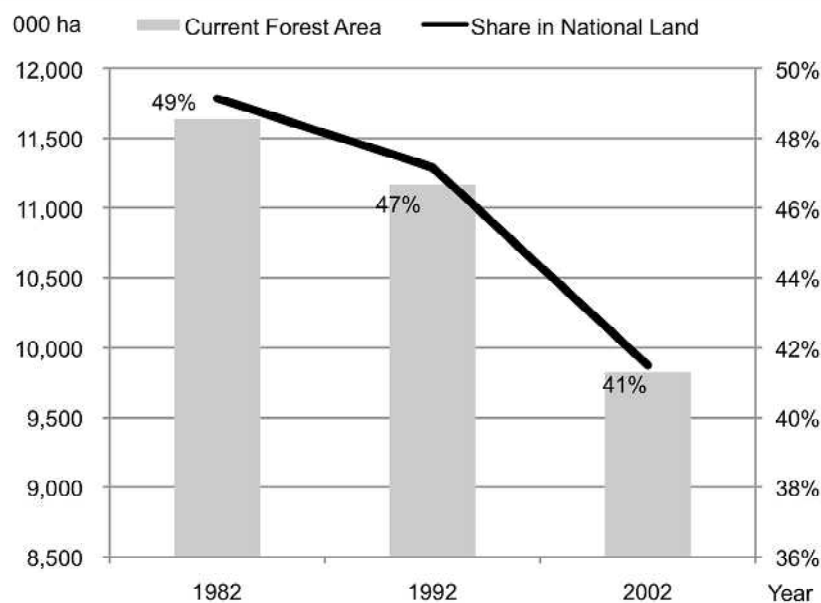
Table 2.7 Future Production of Electricity and Contribution to GDP Growth

	Year in Operation	No. of Power Plants (Units)	Installed Capacity (MW)	Production of Electricity per Year (GWh)	Expected value added (million kip in 2002 prices)	Proportion to Real GDP in 2008 (%)
Operating Stage		10	669	3,677		
Constructing Stage	Total	8	2,529	11,060	3,141,268	12
	2009	3	1,164	6,259	1,777,685	7
	2010	2	350	645	183,193	1
	2011	2	735	2,616	742,998	3
	2012	1	280	1,540	437,392	2
Planning Stage	Total	14	6,277	34,524	9,805,387	36
	2012	3	144	792	224,944	1
	2013	3	440	2,420	687,330	3
	2014	2	545	2,998	851,352	3
	2015	3	2,468	13,574	3,855,296	14
	2016	2	1,420	7,810	2,218,201	8
	Not decided	1	1,260	6,930	1,968,263	7
Studying	Not decided	45	12,216	67,189	-	-

Source: "Powering Progress", *Industrial Zones Development*, Calculated by JICA Study Teams (<http://www.poweringprogress.org/>)

These hydropower projects are developed by jointly Lao PDR and foreign partners, and the proportion of equity owned by Lao PDR is only 20 to 30%. It means 70 to 80% of value added will flow out as dividends to shareholders. As a result, a gap between Gross National Income and Gross Domestic Product will be greater in the future. The same situation can be seen in the mining industry.

Economic growth heavily depended on natural resources will have serious impacts on natural environment. As shown in Figure 2.8, forest areas have been decreasing. A ratio of forest areas to total land area dropped 2% points from 1982 to 1992, and 6% points from 1992 to 2002. Lao PDR government set a target that the ratio should go up to 53% by 2010, and 70% by 2020. However, if natural resource depended economic growth were accelerated, natural environment would be deteriorated rapidly and the ratio would drop continuously.



Source: Department of Forest, Ministry of Agriculture and Forest (2005), *Report on the Assessment of Forest Cover and Land Use during 1992-2002*.

Figure 2.8 Decrease of Forest Area

(6) Public Finance and Public Investment

Table 2.8 indicates Public Finance and Public Investment Programs in recent financial years. Fiscal revenues accounted for 11 to 16% of nominal GDP. Around 80% of fiscal revenues were domestic resources (tax and non-tax revenue), while the other parts came from development partners' aids. Fiscal expenditures accounted for 20 to 22% of GDP except FY 2007/08 (13%). As a result, Lao PDR recorded fiscal deficits which were equal to 3 to 6% of GDP in those years.

Public Investment Programs (PIP) accounted for 7 to 11% of GDP. Sixty to 90% of financial sources for PIP came from partners' grants and loans. Provision of public infrastructure relies heavily on supports from international partners.

According to Mid-term Review, there are significant variances across regions in terms of per capita investment in Public Investment Programs (PIP). In the northern regions, per capita investment expenditures will be amounted to 252,000 kip compared with 144,000 kip in the southern regions. It pointed out also that this gap is primarily caused by differences in ODA inflows to the regions.

Table 2.8 Public Finance and Public Investment Programs (billion kip)

	2005/06	2006/07	2007/08 estimation	2008/09 budget
Nominal GDP	31,847	38,065	44,771	50,791
Fiscal Revenue	5,108	6,134	5,004	8,340
Domestic	4,411	5,460	4,620	7,589
Grant Aid	696	673	384	752
Fiscal Expenditure	6,944	8,100	5,730	10,026
Budget Deficit				
Including grant aid	-1,836	-1,966	-726	-1,685
Excluding Grant Aid	-2,533	-2,640	-1,110	-2,437
Public Investment Program	3,649	2,615	955*	3,330
Public Budget	424	517	372*	1,138
Grant and Loan	3,225	2,098	583*	2,192

Note: * indicates figures of the first 6 months in FY2007/08.

Source: MPI, *National Socio-Economic Development Plan 2008-2009*.

2.2 Review of Recent Socio-economic Development Plans

(1) Long-term Socio-Economic Development Vision

The most important development target for Lao PDR is “to graduate from Least Development Country (LDC)” by 2020. It was adopted at the 6th Party Congress in 1996, and, the following guidelines were adopted in the 7th Party Congress in 2001.

- 1) Keep balance among economic growth, social and cultural development, and environmental management;
- 2) Coordinate economic growth among sectors, and between urban and rural areas;
- 3) Promote national solidarity and democracy under sound economic development strategy and economic development framework;
- 4) Promote national development along with development opportunity of the region and the world, and participate in regional economic integration;
- 5) Achieve socio-economic development connected with national stability and national security.

(2) National Growth and Poverty Eradication Strategy (NGPES)

Based on the long-term national development vision, NGPES of which target year is 2010 was prepared in 2004. It is the basis of the first PRSP, and has the following development targets:

- 1) Most areas in the country will get out from poverty and quit slash-and-burn farming by 2010;
- 2) GDP growth rate will increase to 7% by 2010;
- 3) The share of the primary sector will drop from 51% in 2001 to 37% in 2010, whereas that of the secondary sector will increase from 25% to 32%. The tertiary sector's share will also increase from 24% to 32%. The ratio of investment to GDP will increase to 25% by 2010.

(3) National Socio-economic Development Plan (2006-2010)

National Socio-Economic Development Plan (2006-2010), the 6th 5-year plan, was adopted in the 8th Party Congress in 2006. It has been the basis of 2nd PRSP under the NGPES.

The long-term vision which is to let the country to be a post-LDC by 2020 has been kept as one of the major goals of development. In addition, the other major goals, which are to achieve the targets in the Millennium Development Goals (MDGs) and the Brussels Program of Action for the Least Development Countries (2001-2010), have been also included in this plan.

In such major goals, the following targets have been set in the 6th 5-year Plan:

- 1) Accelerate economic growth and improve the people's quality of life, by restructuring the economy and employment to build a market economy based on the country's rich resources and international integration;
- 2) Build the market economy further with a socialist orientation;
- 3) Continue to enlarge and develop effective external economic relations;
- 4) Continue strengthening the socio-economic infrastructure as fundamentals for development in the 6th 5-year Plan and for the next (7th) 5-year Plan.
- 5) Maintain GDP growth rate at an average of 7.5 to 8 % per annum in order to achieve goals mentioned above.
- 6) Attain target growth rates of 3 to 3.4% for the primary sector, 13 to 14% for the secondary sector, and 7.5 to 8% for the tertiary sector. Industrial compositions are 36% for the primary, 36% for the secondary sector, and 28% for the tertiary sector. GDP per capita will reach 827 US dollar in 2010.

(4) Direction of National Socio-economic Development Plan (2011-2015)

Lao PDR Government has started preparation of the next 5-year plan from 2011 to 2015. Although contents of the plan have not been approved yet, tentative direction of the plan can be observed as follows.

- 1) Provide necessary pre-requisites for improving the well-being of people, reducing poverty, achieving MDGs by 2015 and getting out from LDC group by 2020.
- 2) Achieve macro-economic stability and rapid growth. Also mobilize workforces in line with modern industrial growth.
- 3) Ensure socio-economic development of the country, by balancing economic growth, socio-cultural development and environment preservation.
- 4) Improve governance, capacities, efficiency and transparency in managing the development process
- 5) Strengthen international cooperation and integrate the economy into the regional and global organizations (WTO, ASEAN, AFTA, GMS)

Based on these development directions, the government tries to attain 8% of annual GDP growth and aim at 1,700 US dollars of GDP per capita in 2015.

2.3 Development Issues of Lao PDR

Based on the analyses from Section 2.1 to 2.2, developing issues for Lao PDR are identified as follows:

- 1) Balance of environment and development,
- 2) Job creation and distribution of economic benefits, and
- 3) Capacity development.

(1) Environment and Development

The most prioritized development goal for Lao PDR is to graduate from LDC and poverty reduction represented by achievement of Millennium Development Goals by 2015. However, a new issue is coming out now. It is “how Lao people evaluate value of environment in their development.” In the new 5-year development plan, one of its goals is to keep a balance among economic development, social environment and natural environment. It is recognized that Lao people will be putting more attention to social and natural environments in accordance with their country’s development.

Hydropower and mining projects have been contributing to economic development and improvement of trade balance. For this reason, many new hydropower projects are under the planning stage. However, Lao people have to consider the impact of these projects on the natural and social environments, and to select projects from the point of cost effectiveness including value of environment.

(2) Job Creation and Distribution of Economic Benefit

It is not easy to rely heavily on the sub-sectors like hydropower electricity and mining to create job opportunities for 1.8 million people for the coming 20 years. It is more important for Lao PDR to promote labor-intensive sectors such as the manufacturing sector, the agricultural sector which produce high value added items, and the tourism sector.

Currently, poverty reduction projects implemented by the government and the international partners play an important role to narrow economic gaps in the country. However, the partners’ supports cannot be expected continuously and poverty reduction heavily depended on them is not sustainable. It is necessary for Lao Government to develop engines of economic growth and to distribute its benefits to poor regions. It is also necessary to develop capacity of tax collection in this context.

(3) Capacity Development

As described in Section 2.1, 1.8 millions of Lao people will participate in the labor markets in next 20 years. In order to promote labor-intensive industry such as the manufacturing sector, the agricultural sector which produce high value-added items, and the services sector, it is necessary to develop human resources.

The policies and programs with respect to economic development, social development, environment protection, and establishment of foreign relations are presently formulated and implemented at Vientiane Capital. In the future, these activities will be gradually shifted towards the secondary cities and then provincial centers in accordance with economic development and establishment of the ASEAN Community.

In both contexts indicated above, human capacity development at the provincial and local levels will be essential. It is strongly recommended for the Lao government to implement measures to develop human capacity at the provincial as well as the central levels.

