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Supporting Trade Capacity Building Worldwide

Bilateral Trade Agreements as Tools for Development: USAID Project Case Studies for Vietnam and Laos

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Overview

- U.S. Bilateral Trade Agreements as stepping stones to WTO accession and economic development
- Case Studies
 - Vietnam STAR
 - Laos LUNA-Lao

Trade Agreements as Development Tool

- *When most effective, BTA/WTO accession is part of a systematic change in development policy toward the market, private-sector growth, and internationalization, and toward better governance and the rule of law*
- Evidence: Vietnam STAR



Vietnam Support for Trade Acceleration (STAR) Project

Development Context

- 2001: U.S.-Vietnam BTA



- Political, economic and social challenges create political will for strategy shift
- Greater market orientation
- Stronger push to work with US
- Vietnam reaches out; the U.S. responds positively
- Commercial interests
- China and ASEAN factors

Will, yes; capacity, no

- Reform requirements new to Vietnam
- Technically demanding
- Limited Vietnamese capacity
- GVN requests US assistance

Vietnam STAR

- 5+ year project; \$13.6 million
- Expatriate and local technical staff (lawyers, economists, MBAs), supported by specialized STTA, including Vietnamese law firm
- Office outside the ministries
- From BTA inception to WTO accession
- Massive, transformative legal reform
- Raise public awareness; On-the-job training

Elements for Success

- High-level political GVN Steering Committee
- Extensive access to technical counterparts
- Responsive, demand-driven TA in real policy time
- Attention to political sensitivities; low-key approach
- Balance ST objectives with LT goals
- Policy firewall: USTR/State
- Reform (even with strong buy-in) takes time: STAR II (2007); STAR Plus (2010)

Accomplishments

- Successful BTA implementation and WTO accession
- 93 Laws and Regulations
- 290 Policy Seminars and Training Workshops
- 20,400 Government Officials and Business Representatives Participating in *STAR* activities
- 58,000 copies of *STAR*-Supported Reference Materials Published and Distributed
- 28 study missions for 180 people



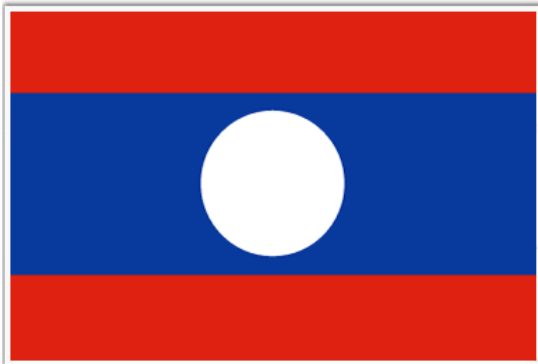
**Laos-United States
International and ASEAN
Integration (LUNA) Project**

Context

- 2005: US-Lao BTA
- 2010: WTO accession process (as LDC) entering serious stages
- Request from Lao government; gaps in current donor support
- Support included in US-Lao BTA
- Strong support from U.S. Embassy and USTR

USAID LUNA-Lao

- 2008-2009: small DC-based project under ADVANCE IQC
- Limited funding, no USAID bilateral presence
- Targeted TA to key ministries responsible for reforms related to BTA implementation/WTO accession



From DC to Vientiane

- 2010: became small resident project funded jointly by US Embassy and USAID/RDMA
- Expanding TA to key ministries responsible for reforms required for WTO accession
 - Customs, trading rights, SPS/TBT, IPR, legal transparency, etc.
 - Building basis for strong longer-term project
- Possible extension/expansion through 2013
 - Increase from \$1 million to \$1.4 million/year

Structure

- Small office outside the ministries in a local consulting firm
- One expat COP; a Laos office manager and a project coordinator; half-time Lao lawyer, some expat STTA for key issues
- Plan to hire a full-time expat lawyer and 1-2 more Lao experts
- Farming out translation

Laos and Vietnam

- Same
 - Technical issues
 - Political/legal system
- Different
 - Political pressures
 - Economic structures and thus;
 - Pace of reform and scope of economic impact

LUNA Lessons from STAR

- Small Government Steering Committee, chaired by Ministry of Industry and Commerce
- Demand-driven TA with many line ministries and the National Assembly responsible for the reforms
- US policy firewall

Key Lessons Overall

- Leverage and reinforce political will for reform
- High-level political support, TA focused on technical leaders
- Demand-driven, responsive, flexible
- Policy firewall to raise trust
- Support reforms through the entire legislative and implementation process
- Adjust to the political economy context for each country

Conclusion

- U.S. trade agreements can have deep developmental impact on economic growth, governance and the rule of law
- USAID—in coordination with USTR and Embassy--plays a key support role
- Be aware of politics--both with host government and the U.S.
- Need strong host country leadership; USAID demand-driven and responsive