Chapter 3 ASEAN Integration and Regional Cooperation

3.1 ASEAN Integration Process – Progress and Challenge

(1) Efforts toward the ASEAN Community

ASEAN has promoted economic cooperation in the region in parallel with political cooperation as its initial purpose since its foundation. Since the late 1990s, the effort has been accelerated in pursuit of creating an ASEAN Community,” as seen in the adoption of a vision and a series of action plans and the agreement on the ASEAN Charter. The goal of ASEAN Community was first presented in the “ASEAN Vision 2020,” which was adopted by the ASEAN Leaders in the Second ASEAN Informal Summit in 1997. At the ninth ASEAN Summit in October 2003, the ASEAN Leaders adopted the Declaration of ASEAN Concord II (Bali Concord II) resolving that the Member States shall establish an ASEAN Community based on the Vision by 2020.⁷ It consists of three pillars, namely ASEAN Political-Security Community (APSC), ASEAN Economic Community (AEC) and ASEAN Socio-Cultural Community (ASCC). The purposes of the three communities are shown in Table 3.1.

Table 3.1 Purposes of Three Pillars of Communities

<p style="text-align: center;">ASEAN Political-Security Community (APSC)</p> <p>The APSC shall aim to ensure that countries in the region live at peace with one another and with the world in a just, democratic and harmonious environment.</p>
<p style="text-align: center;">ASEAN Economic Community (AEC)</p> <p>The AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and freer flow of capital. AEC envisages the following key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.</p>
<p style="text-align: center;">ASEAN Socio-Cultural Community (ASCC)</p> <p>The ASEAN Socio-Cultural Community aims to contribute to realizing an ASEAN Community that is people-oriented and socially responsible with a view to achieving enduring solidarity and unity among the peoples and Member States of ASEAN. It seeks to forge a common identity and build a caring and sharing society which is inclusive and where the well-being, livelihood, and welfare of the peoples are enhanced.</p>

Source: ASEANWEB (<http://www.aseansec.org/>)

⁷ At the twelfth ASEAN Summit in January 2007, the Leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community by 2015 and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015.

Strategic thrusts were set for realizing these communities. APSC had five strategic thrusts including political development and shaping and sharing of norms, whereas AEC placed twelve strategic thrusts such as priority sectors for integration, ASEAN Investment Area, trade in goods, and trade in services. As the third pillar, ASCC had four strategic thrusts such as building a community of caring societies and managing the social impact of economic integration.

As the mid-term implementation plans to realize the goals of ASEAN Vision 2000, the ASEAN Leaders agreed on and implemented the Hanoi Plan of Action (1999-2004) and the Vientiane Action Program (2004-10) in the past. This was followed by the adoption of the Roadmap for an ASEAN Community (2009-2015) at the fourteenth ASEAN Summit held in Cha-am Hua Hin, Thailand in March 2009. The ASEAN Leaders agreed that Blueprints of the three Communities and the Initiative for ASEAN Integration (IAI) Work Plan 2 shall constitute the Roadmap and each ASEAN Member State shall ensure its timely implementation.

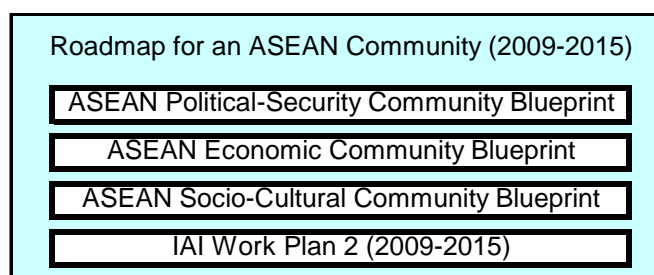


Figure 3.1 Components of Roadmap for an ASEAN Community

In November 2007 at the thirteenth ASEAN Summit, the ASEAN Member States have signed the ASEAN Charter, which became effective on 15 December 2008. The preamble states that the Member States shall be committed to intensifying community building through enhanced regional cooperation and integration, in particular by establishing an ASEAN Community. It provides the institutional framework for ASEAN including its purposes and principles. In addition, as an inter-governmental organization, ASEAN was conferred legal personality by the Charter.

(2) Efforts toward the Narrowing the Development Gap (NDG)

ASEAN has been tackling the development gap between older and newer members by promoting IAI that was agreed by the ASEAN Leaders at the ASEAN Informal Summit in November 2000. A series of accessions of new four members, Vietnam, Lao PDR, Myanmar and Cambodia in the late 1990s made ASEAN realize that the widening of development gaps between the ASEAN-6 and CLMV countries could undermine regional solidarity and integration. At the eighth ASEAN Summit in Phnom Penh in October 2002, the ASEAN Leaders endorsed a 6-year Work Plan (2002-2008) to implement the initiative whose focuses are

placed on four priority areas, namely infrastructure development, human resource development, information and communication technology, and promoting regional economic integration in the CLMV countries. An IAI Taskforce organized by ASEAN has carried out the adoption of IAI projects and called for funding from ASEAN-6 and ASEAN Dialogue Partners. As of 13 October 2009, there are 258 projects in the IAI Work Plan (2002-2008) at various stages of implementation and 84% of them or 217 projects have been financed⁸.

Although narrowing development gap is identified as one of the most important task, the terminology of development gap is not clearly defined in ASEAN. Vientiane Action Plan in 2004 mentioned that gaps are per capita GDP and other human development dimensions such as life expectancy, literacy rate and poverty incidence. ASEAN Community progress monitoring system in 2007 raises 46 indicators for ASEAN community building. However, definition and indicators for development gap are not clearly defined. Thus, we cannot tell how development gap has been narrowed. It needs to define the development gap and to set frame in which one can assess whether NDG achieved or not.

(3) Challenge for IAI to realize NDG

According to the report on the Mid Term Review of IAI Work Plan that was conducted in 2005 for the purpose of identifying the major issues and challenges in order to improve the mechanism of IAI, most of the projects in the four priority areas of the IAI Work Plan (2002-2008) were judged to be beneficial. However, at the same time, the following shortcomings were pointed out⁹.

- 1) Weak inter-agency coordination, reporting mechanisms, implementation, and follow-through actions;
- 2) Too narrow to accommodate the urgent needs of the CLMV countries in the current four areas of the Work Plan;
- 3) The need to strengthen the ownership of the IAI projects by the CLMV countries;
- 4) Insufficient coherence among training programs and duration of training courses, etc.
- 5) The need to take into account the needs of pockets of under-development in the ASEAN-6 countries.

These recognitions and ensuing recommendations led to revisions of the IAI framework in some respects. For instance, three new priority areas namely tourism, poverty reduction and improvement in quality of life, and general coverage projects were added to the initial four areas.

⁸ The 35th Meeting of IAI Taskforce, “*Status Update of IAI Work Plan I (2002-2008)*” 17 October 2009.

⁹ Rodolfo C. Severino, “*The Initiative for ASEAN Integration (IAI): Mid Term Review of the Work Plan*” November 2005. (<http://archive.asean.org/14013.htm>)

Among other recommendations, the followings are considered to have particularly important implications for this LPP Study in examining potentials and significance of tripartite cooperation.

a) The Need of Fine-tuning Approaches and Procedures in Project Selection and Implementation

The criteria for selection of IAI projects have to be fine-tuned to include **the precise needs of the CLMV countries in terms of the projects' role in national development and their effectiveness in building CLMV's capacity for participation in ASEAN programs.**

b) Enhancing Ownership in IAI Projects

CLMV ownership of the IAI projects is critical in ensuring the successful completion of the projects. This means that **the CLMV countries need to participate more actively at every stage, from the conception and formulation of projects to their implementation and monitoring, and to their final completion.**

It can be concluded from the above recommendations that in order to do realize the narrowing development gaps among the ASEAN Member States a greater importance should be attached to tailor-made approach to each country in line with its development needs and various conditions, than to the traditional approach which takes the CLMV countries as a package. In addition, the ownership of these countries is indispensable to link the projects with their individual development needs effectively.

Currently, IAI Work Plan is entering the second phase (2009-15). The IAI Strategic Framework was newly formulated to serve as a base for the IAI Work Plan 2¹⁰. As general principles for formulating the IAI Work Plan, the IAI Strategic Framework states that the NDG efforts such as IAI are aligned with the three ASEAN Community Blueprints and that the programs to be included in the IAI Work Plan are those which are critical and necessary to hasten the integration process. At the same time, it is specified in the Framework that criteria for projects in the IAI Work Plan include identification of the precise needs of CLMV in terms of external assistance, the importance of a project's role in national development plans, its effectiveness in building CLMV capacity for participation in ASEAN programs, long term continuity and sustainability, and absorptive capacity of CLMV countries. These principles reflect the lessons drawn from the Mid Term Review of IAI Work Plan, which implies that ASEAN still has a great challenge of pursuing NDG substantially, coordinating the promotion of ASEAN integration process with national development of CLMV countries in light of the needs of each country.

¹⁰ [“Initiative for ASEAN Integration \(IAI\) Strategic Framework and IAI Work Plan 2 \(2009-2015\)”](http://archive.asean.org/14013.htm)
(<http://archive.asean.org/14013.htm>)

As mentioned above, the IAI Work Plan 2 (2009-2015) presents its actions in accordance with the programs of three ASEAN Community Blueprints. Table 3.2 shows the list of the action items.

Table 3.2 Action Items of IAI Work Plan 2 (2009-2015)

ASEAN Economic Community (AEC)	
A.	Single Market and Production Base
	A1. Free Flow of Goods
	A2. Free Flow of Services
	A3. Free Flow of Investment
	A4. Freer Flow of Capital
	A5. Free Flow of Skilled Labor
	A6. Priority Integration Sectors
	A7. Food, Agriculture and Forestry
B.	Competitive Economic Region
	B1. Competition Policy
	B2. Consumer Protection
	B3. Intellectual Property Rights (IPR)
	B4. Infrastructure Development
	B5. Taxation
	B6. E-Commerce
C.	Equitable Economic Development
	C1. SME Development
	C2. (Initiative for ASEAN Integration)
D.	Integration into the Global Economy
	D1. Coherent Approach Towards External Economic Relations
	D2. Enhanced Participation in Global Supply Networks
ASEAN Socio-Cultural Community (ASCC)	
A.	Human Development
	A1. Advancing and Prioritizing Education
	A2. Investing in Human Resource Development
	A3. Promotion of Decent Work
	A4. Promoting Information and Communication Technology (ICT)
	A5. Facilitating Access to Applied Science and Technology
	A6. Strengthening Entrepreneurship Skills for Women, Youth, Elderly and Persons with Disabilities
	A7. Building Civil Service Capability
B.	Social Welfare and Protection
	B1. Poverty Alleviation
	B2. Social safety Net and Protection from the Negative Impacts of Integration and Globalization
	B3. Enhancing Food Security and Safety
	B4. Access to Healthcare and Promotion of Healthy Lifestyle
	B5. Improving Capability to Control Communicable Diseases
	B6. Ensuring a Drug-Free ASEAN
	B7. Building Disaster-Resilient Nations and Safer Communities
C.	Social Justice and Rights
	C1. Promotion and Protection of the Rights and Welfare of Women, Children, the Elderly, and Persons with Disabilities
	C2. Protection and Promotion of the Rights of Migrant Workers
	C3. Promoting Corporate Social Responsibility (CSR)

D.	Ensuring Environmental Sustainability
D1.	Addressing Global Environmental Issues
D2.	Managing and Preventing Transboundary Environmental Pollution
D3.	Promoting Sustainable Development through Environmental Education and Public Participation
D4.	Promoting Environmentally Sound Technology (EST)
D5.	Promoting Quality Living Standards in ASEAN Cities/Urban Areas
D6.	Harmonizing Environmental Policies and Databases
D7.	Promoting the Sustainable use of Coastal and Marine Environment
D8.	Promoting Sustainable Management of Nature Conservation and Biodiversity
D9.	Promoting the Sustainability of Freshwater Resources
D10.	Responding to Climate Change and Addressing its Impacts
D11.	Promoting Sustainable Forest Management (SFM)
E.	Building ASEAN Identity
E1.	Promotion of ASEAN Awareness and a Sense of Community
E2.	Preservation and Promotion of ASEAN Cultural Heritage
E3.	Promotion of Cultural Creativity and Industry
F.	(Narrowing the Development Gap)
ASEAN Political-Security Community (APSC)	
A.	A Rules-Based Community of Shared Values and Norms (Political Cooperation)
B.	A Cohesive, Peaceful and Resilient Region with Shared Responsibility for Comprehensive Security (Security Cooperation)
C.	A Dynamic and Outward-Looking Region in an Increasingly Integrated and Interdependent World (External Relations)

Source: IAI Work Plan 2

(4) Methods and Approaches Taken by ASEAN Secretariat

Because overall programs and institutional arrangements formulated by ASEAN Secretariat are described in detail in the previous sections of this chapter, this section will mainly concentrate on more practical methods and approaches taken by the Secretariat. However, there are few methods and approaches related to only Lao PDR, the section will show some important ones mainly for CLMV countries.

As “Roadmap for an ASEAN Community” is formulated on the political-security aspects, economic aspects, and social-cultural aspects, they also consist of the same three areas of aspects. Among the political methods and approaches, ASEAN Secretariat thinks that establishment of regional norms and identity for integration is very important. One approach ASEAN secretariat thinks feasible is to develop ASEAN history text books which can be used mainly in the primary and secondly schools. It also provides assistance to CLMV countries in the writing, translation if necessary, production and distribution of textbooks on Southeast Asia and ASEAN for different educational levels.

There are many methods and approaches in economic aspects in comparison with the political and social-cultural aspects. In CLMV countries, agriculture is still a very important sector in

their economies and exports of agricultural produce are vital to them. As one of the agricultural sub-sector, fish culture is important especially in the inland areas of CLMV countries. It is developing and applying fisheries quality management systems that ensure food safety and support competitive position of ASEAN fisheries products on world markets through the implementation, validation, and verification of Hazard Analysis Critical Control Point based systems. Along with the systems, it is improving laboratories practices, and adapting quality and safety management systems so that they may be applied to small enterprises in those countries.

It is also establishing Good Agriculture Aquaculture Practices (GAP), Good Animal Husbandry Practices (GAHP), Good Hygiene Practices (GHP), Good Manufacturing Practices (GMP), and Hazard Analysis Critical Control Point (HACCP) based systems for agricultural and food products. ASEAN-6 countries already decided to follow the Practices, but Lao PDR has not decided to follow them yet.

An efficient integrated transport network in ASEAN is vital for realizing the full potential of ASEAN Free Trade Area as well as in enhancing the attractiveness of the region as a single market and narrowing development gaps among the member countries. ASEAN transport is also critical in linking ASEAN with neighboring Northeast and South Asian countries. ASEAN Secretariat is making efforts to enhance transport facilitation and logistics services, to promote multimodal transport infrastructure linkages and connectivity, to facilitate transport and tourism integration, and to liberalize the air and maritime transport sectors further. As a result, the framework for the full liberalization of air services in ASEAN will be implemented in near future.

ASEAN is enhancing the well-being and livelihood of its peoples by providing them with equitable access to human development opportunities by promoting and investing in education and lifelong learning, human resource training and capacity building, by encouraging innovation and entrepreneurship, by promoting the use of English language, ICT and applied science, and technology in socio-economic development activities. It is planning to achieve universal access to primary education across ASEAN by 2015 with priorities to eradicate illiteracy and to ensure compulsory primary education for all and gender equality in education, through advocating for equal opportunity in education regardless of social class, geography ethnicity, background or physical disabilities. Particularly in CLMV, it is trying to improve the quality and adaptability of education, including technical/vocational/skills training education by developing a technical assistance programs including training for teaching staff and staff exchange programs at higher education levels.

At a higher educational level, it is promoting education networking in various levels of educational institutions and university networking, and enhancing and supporting student and staff exchanges and professional interactions including creating research clusters among

ASEAN institutions of higher learning, in close collaboration with the Southeast Asia Ministers of Education Organization (SEAMEO) and the ASEAN University Network (AUN).

To close socio-economic gaps between ASEAN-6 and CLMV countries, it is also trying to enhance and to improve the capacity of ASEAN human resource through strategic programs and to develop a qualified, competent and well-prepared ASEAN labor force that would benefit from as well as cope with the challenges of regional integration. As one of the steps, it undertook a survey to strengthen the existing centers of excellence in the field of human resource development in the ASEAN region. In addition, it is developing gender-responsive skills training programs for trainers particularly in the CLMV countries.

Although it is undertaking many methods and approaches to enhance socio-economic conditions of CLMV countries, it has limitations to promote them. One of them is originated from its types of activity. They are mainly indicative either through meetings and training programs for governmental officials. If it is trying to establish ASEAN community by 2015, it may need stronger administrative and financial power for implementing indicative projects to close socio-economic gaps among the member countries.

3.2 Trade and Investment Strategy of the Neighboring Countries

(1) Trade Partners of Lao's Neighboring Countries

Trade balance and export destination were briefly investigated for entire ASEAN countries in section 1.4. In this section, recent trends and strategies for trade and investment of Lao PDR's neighboring countries, namely, Thailand, Cambodia, Myanmar and Vietnam will be scrutinized especially in relation to their adjustment towards ASEAN integration. At the end of this section, a trend of economic relationship between ASEAN and China, another big neighboring country to Lao PDR, will briefly be mentioned.

Table 3.3 shows trade matrixes between individual neighbor countries to Lao PDR and major trading partners including the ASEAN region in 1990, i.e. three years before the AFTA framework started, and in 2008. The tables indicate that all the four neighboring countries of Lao PDR drastically expanded trade volumes and the ASEAN is now the top trading partner for all but Cambodia. The trade volume and the ASEAN's share as trading partner increased by 9.8 times and from 12.6% to 19.8% for Thailand. Similarly they did by 25 times and from 26.9% to 54.0% for Myanmar, by 32 times and from 16.6% to 20.1% for Vietnam. Although trade volume increased by 86 times for Cambodia, her ASEAN's share as trading partner declined from 57.1% to 39.1%.

(2) ASEAN as a Trade Partner

With regard to the trade balance with ASEAN in 2008, exports exceed imports for Thailand, while imports exceed exports for Cambodia and Vietnam. Myanmar's exports to ASEAN slightly surpassed its imports. ASEAN's importance is more visible in the CMV's imports from ASEAN. Cambodia, Myanmar, and Vietnam imported 54.7%, 50.3% and 25.1% of the total imports from ASEAN, respectively. In other words, ASEAN became the biggest exporter to these countries. On the other hand, ASEAN share is 17.2% of the total imports of Thailand. Though this figure is big enough for ASEAN to be the second largest import partner (next to Japan) for Thailand, it would be possible to understand that Thailand has succeeded in diversifying its imports, compared with the CMV countries.

(3) ASEAN as an Investment Partner

Table 3.4 shows inward investments from intra- and extra-ASEAN to the ASEAN countries in 2008. The share of CLMV countries in the total intra-ASEAN net inflows is 24.5%, which means CLMV countries received substantial investments not only from non-ASEAN but also from the ASEAN region. Cambodia, Myanmar and Vietnam received respectively 29.6%, 13.1% and 28.2% of net inflows as intra-ASEAN investments. For Thailand, 24.9% of net inflows is intra-ASEAN investments mainly from Singapore and Malaysia. On the other hand, Thailand is the top investor to Cambodia, followed by Singapore as the second and by Vietnam as the third. In Vietnam, Thailand's investment is the largest and is followed by Malaysia and Singapore. Thailand is also the largest investor to Lao PDR and Myanmar in terms of accumulated values. As the Thai case shows, active investments within the ASEAN region have been building a multilayered relationship among the ASEAN Member States.

In ASEAN, under the process of economic integration and globalization, regional specialization in the manufacturing industries and triangular trade among region could give the development opportunities to CLMV countries.

Table 3.3 Major Trade Partners of Lao's Neighboring Countries

(1990)

Million USD

Counterpart Country/Region		World		Japan		USA		EU 15		China		S. Korea		ASEAN		Others	
Japan	Trade Value	522,953	100.0%	/		143,963	27.5%	96,516	18.5%	18,202	3.5%	29,242	5.6%	63,380	12.1%	171,650	32.8%
	Export	287,664	100.0%			91,121	31.7%	58,701	20.4%	6,145	2.1%	17,499	6.1%	33,406	11.6%	80,792	28.1%
	Import	235,289	100.0%			52,842	22.5%	37,815	16.1%	12,057	5.1%	11,743	5.0%	29,974	12.7%	90,858	38.6%
ASEAN	Trade Value	307,619	100.0%	65,064	21.2%	51,572	16.8%	47,533	15.5%	7,420	2.4%	9,967	3.2%	52,211	17.0%	73,853	24.0%
	Export	144,372	100.0%	27,297	18.9%	27,995	19.4%	22,508	15.6%	2,633	1.8%	4,830	3.3%	27,365	19.0%	31,744	22.0%
	Import	163,247	100.0%	37,767	23.1%	23,577	14.4%	25,025	15.3%	4,787	2.9%	5,137	3.1%	24,846	15.2%	42,108	25.8%
Cambodia	Trade Value	98	100.0%	8	8.2%	-	-	16	16.3%	3	3.1%	-	-	56	57.1%	15	15.3%
	Export	42	100.0%	3	7.1%	-	-	2	4.8%	-	-	-	-	32	76.2%	5	11.9%
	Import	56	100.0%	5	8.9%	-	-	14	25.0%	3	5.4%	-	-	24	42.9%	10	17.9%
Laos	Trade Value	213	100.0%	27	12.7%	1	0.5%	19	8.9%	22	10.3%	-	-	134	62.9%	10	4.7%
	Export	64	100.0%	5	7.8%	-	-	6	9.4%	6	9.4%	-	-	44	68.8%	3	4.7%
	Import	149	100.0%	22	14.8%	1	0.7%	13	8.7%	16	10.7%	-	-	90	60.4%	7	4.7%
Myanmar	Trade Value	1,078	100.0%	139	12.9%	28	2.6%	132	12.2%	171	15.9%	32	3.0%	290	26.9%	286	26.5%
	Export	410	100.0%	28	6.8%	9	2.2%	28	6.8%	33	8.0%	9	2.2%	116	28.3%	187	45.6%
	Import	668	100.0%	111	16.6%	19	2.8%	104	15.6%	138	20.7%	23	3.4%	174	26.0%	99	14.8%
Thailand	Trade Value	56,480	100.0%	14,113	25.0%	8,840	15.7%	10,635	18.8%	1,376	2.4%	1,440	2.5%	7,119	12.6%	12,957	22.9%
	Export	23,072	100.0%	3,969	17.2%	5,240	22.7%	5,227	22.7%	269	1.2%	394	1.7%	2,750	11.9%	5,223	22.6%
	Import	33,408	100.0%	10,144	30.4%	3,600	10.8%	5,408	16.2%	1,107	3.3%	1,046	3.1%	4,369	13.1%	7,734	23.2%
Vietnam	Trade Value	5,365	100.0%	509	9.5%	1	0.0%	439	8.2%	13	0.2%	80	1.5%	890	16.6%	3,433	64.0%
	Export	2,524	100.0%	340	13.5%	-	-	172	6.8%	8	0.3%	27	1.1%	349	13.8%	1,628	64.5%
	Import	2,841	100.0%	169	5.9%	1	0.0%	267	9.4%	5	0.2%	53	1.9%	541	19.0%	1,805	63.5%
China	Trade Value	116,791	100.0%	16,866	14.4%	11,905	10.2%	15,422	13.2%	/		669	0.6%	7,282	6.2%	64,647	55.4%
	Export	62,876	100.0%	9,210	14.6%	5,314	8.5%	6,275	10.0%			433	0.7%	4,150	6.6%	37,494	59.6%
	Import	53,915	100.0%	7,656	14.2%	6,591	12.2%	9,147	17.0%			236	0.4%	3,132	5.8%	27,153	50.4%

(2008)

Million USD

Counterpart Country/Region		World		Japan		USA		EU 25		China		S. Korea		ASEAN		Others	
Japan	Trade Value	1,544,952	100.0%			217,996	14.1%	180,125	11.7%	268,665	17.4%	88,914	5.8%	211,065	13.7%	578,198	37.4%
	Export	783,149	100.0%			139,922	17.9%	109,872	14.0%	125,039	16.0%	59,441	7.6%	103,656	13.2%	246,119	31.4%
	Import	761,803	100.0%			78,974	10.4%	70,253	9.2%	143,626	18.9%	29,473	3.9%	107,398	14.1%	332,079	43.6%
ASEAN	Trade Value	2,010,258	100.0%	219,403	10.9%	192,886	9.6%	210,102	10.5%	230,953	11.5%	87,592	4.4%	521,211	25.9%	538,111	26.8%
	Export	1,016,606	100.0%	106,141	10.4%	108,679	10.7%	115,475	11.4%	107,995	10.6%	37,281	3.7%	258,946	25.5%	282,088	27.7%
	Import	993,652	100.0%	113,262	11.4%	84,206	8.5%	94,627	9.5%	122,958	12.4%	50,311	5.1%	262,265	26.4%	266,023	26.8%
Cambodia	Trade Value	12,357	100.0%	314	2.5%	2,484	20.1%	1,207	9.8%	1,348	10.9%	363	2.9%	4,831	39.1%	1,811	14.7%
	Export	4,292	100.0%	110	2.6%	2,314	53.9%	964	22.5%	44	1.0%	9	0.2%	422	9.8%	430	10.0%
	Import	8,065	100.0%	234	2.9%	170	2.1%	242	3.0%	1,304	16.2%	353	4.4%	4,409	54.7%	1,382	17.1%
Laos	Trade Value	4,452	100.0%	86	1.9%	60	1.3%	283	6.4%	459	10.3%	143	3.2%	2,934	65.9%	487	10.9%
	Export	1,637	100.0%	16	1.0%	40	2.4%	179	10.9%	140	8.6%	73	4.5%	826	50.5%	362	22.1%
	Import	2,814	100.0%	69	2.5%	20	0.7%	103	3.7%	318	11.3%	70	2.5%	2,109	74.9%	125	4.4%
Myanmar	Trade Value	13,446	100.0%	495	3.7%	12	0.1%	415	3.1%	2,806	20.9%	450	3.3%	7,255	54.0%	2,012	15.0%
	Export	6,555	100.0%	288	4.4%	-	-	246	3.8%	603	9.2%	84	1.3%	3,791	57.8%	1,543	23.5%
	Import	6,891	100.0%	207	3.0%	12	0.2%	169	2.5%	2,203	32.0%	367	5.3%	3,464	50.3%	470	6.8%
Thailand	Trade Value	351,761	100.0%	53,372	15.2%	31,129	8.8%	36,219	10.3%	35,910	10.2%	10,362	2.9%	69,782	19.8%	114,987	32.7%
	Export	173,235	100.0%	19,724	11.4%	19,754	11.4%	22,189	12.8%	15,976	9.2%	3,568	2.1%	39,163	22.6%	52,862	30.5%
	Import	178,526	100.0%	33,648	18.8%	11,375	6.4%	14,030	7.9%	19,935	11.2%	6,795	3.8%	30,619	17.2%	62,125	34.8%
Vietnam	Trade Value	142,756	100.0%	16,879	11.8%	15,663	11.0%	16,674	11.7%	21,767	15.2%	7,520	5.3%	28,736	20.1%	35,516	24.9%
	Export	60,268	100.0%	8,264	13.7%	12,594	20.9%	11,285	18.7%	4,174	6.9%	1,430	2.4%	8,046	13.4%	14,475	24.0%
	Import	82,488	100.0%	8,615	10.4%	3,069	3.7%	5,389	6.5%	17,593	21.3%	6,090	7.4%	20,691	25.1%	21,042	25.5%
China	Trade Value	2,684,140	100.0%	268,971	10.0%	353,852	13.2%	427,915	15.9%			196,838	7.3%	238,373	8.9%	1,198,191	44.6%
	Export	1,468,830	100.0%	120,546	8.2%	273,129	18.6%	298,331	20.3%			75,212	5.1%	114,362	7.8%	587,251	40.0%
	Import	1,215,310	100.0%	148,425	12.2%	80,723	6.6%	129,584	10.7%			121,626	10.0%	124,012	10.2%	610,941	50.3%

Note: Shaded figures indicate proportions increased from those in 1990.

Source: IMF, *Direction of Trade Statistics* (excerpted by ASEAN-Japan Center)

Table 3.4 Net Inflow from Intra- and Extra- ASEAN

value in US\$ million; share and change in percent

Country	2008 ^{1/}			Share to total net inflow to ASEAN, 2008			Share to total net inflow to each country, 2008		
	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow
Brunei Darussalam	0.9	238.3	239.2	0.0	0.5	0.4	0.4	99.6	100.0
Cambodia	240.9	574.3	815.2	2.2	1.2	1.4	29.6	70.4	100.0
Indonesia	2,955.0	4,963.4	7,918.5	27.3	10.2	13.3	37.3	62.7	100.0
Lao PDR	47.7	180.1	227.8	0.4	0.4	0.4	20.9	79.1	100.0
Malaysia	1,607.6	5,710.7	7,318.4	14.9	11.7	12.3	22.0	78.0	100.0
Myanmar	93.5	621.3	714.8	0.9	1.3	1.2	13.1	86.9	100.0
The Philippines	47.6	1,472.4	1,520.0	0.4	3.0	2.6	3.1	96.9	100.0
Singapore	1,108.2	21,693.6	22,801.8	10.2	44.6	38.4	4.9	95.1	100.0
Thailand	2,446.3	7,388.2	9,834.5	22.6	15.2	16.5	24.9	75.1	100.0
Viet Nam	2,273.2	5,776.8	8,050.0	21.0	11.9	13.5	28.2	71.8	100.0
Total	10,821.1	48,619.0	59,440.1	100.0	100.0	100.0	18.2	81.8	100.0
ASEAN 6	8,165.7	41,466.6	49,632.3	75.5	85.3	83.5	16.5	83.5	100.0
CLMV	2,655.3	7,152.4	9,807.8	24.5	14.7	16.5	27.1	72.9	100.0

Note: ^{1/} 2008 figures are preliminary.

Source: ASEAN Web, *Foreign Direct Investment Statistics* (<http://www.aseansec.org/18144.htm>) Table 25.

(4) Measures toward ASEAN Integration by Lao's Four Neighboring Countries

Based on the above general picture of trade and investment within the ASEAN region, we will investigate how Lao's four neighboring countries are preparing for ASEAN economic integration. While the directions may be varied depending on their current levels of economic development and the stage toward integration, their common stance is to try to take advantage of regional economic integration, considering it an opportunity to strengthen their own economy.

a) Thailand

Thailand is a successful case of making active use of tariff reductions in the region leading to a greater competitiveness of automobile and electronics industries. The country has long promoted automobile as a strategic industry to make Thailand an automobile export base. Since the AFTA became effective in 2002, division of production process in the auto and related industries among the ASEAN countries has further promoted, putting Thailand in a more advantageous position as the production and export base in the region. The government of Thailand developed policies targeting the auto industry in 2003 to gain a greater competitiveness, with her middle and long term goal to transform the country as "Detroit of Asia." In addition, Thailand later intended to build the electronics industry another production and export base in the region, by offering custom exemption of imported parts and by encouraging investments.

b) Cambodia

Cambodia puts up “integration into the region and the world” as one of key strategies in the National Strategic Development Plan (NSDP) 2006-2010, through active partnership with ASEAN and as a member of WTO. Toward this objective, her efforts will be made to synergize national and regional activities consistent with the ASEAN Vision 2020 and other ASEAN plans, increase the number of free and favorable trade agreements with other countries, attract investment and create employment, accelerate economic progress that will have a pro-poor bias, and adhere to the obligations and commitments as a member of WTO¹¹. On the other hand, diversification of industries and trades is a huge challenge to Cambodia, moving away from the over-dependence on the garment and tourism industries.

c) Myanmar

Since 1988, Myanmar has promoted the market-oriented economy through a number of measures including trade liberalization for the private sector, formulation of the Foreign Investment Law, and legalization of border trade. Myanmar had been a member of GATT since its inception and accordingly was one of the founding fathers of WTO. The country is obliged for tariff reductions in the region according to the AFTA-CEPT agreement. The ongoing Fourth Five-Year Plan (2006/7-2010/11) aims at achieving an annual growth rate of 12%, in which active export through the liberalization of trade and investment is expected to play a key role. Export-oriented industries in Myanmar include garment, wood-processing, fishery processing and jewel processing industries. The government expects agro-processing industry as a target. On the other hand, the country still has a lot of constraints such as a remaining rigid system like trade regulations due to the shortage of foreign currency, under-development of infrastructure, and economic embargo by USA and EU, which are challenges for Myanmar to make better use of regional integration.

d) Vietnam

Vietnam has been increasingly attracting foreign direct investments since her Foreign Investment Law was enacted in 1988. After mid 1990s, this move was accelerated because she became a member of ASEAN and AFTA. In 2007, Vietnam became also a member of WTO. A great increase in investment inflows to Vietnam has been witnessed in recent years, partly because she has gained more attention from potential investors who are trying to avoid their investments from over-concentrating on China. As mentioned above, Vietnam has recently been accepting large investments from the ASEAN-6 countries namely, Malaysia, Singapore and Thailand. On the other hand, she has been an investor to Lao’s hydropower plants and wood plantation, and to Cambodia’s tele communication and hotel construction. Also in parallel with tariff reductions continuing in the AFTA and WTO frameworks, Cambodia is steadily taking

¹¹ Royal Government of Cambodia, *National Strategic Development Plan 2006-2010*.

measures to remove protective regulations in the domestic market, which would intensify severe competitions in the domestic markets such as the consumer electronics industry. The Five-Year Socio-Economic Development Plan (2006-2010) aiming for a high economic growth through the expansion of trade and investment inflows, stresses at the same time, the development of domestic laws and institutions in order for Cambodia to cope with the regional and global economic integration.

(5) Economic Relationship between ASEAN and China

Lastly, a recent economic relationship between ASEAN and China will be outlined. Trade value between ASEAN and China expanded 31 times from USD 7.42 billion in 1990 to USD 230.95 billion in 2008. China is now the largest external trade partner to ASEAN, exceeding Japan, EU and USA. In terms of trade with individual ASEAN countries, the ASEAN-6 countries such as Singapore, Malaysia and Thailand are major trading partners to China. However, China is more important partner to the CLMV countries than to ASEAN-6, looking at the share of Chinese trade to the total trade in each country. For instance, Myanmar and Vietnam imported 32% and 21% out of respective total imports from China in 2008 (see Table 3.3). China's investment in ASEAN is not as outstanding as her trade volume. Her net inflows to ASEAN was USD 3.68 billion in 2008 corresponding to 2.4% of the total net inflows to ASEAN, but it is steadily growing.

The Chinese government intends to strengthen the economic relationship with ASEAN including expansion of trade and investment as its basic policy. One of the main pillars of the policy is the ASEAN-China Free Trade Area (ACFTA). Both parties have signed the Framework Agreement on Comprehensive Economic Cooperation in November 2002 to establish ACFTA. After that, The Agreement on Trade in Goods was implemented in July 2005. The Agreement on Trade in Services entered into force in July 2007. In August 2009, they signed the agreement on the ASEAN-China Investment Agreement and their negotiation on ACFTA was completed. From 2010 onward, the free trade area between ASEAN and China will be started.

3.3 Development Initiatives for CLMV Region

While ASEAN countries are preparing the establishment of an ASEAN Community by emphasizing the narrowing the development gap between the ASEAN-6 and the CLMV countries, there are other cooperation initiatives underway for the development of the CLMV. Among them, three main initiatives will be outlined in the following.

(1) Greater Mekong Subregion Economic Cooperation Program (GMS Program)

The GMS Program which was launched in 1992 through the initiative of the Asian Development Bank (ADB) is an economic cooperation program for the development of six Mekong area countries namely, Cambodia, China, Lao PDR, Myanmar, Thailand, and Viet Nam¹². The ultimate objective of the Program is to reduce poverty in the subregion by facilitating sustainable economic growth and by improving living standard of the people. For this purpose, the Program seeks specifically to achieve the following outcomes:

- 1) Realize and enhance development opportunities;
- 2) Encourage trade and investment among GMS countries;
- 3) Resolve or mitigate cross-border problems; and
- 4) Meet common resource and policy needs.

The GMS Program is based on an informal group, guided by a set of general principles and institutional arrangements to help them plan and carry out for their mutual benefits. This makes the Program very unique compared with other regional agreements such as ASEAN. Institutional arrangements for the Program comprise a GMS Leaders' Summit at the political level; a Ministerial-level Conference at the policy level which is supported by a Senior Officials' Meeting; and sectoral working groups and forums at the project and operational levels. The National Coordinating Committee is established and a GMS Minister appointed by each member country. ADB, as a facilitator of the Program, provides technical, administrative, and logistical support to the Program's institutional mechanism. ADB also plays a role in providing financial and technical supports to its priority projects. In addition, the GMS Program aims at mobilizing resources widely of member countries as well as development partners for the promotion of development in the subregion.

The six GMS Leaders at the first GMS Summit held in Cambodia in November 2002 endorsed a 10-Year Strategic Framework for the GMS Program that focused on five development thrusts to achieve their goal. They are as follows:

- 1) Strengthen infrastructure linkages through a multi-sectoral approach;
- 2) Facilitate cross-border trade and investment;
- 3) Enhance private sector participation in development and improve its competitiveness;
- 4) Develop human resources and skill competencies; and
- 5) Protect the environment and promote sustainable use of the subregion's shared natural resources.

¹² Initially, Yunnan Province was the only member from China. In 2005, Guangxi Zhuang Autonomous Region also became a member of the program.

The GMS Program has nine priority sectors, namely transport, energy, telecommunications, agriculture, environment, tourism, human resource development, trade facilitation, and investment. Priority projects are listed based on the development thrusts and the priority sectors. Particular importance is attached to eleven “flagship programs” (Table 3.5).

Table 3.5 Flagship Programs of GMS Program



Source: ADB (2007), *Mid-Term Review of the GMS Strategic Framework (2002-2012)*.

Figure 3.2 GMS Economic Corridors

As indicated in these programs and priority projects, the GMS Program has been providing both

hardware and software supports. By December 2008 starting from the Program initiation, it implemented 41 loan projects totaling about USD 11 billion. Out of them, USD 3.8 billion were financed by ADB, USD 3.3 billion by recipient governments, and USD 3.9 billion by other bilateral/international partners. Completed projects include East-West Economic Corridor (Laos and Viet Nam), Yunnan Expressway (China), and Phnom-Penh – Ho Chi Minh City Highway (Cambodia and Viet Nam). During the same period, 179 technical assistance projects have been conducted in the form of feasibility study or advisory support. The Total costs of these projects have amounted to USD 200 Million.

According to the Vientiane Plan of Action for GMS Development (2008-2012) that was endorsed at the third GMS Summit in March 2008, 264 loans and technical assistance projects, which amount to total USD 21.8 billion, are planned to be implemented by 2012. The comparison between this total amount and the total costs spent by December 2008 for completed/ongoing projects indicates that there are still huge needs for cooperation in the subregion. A large share of the total amount are estimated to go to transport (USD 15 billion) and energy (USD 5.3 billion) sectors in the Vientiane Plan of Action.

(2) Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)

The Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) was established in 2003 at the initiative of Thailand for the purpose of promoting development and cooperation and bridging the economic gaps among Cambodia, Lao PDR, Myanmar, and Thailand. In 2004, Vietnam joined the group. The member countries endorsed the Economic Cooperation Strategy Plan of Action, under which 46 common projects and 224 bilateral projects were listed for implementation in five priority areas of cooperation namely trade and investment facilitation, agriculture and industry, transport; tourism, and human resource development. Public health was added to them in 2003 and at the third ACMECS Summit held in Hanoi, Vietnam, in November 2008, the Leaders agreed to add environment to them.

ACMECS aims to act as a catalyst to build upon existing regional cooperation programs and complement bilateral frameworks with a view to transform the border areas of the five countries into zones of economic growth, social progress and prosperity, and to blend local, national and regional interests for common benefits, shared prosperity, enhanced solidarity, peace, stability and good neighborliness¹³ ACMECS has many similar projects with those under the GMS Program, such as infrastructure development. It has also actively been calling for resource mobilization from development partners.

The ACMECS regional initiative has an important implication for Thailand since the country is

¹³ ACMECS Webpage (<http://www.acmeecs.org/index.php?id=9>)

moving out from a recipient of development aids and becoming to a donor for the developing countries with the support of development partners such as Japan (Thailand calls this cooperation form “North-South-South” cooperation), then toward its own South-South cooperation. Thailand’s strong commitment can be seen in its tariff-free import of approved agricultural produce under the Contract Farming scheme in the neighboring ACMECS countries. This exemption was initiated in 2006. In the transport sector, Neighboring Countries Economic Development Cooperation Agency (NEDA) established in 2005 under the supervision of the Ministry of Finance is providing financial assistance for infrastructure development including road and bridge projects as part of the GMS Program in neighboring countries. As of September 2009, NEDA has provided Baht 6.9 billion for 10 projects in these countries¹⁴. In human resource development, the Thailand International Development Cooperation Agency (TICA) plays a central role of providing trainings and expert services in various sectors. In 2008, the total number of trainees received and experts dispatched by TICA under the ACMECS initiative were 229, out of which about a half (110 persons) were related to Laos in various areas¹⁵.

In October 2009, the ACMECS Senior Officials’ Meeting was held in Bangkok, Thailand, and the progress of ACMECS cooperation was reviewed. The main agendas in the Meeting are as follows:

- 1) Finalization of the draft ACMECS Plan of Action 2009-2012;
- 2) Promotion of the implementation of One Stop Service Centers and Single Stop Inspection in all major border checkpoints;
- 3) Report by Lao PDR and Cambodia of the progress of finalization of the draft MOUs on Contract Farming;
- 4) Emphasis of the need to strengthen investment in industrial infrastructure such as supporting and logistic industries;
- 5) Confirmation of the progress in the road connectivity, particularly the “missing link” projects that aim to complement and enhance the transportation networks under the GMS Program;
- 6) Acceleration of the implementation of the ACMECS Single Visa to realize the vision of “Five Countries One Destination;”
- 7) Recognition of the role of the Mekong Institute (MI) in Northeastern Thailand as an international training center in the sub-region;
- 8) Promotion of the effective implementation of the ACMECS Health Sector’s Plan for Combating Avian Influenza and Other Emerging Infectious Diseases;
- 9) Encouragement of the regular meeting among trade and commerce associations,

¹⁴ The Thai Government Public Relations Department
(http://thailand.prd.go.th/view_inside.php?id=4434)

¹⁵ TICA Webpage, TICP FY2008 statistics: Appendix XII.
(<http://www.tica.thaigov.net/tica/index.jsp?sid=1&id=65&pid=1>)

- business peoples, and local communities of the ACMECS member countries; and
- 10) Recognition of the slow progress in the implementation of the common projects under the ACMECS framework due to the lack of funding and appeal for financial and technical assistances from the Development Partners.

(3) Development Triangle

“Development Triangle” is a mountainous area covering border districts of Cambodia, Lao PDR and Vietnam which is in an economically and socially disadvantaged position. The leaders of the three countries agreed to promote development of this area for economic growth and poverty reduction, in their meeting in November 2004. The Development Triangle has an area of 111,021 m² and a population of about 4 million, comprising ten provinces of the three countries.

Since Japan agreed to support the promotion of the area in the first CLV and Japan Summit in November 2004, it has provided cooperation mainly in the area of basic human needs (BHNs). Through the bilateral cooperation channels, she granted 1.6 billion Yen for 34 projects in 2006, and 2.9 billion Yen in 2007. These projects included rural electrification projects using micro-hydro powers for Cambodia, primary education projects for Lao PDR, and water supply systems for Vietnam.

Japan also expressed its intention to allocate approximately USD 20 million to the assistance for Development Triangle out of the Japan-ASEAN Integration Trust Fund (JAIF) as a part of the Japan-Mekong Region Partnership Program announced at the tenth ASEAN-Japan Summit in January 2007. This was followed by the endorsement of a list of 22 candidate projects for the area in the first Mekong-Japan Foreign Ministers’ Meeting held in Tokyo in January 2008. Among the candidate projects, the Feasibility Study of the Road Improvement on the Cambodia-Lao PDR-Viet Nam (CLV) Development Triangle was already completed. Other candidates include projects for improvement of rural roads, construction of bridges, primary schools and hospitals, and development of water supply systems.

In the Mekong-Japan Action Plan adopted at the first Mekong-Japan Summit Meeting held in November 2009, Japan reaffirmed her commitment to support projects in Development Triangle.

3.4 Evaluation of the Present Efforts toward the ASEAN Community

As briefly reviewed in the previous sections, many agreements and frameworks for integration and development were already established among the member countries as well as between

ASEAN countries and potential donors. However, there may not be close coordination between those originated from ASEAN countries and those originated from donor countries. One of the reasons for lacking coordination is as follows. The agreements and frameworks originated from ASEAN Secretariat put more weight on integration of the member countries, whereas those originated from donors put more weight on improvement of socio-economic conditions. Although CLMV countries are facing this kind of dilemma, they are not able to solve it by themselves. To solve the problem, a new framework may be required in addition to the existing ones. In Part II of the report, its outline will be developed thoroughly.

Chapter 4 On-going Cooperation to Lao PDR and ASEAN Secretariat

4.1 Cooperation Program to Lao PDR by Development Partners

4.1.1 Cooperation by Japan and Other Donors

Table 4.1 indicates receipts of net Official Development Assistance by Asian Countries. Net ODA receipt of Lao PDR has been increasing from USD 240 million in 2004 to USD 496 million in 2008. As a result, the share of ODA receipt in Asian countries has been increasing from 4.5% to 7.5% in the same period.

Table 4.1 Net ODA Receipts and Selected Indicators

Year Unit	Net ODA Receipts					GNI/CAP	ODA/GNI
	2004	2005	2006	2007	2008	2008	2008
	USD million					USD	Percent
Cambodia	485	539	529	675	743	600	8.1
China	1,716	1,815	1,248	1,487	1,489	2,770	0.0
Indonesia	127	2,509	1,311	894	1,225	2,010	0.2
Korea, Dem.Rep.	161	88	55	99	218	0	0.0
Laos	270	302	364	396	496	740	10.0
Malaysia	306	26	239	200	158	6,970	0.1
Mongolia	258	215	202	239	246	1,680	4.8
Philippines	449	567	565	647	61	1,890	0.0
Thailand	47	-169	-218	-312	-621	2,840	-0.3
Timor-Leste	161	185	209	278	278	2,460	9.5
Viet Nam	1,846	1,913	1,845	2,511	2,552	890	2.9
Far East Asia*, regional	175	375	170	197	205		
Far East Asia, Total	6,001	8,364	6,518	7,310	7,049	-	(0.14)
Developing countries, TOTAL	79,399	107,975	106,149	107,102	128,608	-	..
By Income Group (f)							
LDCs	25,266	25,757	28,053	32,815	38,427	-	..

Note: Classification of "Far East Asia" is defined in DAC's Development Co-operation Report
Source: OECD, Statistical Annex of the 2010 Development Co-operation Report
(http://www.oecd.org/document/9/0,3343,en_2649_34447_1893129_1_1_1_1,00.html)

In addition to that, proportion of ODA receipt to Gross National Income (GNI) recorded 10.0% in 2008, and is the highest level in the east and the Southeast Asian nations. Lao PDR is the most dependent on ODA among the nations.

Table 4.2 indicates aid disbursements by countries/regions and by sectors. The biggest aid partner in FY 2005/06 was Asian Development Bank (USD102.8 million), followed by Japan (USD62.2 million) and IDA (USD 49.2 million). These three partners occupied 45.5% of the total aid disbursements.

Regarding disbursement sectors, transport (USD184.8 million), Energy (USD138.8 million), Development Administration (USD104.8 million), Social Development (USD103.9 million) and

Education & Human Resource Development (USD96.8 million) were major sectors¹⁶. There were no disbursements in Domestic Trade and Industry in FY2005/06.

¹⁶ Due to lack of data, aid disbursement from European Commission and Mekong River Commission is not included in this calculation of aid disbursements.

Table 4.2 Aid Disbursements by Source and by Sector in FY2005/06

Unit: USD million

	Transport	Development Administration	Education & Human Resource Development	Energy	Health	Rural Development	Social Development	Agriculture, Forestry & Irrigation	Communications	Disaster Preparedness	Natural Resources	Economic management	Domestic Trade	Industry	Total
Japan	12.9	35.7	5.3	-	2.4	-	-	-	-	5.0	1.1	-	-	-	62.2
Vietnam	12.0	1.6	8.1	-	-	-	-	1.0	1.4	-	0.8	-	-	-	24.9
China	13.9	-	1.5	-	2.5	-	-	-	3.3	-	-	-	-	-	21.2
Sweden	8.2	1.9	4.5	-	0.3	-	0.5	3.2	-	-	1.4	-	-	-	19.8
Thailand	18.3	-	0.0	-	0.2	-	-	0.3	-	-	-	-	-	-	18.8
France	1.7	2.7	1.7	7.5	-	2.0	-	2.1	-	-	-	-	-	-	17.7
Australia	-	2.5	5.1	-	0.3	-	6.5	0.7	-	-	-	2.2	-	-	17.2
Germany	-	1.0	1.0	-	-	3.8	-	-	-	-	-	0.5	-	-	6.3
Luxemburg	-	-	0.7	-	2.6	3.9	-	-	-	-	-	-	-	-	6.3
Belgium	-	-	0.7	-	1.0	3.0	0.4	-	-	-	0.2	-	-	-	5.3
Korea (Ro)	0.0	-	4.3	-	0.0	0.8	-	-	0.7	-	-	-	-	-	5.9
Norway	-	0.1	0.8	-	5.1	-	-	-	-	-	-	-	-	-	14.7
New Zealand	-	-	0.4	-	0.5	-	0.4	-	-	0.0	0.6	-	-	-	1.8
Finland	-	-	-	-	-	-	0.2	1.5	-	-	-	-	-	-	1.7
Total of bilateral	65.2	45.3	34.1	16.3	14.8	12.5	9.6	8.8	5.4	5.0	4.0	2.6	-	-	223.45
ADB	19.6	0.2	5.6	14.0	17.7	5.3	30.0	8.6	-	-	-	2.3	-	-	102.8
IDA	6.7	3.1	2.8	0.9	0.9	21.3	5.4	7.5	-	-	-	0.6	-	-	49.2
EIB	-	-	-	42.5	-	-	-	-	-	-	-	-	-	-	42.5
IFAD	-	-	-	-	-	4.8	-	0.2	-	-	-	-	-	-	4.9
OPEC	-	-	-	-	-	0.3	-	-	-	-	-	-	-	-	0.3
NDF	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-	0.1
Total of Multilateral	26.3	3.3	8.4	57.5	18.6	31.8	34.9	16.3	-	-	-	2.9	-	-	199.9
UNDP	-	3.7	-	-	-	-	2.4	-	-	-	-	0.7	-	-	6.8
WFP	-	-	3.1	-	-	1.6	-	-	-	1.9	-	-	-	-	6.6
UNIDO	-	-	0.2	-	-	-	1.6	-	-	-	2.5	-	-	-	6.5
FAO	-	-	-	-	-	-	-	1.0	-	-	-	-	-	-	1.0
UNICEF	-	-	1.5	-	2.2	-	1.6	-	-	-	1.2	-	-	-	6.5
UNODC	-	-	-	-	-	-	1.1	0.3	-	-	-	-	-	-	1.4
UNFPA	-	-	1.0	-	-	-	0.2	-	-	-	-	-	-	-	1.3
ILO	-	-	-	-	-	-	1.0	-	-	-	-	-	-	-	1.0
WHO	-	-	-	-	1.0	-	-	-	-	-	-	-	-	-	1.0
UNESCO	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-	0.1
Total of UN Organizations	-	3.7	5.9	-	3.2	1.6	8.1	1.3	-	1.9	3.6	0.7	-	-	30.0
European Commission	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	11.35
Mekong River Commission	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.71
Total*	184.8	104.8	96.8	138.8	73.3	92.7	103.9	52.8	10.8	13.8	15.4	12.5	0	0	470.9

Note: European figures of Commission and Mekong River Commission are not included in the sum of sectors.

Source: Committee for Planning and Investment (2007), *Foreign Aid Report 2005-2006*.

Table 4.3 indicates matrix of priority sectors by development partners. The major disbursement partners such as the World Bank (11 sectors), Japan (10 sectors) and ADB (9

sectors) cover wide range of sectors. In addition to that, France, New Zealand and Norway also cover 9 sectors. From the point of sectors, many development partners cover software-oriented sectors. Human Resource Development & Capacity Development (24 countries), Health, Nutrition & Social Protection (20 countries), Education & Training (19 countries) and Law, Public Policy, Human Rights and Governance (18 countries) are sectors which is covered by many development partners.

Table 4.3 Matrix of Priority Sector by Development Partners

	Agriculture, Energy Environment & Natural Resource Management	Education & Training	Disaster Management, UXO, Avian Influenza Preparedness	Finance & Macro-economic Management	Food Security	Health, Nutrition & Social Protection	Human Resource Development & Capacity Building	Industry, Trade & Private Sector Development	Law, Public Policy, Human Rights & Governance	Rural Development	Social Welfare	Social Infrastructure: Transport, ICT, Electrification	Tourism & Culture	Trans-boundary Issue: Trafficking, Drug Control, HIV	Water Supply & Sanitation
ADB															
Australia/AusAID															
BTC															
Canada															
DFID															
European Commission															
FAO															
Finland															
France															
Germany															
India															
ILO															
IMF															
IOM															
Ireland															
Japan/JICA															
Korea (Ro)															
Luxemburg															
New Zealand Aid															
Norway															
Singapore															
Sweden/Sida															
SDC															
USA															
UNAIDS															
UNCTAD															
UNICEF															
UNDP															
UNESCO															
UNIDO															
UNODC															
UNFPA															
World Bank															
WFP															
WHO															

Source: Lao PDR Donors & Development Partners Profile, Office of the UN Resident Coordinator

In order to coordinate aid programs, coordination meeting among development partners is held every three month. In particular working committees are established for eight sectors (education & training, healthcare & HIV, infrastructure, regional development & natural resource management, governance, anti-drug, UXO, Macro-economy and private sector development) which are prioritized in the 6th 5-year development plan.

In order to change dialogue between Lao PDR Government and development partners, Round Table Meeting (RTM) is held every three-year and Round Table Implementation Meeting (RTIM) is held every first and second year. In November 2006, Lao PDR Government and 22 development partners¹⁷ signed “Vientiane Declaration on Aid Effectiveness Country Action Plan (VDCAP).” VDCAP is localized version of “Paris Declaration” of Paris High-level Forum held in March 2005, and aims to improve quality of aid.

Neighboring courtiers, Thailand, People’s Republic of China (PRC) and Vietnam are major development partners for Lao PDR. Their main supports are infrastructure development. For example, the following facilities have developed or being developed with their financial supports.

Thailand: Railway from Nongkai to Tanaleen (and future extended to Vientiane Station); Friendship Bridge No 3 at Thakhek; Friendship Bridge No 4 at Houixai (cooperation with PRC) and Indoor arena for the SEA games.

PRC: Main Stadium of the SEA Game; Bridge No 4 at Houixai (cooperation with Thailand) and Expansion of Luangprabang Airport (plan)

Vietnam: National Road No 16B (Atapue to Vietnam border); Office of the national parliament (on construction) and National Road No 2E (on construction; Khoa to Taichang)

4.1.2 Regional Cooperation

(1) Mekong River Commission

Mekong River Commission (MRC) was established in 1995 by an agreement between the governments of Cambodia, Lao PDR, Thailand and Viet Nam. In 1996 PRC and Myanmar became Dialogue Partners of the MRC and the countries now work together within a cooperation framework.

The mission of the MRC is to promote and coordinate sustainable management and development of water and related resources for the countries' mutual benefit and the people's

¹⁷ Currently 25 development partners signed VDCAP.

well being. The MRC supports implementation of Mekong Program which is a regional cooperation program for the sustainable development of water and related resources in the Mekong basin prepared by member countries.

The MRC consists of three permanent bodies: The Council, the Joint Committee and the Secretariat. The Secretariat is located in Vientiane, and provides technical and administrative services to the JC and the Council. The MRC receives financial support from development partners (Australia, Denmark, European Commission, Japan, Germany/GTZ, New Zealand and Finland, etc), and conducts Mekong Program in the fields of irrigation and drought management, navigation, hydropower, flood management, fisheries, watershed management, environment and tourism.

(2) Greater Mekong Subregion Program

As already shown in Chapter 3 (3-2), since 1992, the countries¹⁸ of the Greater Mekong Subregion (GMS) have embarked on a program of economic cooperation (the GMS Program) that aims to promote development through closer economic linkages with initiative of ADB. As of 2008, the 41 GMS projects (total cost of US\$11 billion) have been conducted with supports of ADB and other development partners.

In order to sustain cooperation and ensure effective project implementation, member countries established an institutional framework. At the policy level, a Ministerial Conference coordinates subregional cooperation and provides overall guidance and support, and at the operational level, GMS Program has established sector-specific forums and working groups to discuss and recommend approaches to issues affecting both the "hardware" and "software" aspects of implementation. The following working groups and forums have activities to date:

Agriculture; Energy; Environment; Human Resource Development; Investment; Telecommunications; Tourism; Trade; Transport; Multisector and Development of Economic Corridors

¹⁸ Lao PDR, Thailand, Cambodia, Myanmar, Vietnam Yunnan Province of PRC were included in the GMS. Guangxi Province of PRC was included in GMS in 2005.

Table 4.4 Major Projects/Programs for Lao PDR in Main Sectors

Sectors	Development Partners	Projects/Programs
Environment	ADB	Environment and Social Program (US\$20 million)
	FAO	Environmental protection measures that take into account the needs of the farmers, as well as their important role in preserving the environment special attention is given to the protection of the forest cover of the country Investigating the possibility of sustainable bio-fuel development in Lao PDR in order to contribute to the production of clean energy and increase the income of farmers, but without at the same time hindering their food security and the realization of the human right to food for all, nor endangering the environment.
	Luxemburg	Development of highland agricultural techniques that take into account the protection of the environment
	New Zealand	Support the World Wildlife Fund and the Lao National Mekong Committee to work on food security and aquatic biodiversity through a large community fisheries program on the Mekong River system. Total approved budget is US\$ 409,860 or approximately NZ\$556,500 over three years.
	Sida	Support the National Agricultural and Forestry Research Institute (NAFRI) to promote sustainable use of natural resources Support adaptive research on environmentally sustainable and socially acceptable farming and production systems in the uplands (Lao Upland Project) Support the country program for IUCN
	UNDP	Strengthening the coordination and implementation of multilateral environmental agreements Supporting the development of a National Action Plan on Climate Change Adaptation as well as developing a Second National Communication on Climate Change; Strengthening national capacity on environmental governance at the national and community levels; Strengthening conservation of wetlands biodiversity and supporting the development of appropriate livelihoods that contribute towards poverty reduction through the Lao Wetland Project; Support Lao Government to implement renewable energy related projects and programs.
	World Bank	Lao Environmental & Social Program (USD4 millions; 2006-10): The Lao Environment and Social Project for Lao PDR aims to strengthen the management of environmental and social issues associated with the sustainable use of natural resources.
Forestry	ADB	Northern Community-Managed Irrigation (US\$10 million) Forest Plantation Development (US\$7.0 million)
	Finland	Sustainable Forestry and Rural Development Project in collaboration with the World Bank, financing from Finland: 2006 EUR1.3 millions; 2007EUR2.0 millions; 2008 EUR 1.3 millions
	FAO	Complete a review of existing concessions for tree plantations and formulate regulations on promotion and management of plantation and forestry and the Code of Practice for Plantation Forestry.
	JICA	Policy implementation and institutional building related to the field of agriculture and forest preservation Supporting forest management and community empowerment in the Northern six provinces
	Luxemburg	Stabilization of shifting cultivation
	World Bank	Sustainable Forestry for Rural Development Project (USD10.6 millions 2004-08): The Sustainable Forestry for Rural Development Project, undertaken jointly with Finland, is assisting the Government of Lao to achieve the sustainable management of production forests to alleviate rural poverty in the project provinces by implementing the forest policy reform actions and policies set forth in its Letter of Forest Management Policy.
Tourism	ADB	GMS: Mekong Tourism Development (US\$10.9 million)
	UNESCO	UNESCO-LNTA Nam Ha Ecotourism Project Phase II (until April 2008) Fighting Poverty at the Plain of Jars: UXO Clearance, Pro-poor Tourism and Sustainable Resource Management in Xieng Khouang

Sectors	Development Partners	Projects/Programs
Tourism	India	Support under consideration for restoration of the UNESCO World Heritage site of Wat Phou temple and setting up of a textile museum
	JICA	Adviser on trade promotion and investment facilitation at CPI Tourism and One District One Product activities promotion in southern provinces along with East-West Corridor
	New Zealand	Support to the implementation of Nam Ha Ecotourism Project through the Luang Namtha Provincial Tourism Office and the Lao National Tourism Authority (LNTA) in institutionalization, improvement and expansion of the existing Community Based Eco-tourism (CBE) model in Luang Namtha. Total approved budget is US\$408,992 or approximately NZ\$555,500 over three and a half years. Support the UXO Clearance, pro-poor tourism, sustainable heritage resource management and community development in Xieng Khouang Province, Plain of Jars, in collaboration with the Ministry of Information and Culture, Provincial Tourism Office and Lao National Tourism Authority (LNTA). Total approved budget is US\$1,197,433 or approximately NZ\$1,626,000 over four years. Support to facilitate the work of the Lao National Tourism Administration (LNTA) in implementation of the National Tourism Strategy and National Eco-Tourism Strategy and Action Plan through capacity building for LNTA and Provincial Tourism Offices as well as developing of the Tourism Development Plan for Xieng Khouang Province). The design phase is under discussion.
Trade Facilitation	AusAID	USD11.8 million (2003-2008): Property Rights and Land Titling, Phase 2 (with World Bank, GTZ) USD2.7 million (2005-2008): Support to the Mekong Private Sector Development Facility-MPDF USD1.5million (2006-2008): Integrated Framework Facilitation (Australia's provision of an Integrated Framework Facilitation Specialist to help boost export performance and prepare for WTO accession.)
	Europe Commission	Trade Related Assistance (EUR4.2 millions 2007-10)
	JICA	Improving the environment to facilitate investment and exports
	Singapore	Expert level courses in Laos and in Singapore in areas like business communication, international trade finance, consumer protection, export competitiveness strategies, trade and investment promotion, trade negotiation, national payment and settlement systems, and Central Bank accounting (US\$1.4M)
	UNCTAD	Support to WTO accession (negotiations, simulations, advisory services) Support to Business Laws drafting, awareness raising and dissemination Strengthening local training capacities in the field of trade and investment Public-Private partnerships in e-commerce and e-tourism Customs Automation - ASYCUDA(as from 2008) Transit and Multimodal Transport Cluster Awareness raising on Transport and Trade Facilitation Conventions and Treaties
	UNIDO	Market access support through the strengthening of capacities related to metrology, testing and conformity
	World Bank	Trade Development Facility (TDF): The TDF development objective is to support the establishment of the GoL's National Integrated Framework Governance Structure and implement activities facilitating trade and cross-border movement of goods and increasing the capacity of the Government to undertake specific tasks related to regional and global economic integration. These activities in turn support the GoL's larger aims of poverty reduction and economic development, as reflected in the NSEDP. In particular, the Facility will provide support to improving trade facilitation, increasing export competitiveness, develop sanitary and phyto-sanitary and technical barriers to trade frameworks, support capacity building, and support implementation arrangements including for the National Implementation Unit. This Fund is being developed in close partnership among the WB, EC, AusAid and SDC.

Sectors	Development Partners	Projects/Programs
Trade Facilitation	World Bank	Lao PDR Customs and Trade Facilitation Project (\$5.8m): The objective of the project is to facilitate trade by improving the efficiency and effectiveness of Customs Administration. The project will simplify customs procedures, eliminate duplication and redundancy, reduce transaction costs and time to clear goods, and increase transparency and accountability. In particular, the project will finance the implementation of ASYCUDA World, including equipment, modification and installation and training, as well as provide Customs modernization and WTO accession support: a long term international Customs Reform and Modernization advisor to provide international expertise in the introduction of new customs systems and change management, assist the national management team in quality control and result verification. This component will finance technical assistance to implement the WTO Valuation Agreement as a major contribution to the LAO PDR WTO accession process.
Regional Integration	AusAID	ASEAN-Australia Development Cooperation Program (AADCP) Support to the Mekong River Commission
	World Bank	GMS Power Trade Project (USD15 millions): The ultimate development objective of the GMS regional power trade program is to lead to the realization of an integrated GMS Power Grid and increase economic trade among the participants. The attainment of this objective and removal of barriers is expected to take several years. These barriers are being and would continue to be addressed through concerted and sustained efforts, over the next several years, on the part of IDA, ADB and other development partners, and the GMS countries themselves through the RPTCC. A regional APL for supporting the regional power trade would be developed within the next two years on: (i) successful completion and adoption of the Regional Power Master Plan followed by consensus on its implementation; and (ii) agreement among the GMS countries on the "road map" for a phased implementation of the long-term program.

Source: UNDP, *Lao PDR Donor & Development Partners Profile*

4.2 Cooperation to Lao PDR by ASEAN Member States

Among 10 ASEAN member states, the study team has been able to interview embassies of Cambodia, Myanmar, the Philippine, Singapore, Thailand and Vietnam. Those from other ASEAN members were unfortunately closed for Islamic holidays when the study team was in Vientiane¹⁹. The study team has found that some member states are quite active in supporting the development of Lao PDR, Singapore Thailand, and Vietnam in particular. The study team has not been able to come up with the actual amount of assistance by these countries on a comparable basis. However, results of the interview and other piecemeal information suggest that the magnitude of assistance by each of them is comparable to those by major European donors such as Denmark, France and Germany.

Cambodia, Myanmar, Thailand and Vietnam are border to Lao PDR. These countries support Lao because they are neighbors, equally according to their embassies in Vientiane. These member states can make best use of their comparative advantages to be neighbors. They

¹⁹ The study team received a comment from the Embassy of Malaysia in Vientiane on Malaysia's cooperation in Laos in the LPP Inaugural Workshop held in February 1, 2010. Based on the comment, its current activities are described in this section.

cooperate with Lao PDR not only at the national but also the local level, because they are neighbors at the local level as well. This trend is encouraged by a local administration system which is quite decentralized in Lao PDR.

Major ASEAN donors, including Singapore, Thailand and Vietnam equally suggest that capacity development is a main challenge of Lao PDR.

Thailand is a major neighbor and the largest partner in trade and private investment. The Thai government allocates about 80% of the grant ODA to the four neighboring countries, including Laos, through Thai International Cooperation Agency (TICA), Neighboring Countries Economic Development Agency (NEDA) and many line ministries. The Thai government makes best use of the language similarity between Lao and Thai for effective cooperation between the two countries. This advantage is utilized by other donors such as France, Germany, Japan and Singapore in the form of tripartite cooperation.

The areas of cooperation vary from infrastructures, including road, energy, agriculture, health, education, natural resource & environment, social development & welfare and public administration. This cooperation is undertaken not only at the national but the local level. For example a province in the northern Laos is cooperating with a province in the northern Thailand for health improvement with technical support by the Thai Ministry of Public Health.

Vietnam is another major neighbor. It is also a major partner in trade and investment. Both Lao PDR and Vietnam share common political background. They were once colonized by French government and got independence through the initiative of socialistic parties. Both of them are in the process of transition from centrally planned economy to market economy. With this common background, Vietnam provides Laos with development assistance and manpower exchange in various fields, including economic development, education, science & technology, culture, infrastructures and power. Ministries of Investment and Planning of the two countries exchange annual agreement on the cooperation for development. Ministries on both parties cooperate according to the annual agreement. Cooperation is active not only at the national but at the local level. For example, Hanoi city participates in human resource development in Vientiane and Ho Chi Min City provides assistance to flooded areas and for the health of hill tribes.

An important idea for the Vietnamese assistance is to maintain and improve investment climate of Laos. From this viewpoint, Vietnamese government officials point out that the Vietnamese government could effectively assist the Lao government to join WTO, e.g. information gathering, securities market and the control of money laundering, because the Vietnamese government itself has recently experienced the process of joining WTO. They also point out the national importance of environmental protection in Lao PDR. They say that environment is in

danger in Lao PDR due to the rapid industrial and agricultural development by foreign investors and foreign people. They are also concerned with the importance of improving living standards of hill tribes and strengthening measures against terrorism, because Vietnam itself have many hill tribes with similar problems especially around the border to Lao PDR.

Singapore is also an active donor especially in human resource development. It is the Singaporean government that proposed to set up IAI in the year 2000. In parallel with the ASEAN IAI, the Singaporean government initiated an IAI training center in each of the CLMV countries since 2001. In Vientiane, Lao- Singapore Training Center is managed directly by the embassy of Singapore in Lao PDR. It covers environmental management, water recycling, English language, investment management, flight control and so on. Instructors are mostly Singaporeans, except for some specific courses in which the Singapore government mobilizes those from other countries such as Japan. In such case, a cost sharing arrangement is made between Singaporean and Japanese governments. The Singaporean government cooperates with Lao Youth Council in computer training. It also provides Lao students with fellowship for them to study in universities in Singapore.

Singapore-based NGOs are active in rural scene. For example, Christian Broadcasting Network (CBN) is assisting villages to be less dependent on a common well through the construction and maintenance of many small individual wells so that epidemic is not spread among villagers. In the private sector, one of the strengths of Singapore is tourism and hotel business. For example, some hotels are conducting hotel management training in Luang Prabang.

Myanmar government has also continuing international cooperation with Lao as a neighbor. Buddhism is an additional common factor between Lao PDR and Myanmar. In the past ten years, the Myanmar government has been inviting about 30 Buddhism monks a year for them to study for 3 years in Buddhist International University in Myanmar. All the cost except the travel between Laos and Myanmar are born on Myanmar part. Luang Prabang City and Bagan City made a sister city agreement in 2009. A focus is tourism.

Based on these experiences, officials of Myanmar government are hopeful for cooperation in other fields such as agriculture, trade and education. Particularly, they are concerned with cross-border cooperation to control narcotics and promote alternative crops. The Myanmar government itself has been fighting against the production and trafficking of narcotics with international assistance.

Cambodia is a neighbor to Lao PDR, too. Lao- Cambodian cooperation is still at a very initial stage. A largest issue for these countries has been to agree and determine the national border. The agreement has been made on the section representing 85% of the total length of the border. An agreement has also been made between the two countries on mutual visa exemption.

Economic interactions are still limited between them, except some agricultural trade between southern Laos and northern Cambodia, the Cambodian investments in the hotels, restaurants and banking in Vientiane, Savanakheth and Luang Prabang and the direct flight among Vientiane, Phnom Penh and Siem Reap. ASEAN Summit has agreed on a plan to develop a triangle region which covers parts of Laos, Cambodia and Vietnam. There has been little progress in this plan. Cambodian government officials think that this plan may encourage the Cambodian government to pay a greater attention to the northern part that is the least developed in Cambodia.

The Philippine government does not have official program to support Lao PDR. In stead, many Philippine experts contribute to varying fields of Lao development mainly through international organizations such as ADB and UNDP as well as bi-lateral donors, including Switzerland. Philippine-based NGO is also active. For example, Center for Agricultural and Rural Development Mutually Reinforcing Institutions (CARDMRI) assists micro financing and training for small business jointly with LAO Women's Union. Network of these experts and NGOs are quite extensive.

Malaysia has been assisting the Lao PDR through the Malaysian Technical Cooperation Program (MTCP). It is intended to be the vehicle for sharing Malaysia's development experience, especially in areas where Malaysia has strength and expertise, with other developing countries. Under MTCP, the Lao Government's officials had attended courses in various fields including agriculture, public administration, diplomacy, construction, irrigation, ICT, broadcasting and taxation. From 2000 to 2009, a total of 827 Lao officials had participated in various short- and long-term training courses in Malaysia. In addition, the Government of Malaysia also had provided 4 scholarships for Lao students to pursue first degree and Master's degree courses in universities in Malaysia.

As described above, ASEAN member states are active in participating Lao development not only through trade & investment but also through the activities of government and NGOs. Many of them have effectively been contributing to Lao development in terms of mutual help between neighbors rather than in terms of narrowing "the gap".

A challenge is the fact that the ASEAN member states do not know very much among others about what they are doing where and when in Lao PDR. In addition, they participate in Lao development not necessarily through MPI, but directly through line ministries and ASEAN Department of Foreign Ministry, though MPI is supposed to be a main development coordinator. On the part of Lao government, MPI used to be busy in responding to the conventional donors, both multilateral and bi-lateral. Consequently, there seems to be little communication between ASEAN member states and conventional donors regarding their activities in Lao PDR. LPP could provide a good opportunity to encourage them to share information and understanding

among them.

4.3 Regional Cooperation to ASEAN by Development Partners

Many dialogue/ development partners extend cooperation to ASEAN region at both regional and a country level. Among them, Australia, European Union and the United States are the major players who extend regional cooperation programs to ASEAN region and Secretariat.

(1) Australia

Australia has a long history of ASEAN's dialogue partner. Australia's cooperation to ASEAN started in 1974 with the ASEAN-Australia Economic Cooperation Program (AAECP). Following three phases of AAECP, ASEAN-Australia Development Cooperation Program (AADCP) was implemented for the six-year period 2002-08 with the goal of promoting sustainable economic and social development and integration within the ASEAN region.

The main regional cooperation programs to ASEAN are:

- ASEAN Australia Development Cooperation Program Phase II (AADCP II): the program to achieve its goal of an ASEAN Economic Community by 2015, totaling Aus\$57 million²⁰ for 2008-2015, implemented by Australia's overseas aid agency (AusAID).
- The ASEAN Australia New Zealand Free Trade Agreement (AANZFTA) Economic Cooperation Work Program (ECWP): the program providing technical assistance and capacity building for ASEAN countries to assist in their implementation of AANZFTA up to \$20 million over five years.

AADCP II is designed to strengthen the ASEAN Secretariats' institutional capacity to fulfill its broad mandate based on the experience and lessons learnt of AADCP. It will provide high quality economic research, policy advice and implementation support on priority regional economic integration issues.

ASEAN-Australia Development Cooperation Program II (AADCP II)

Period: 2009-2015 (7 years)

Budget: AUD 57 million

Program Outline/ Components:

The program consists of the following components.

²⁰ 1 Australian dollars = 0.91 US dollars in December 2009.

- 1) **ASEC Institutional Capacity Development.** To strengthen ASEAN Secretariat's institutional capacity to implement its mandate.
- 2) **Economic Research and Policy Advice.** To provide timely and high quality economic research and policy advice on priority regional economic integration issues.
- 3) **AEC Implementation Support.** To support regional mechanisms/ capacity for implementation of selected high priority AEC Blueprint activities.
- 4) **AADCP II Program Planning and Management Support.** To support efficient and effective management of the program.

This program is managed jointly with the ASEAN Secretariat, and utilizing ASEAN Secretariat systems. The program supports a range of projects that will be identified, prioritized and programd on a yearly planning period (July – June cycle). The annual program will be presented in a Rolling Prioritization Plan (RPP) that will be discussed and approved by the Joint Planning & Review Committee (JPRC).

Initial stages of AADCP II undertake economic-related studies/ activities such as a logistics scoping study; a scoping exercise in the area of services; a scoping and needs assessment study on transport facilitation in mobilizing/ preparing ASEAN Member States to implement the three transport agreements; funding a chief economist for a macroeconomic and finance surveillance office in ASEC; and development of two senior economists to support the two economic components of AADCP II. At the 1st JPRC meeting in October 2009, the following project concepts are approved: enhancing implementation of ASEAN agreements; free flow of skilled labor; investment trends and prospects in ASEAN; global recognition of quality assurance systems for ASEAN Fruit and Vegetables- ASEAN GAP; and so on.

(2) European Union (EU)

The EU directs its support at two levels - to the Member States of ASEAN and to the ASEAN Secretariat. For 2007-13, the European Commission has allocated Euro 1.3 billion to the ASEAN Member States and Euro 70 million to the ASEAN Secretariat level to help in its regional integration efforts. These programs are:

- ASEAN-EU Program for Regional Integration Support Phase II (APRIS II): Euro 8.4 million
- ASEAN Centre for Biodiversity (ACB): Euro 6 million
- ASEAN-EU Program on Statistical Capacity Building: Euro 6 million
- EU-ASEAN Migration and Border Management Program:
- ASEAN Project on the Protection of Intellectual Property Rights (ECAP III);
- ASEAN Air Transport Integration Project (AATIP): Euro 5 million
- Enhancing ASEAN FTA Negotiating Capacity/Support to the ASEAN-EU FTA

Negotiating Process; and

- The Regional EC-ASEAN Dialogue Instrument (READI) Facility and Support to ASEAN Economic Integration.

Among them, APRIS II, the phase II of the ASEAN-EU Program for Regional Integration Support (APRIS) for 2003-06, is directly related to ASEAN Secretariat.

Title: ASEAN-EU Program for Regional Integration Support Phase II (APRIS II)

Period: 2007-2009 (3 years)

Budget: Euro 8.4 million (EC: Euro 7.3 million, ASEAN: Euro 1.1 million)

Program Outline:

The program aims at further process of ASEAN integration, particularly ASEAN Economic Community (AEC), and strengthening EU-ASEAN relations in support of the Trans-Regional EU-ASEAN Trade Initiative (TREATI) and the Regional EU-ASEAN Dialogue Instrument (READI) dialogues.

Components:

- 1) Standards and Conformance: agro-based products, fisheries, electronics, wood products and cosmetics;
- 2) Customs and Trade Facilitation: customs clearance, transit, study and establishment of ASEAN Self Certification Scheme for ASEAN originating goods;
- 3) Investment;
- 4) Capacity Building (including to the Agreements and Compliance Unit of the ASEAN Secretariat); and
- 5) Support to TREATI and READI dialogues.

Overall (three-year) Work Plan and first Annual Work Plan were approved by the Program Steering Committee in March 2007. Annual Work Plan contains 40 sub-projects.

(3) The United States

The ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE) was launched in February 2008 under the ASEAN-US Enhanced Partnership Plan of Action and signed in July 2006. It will complement the ASEAN-U.S. Trade and Investment Framework Arrangement (TIFA) signed in August 2006.

ADVANCE, with notional funding of USD 150 million, provides an integrated development assistance framework to support the establishment of an ASEAN community by 2015.

ADANCE took over the past programs such as the ASEAN-US Technical Assistance and Training Facility (TATF I) 2004-07 and TATF Phase II over a five-year period (2008-2013).

The ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE)

Period: 2004-2012

Budget: funded on yearly basis

Program Outline/ Components:

Program objectives are:

- 1) To support ASEAN regional integration, and
- 2) To support the implementation of the ASEAN –US Enhanced Partnership Plan of Action and ASEAN-US Trade and Investment Framework Arrangement (TIFA)

Several programs/activities that have been identified and implemented under ADVANCE include:

- ASEAN-US Technical Assistance and Training Facility (TATF) Phase II
- Laos Bilateral Trade Agreement/ WTO (BTA/WTO) program
- ASEAN Single Window Program, and
- ASEAN Regional Supply Chain/Competitiveness Program.

Additional programs may be initiated, as funds become available, on a regional, sub-regional or bilateral basis to help facilitate regional integration with ASEAN.

The existing regional cooperation programs to ASEAN, reviewed above, are mainly targeting the institutional capacity of ASEAN Secretariat, such as:

- Strengthening capacities of ASEAN Secretariat;
- Supporting undertaking studies and making policies of ASEAN;
- Strengthening capacities of ASEAN blueprint implementation through supporting the process of project planning, proposal and implementation; and
- Strengthening partnership within ASEAN and dialogue partner.

The dialogue partners also extend bilateral cooperation to ASEAN Member States. Limited activities address the country-specific needs to respond ASEAN initiatives. There exists a need for bridging country-specific needs and ASEAN initiatives as shown in the following figure.

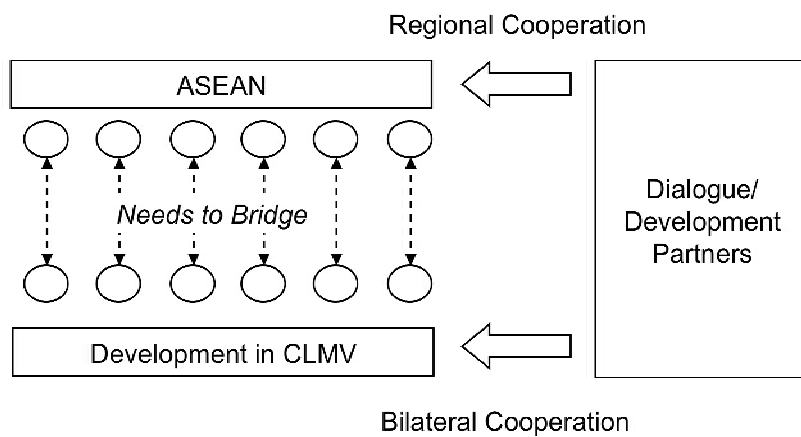


Figure 4.1 Existing Cooperation Program and Cooperation Needs