

# Regional Food Security and Trade Policy in Southeast Asia

## The Role of ASEAN

Alexander C. Chandra and Lucky A. Lontoh

2010

## Abstract

The achievement of food security and the promotion of trade are two of the challenges facing the Association of Southeast Asian Nations (ASEAN). The food price crisis of 2007/08 sparked wider debates about the relationship between these two variables, and the extent to which ASEAN's existing trade policies are detrimental to the promotion of food security in the region, and vice versa. The 2007/08 global food crisis shed light on the existing discrepancies between ASEAN's supposed objective of becoming an integrated economic community and its member countries' continued tendency to put national economic interests above regional solidarity. To a large extent, the way in which the crisis was responded to at the national level not only contributed to further global food price volatility, but also undermined the food security situation in the region. As the grouping integrates further and moves towards its plan to establish an ASEAN Economic Community in 2015, there is now an impending need for each member country to review its food security and trade priorities. Despite the diverse capacity of ASEAN member countries to produce food, food insecurity is a regional problem that could be best tackled through a regional approach.

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Regional Food Security and Trade Policy in Southeast Asia: The Role of ASEAN

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This study is part of a larger, multi-region TKN project that seeks to understand better the impacts of trade policy on food security. It includes country case studies and regional analyses from Latin America, Southern Africa and Southeast Asia. It was made possible through the generous support of the Swedish Environment Secretariat for Asia (SENSA) and the Norwegian Agency for Development Cooperation (NORAD). The project outputs are available on the TKN website.

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## Dedication

The authors would like to dedicate this paper to the memory of the late Dr Hadi Soesastro (1945–2010), a truly ASEAN oriented thinker, a mentor and a friend.

## Abbreviations and acronyms

AERR	ASEAN Emergency Rice Reserve
AFSIS	ASEAN Food Security Information System
AFSR	ASEAN Food Security Reserve
AFTA	ASEAN Free Trade Area
AIFS	ASEAN Integrated Food Security
ASEAN	Association of Southeast Asian Nations
CEPT	common effective preferential tariff
EAERR	East Asia Emergency Rice Reserve
EU	European Union
GDP	gross domestic product
GEL	General Exclusion List
IL	Inclusion List
Lao PDR	Lao People's Democratic Republic
MFN	most favoured nation
OPEC	Organization of Petroleum Exporting Countries
OREC	Organization of Rice Exporting Countries
SL	Sensitive List
SPA-FS	Strategic Plan of Action on Food Security
TEL	Temporary Exclusion List
UAPs	unprocessed agricultural products
U.S.	United States
USD	U.S. dollar
WTO	World Trade Organization

## Executive summary

The achievement of food security and the promotion of open trade have been two of the key challenges faced by the Association of Southeast Asian Nations (ASEAN). The 2007/08 food price crisis sparked wider debates about the relationship between these two variables, and the extent to which ASEAN's existing trade policies are detrimental to the promotion of food security in the region, and vice versa. While the global food crisis did not necessarily hamper regional trade, the response to the crisis at the national level was not only detrimental to the promotion of regional food trade, but also to the region's overall open economic commitment vis-à-vis the world market.

Seeking greater economic gains from the rise of international food price during the food crisis, key rice producing countries in the region, such as Thailand and Vietnam, chose to supply global food needs at the expense of fulfilling the needs of other ASEAN member countries, notably the Philippines. This development undermined regional solidarity, which is supposedly a key component of the organization's efforts to achieve an ASEAN Economic Community by 2015. Another worrying concern that threatened to jeopardize overall ASEAN solidarity was the announcement by several rice producing nations in the region of their intention to set up an Organization of Rice Exporting Countries. While it is not clear whether this organization was supposed to turn into an agricultural cartel similar to the Organization of Petroleum Exporting Countries, the idea was nevertheless seen as a political threat that could potentially hamper further cooperation in the region.

As the grouping integrates further and moves towards its plan to establish an ASEAN Economic Community in 2015, there is now an impending need for each member country to review its food security and trade priorities. Despite the diverse capacity of ASEAN member countries to produce food, food insecurity is a regional problem that can be best tackled through a regional approach. Based on these concerns, therefore, the proposed policy recommendations of this report are that ASEAN should:

- implement national food security policies in line with the spirit of ASEAN regionalism;
- make use of, improve and expand the existing food security mechanisms in the region and beyond, particularly some of the more recent initiatives, such as the ASEAN Integrated Food Security initiative and its corresponding Strategic Plan of Action for Food Security, and others within the ASEAN Plus Three framework, including the ASEAN Food Security Information System and the East Asian Emergency Rice Reserve;
- ensure greater coordination to reduce trade and food security policy discrepancies at both the national and regional levels; and
- put in place relevant social security schemes and work with relevant non-state stakeholders to minimize the adverse impacts of an open food trade regime.



## 1. Introduction

The achievement of food security and the promotion of open trade have been two of the key challenges faced by the Association of Southeast Asian Nations (ASEAN). The 2007/08 food crisis in particular sparked wider debates about the relationship between these two variables, and the extent to which existing ASEAN trade policies are adequate to promote the food security of the citizens of Southeast Asia. For ASEAN, trade does not only contribute to economic growth, which, in turn, is beneficial for poverty reduction, welfare improvement and food security (FAO, 2003), but it also forms one of the core components of the grouping's economic integration initiative. Based on this assumption, then, ASEAN has not only begun implementing fully its own free trade area, i.e., the ASEAN Free Trade Area (AFTA), but has also engaged in free trade arrangements with various dialogue partners such as Japan, South Korea and, more recently, China.<sup>1</sup> Unfortunately, however, the attainment of the food security objective, which is increasingly becoming a high priority for ASEAN and its member countries as a result of, among other things, the volatility of international food prices and the climate change phenomenon, is often pursued at the expense of regional trade.

While the global food crisis did not necessarily hamper regional trade, the response to the crisis at the national level was not only detrimental to the promotion of regional trade, but also to the region's overall open economic commitment vis-à-vis the world market. Seeking greater economic gain from the rise of international food prices during the food crisis, key rice producing countries in the region, such as Thailand and Vietnam, chose to supply global food needs at the expense of fulfilling the needs of other ASEAN member countries, notably the Philippines. The actions of Thailand and Vietnam undermined regional solidarity, which was supposedly a key component of ASEAN's efforts to achieve the ASEAN Economic Community by 2015. Worse still, at the height of the food crisis, the idea of forming an Organization of Rice Exporting Countries emerged among key rice producing nations in the region. Although it is far from clear whether this organization was supposed to turn into an agricultural cartel similar to the Organization of Petroleum Exporting Countries (OPEC), the idea was seen as a 'political threat to the region as it might hamper the regional cooperation among the ASEAN countries' (Kuntjoro & Jamil, 2008: 4).

Securing a balance between food security and trade openness, therefore, remains a challenge for ASEAN. The objectives of the present study are twofold. Firstly, it aims to unfold the political-economic dynamics of ASEAN member countries' efforts to balance food security and regional trade concerns. Secondly, it tries to identify and/or develop alternative approaches, mechanisms and instruments capable of improving ASEAN member countries' ability to promote food security through regional trade. The study mainly argues that both food security and trade are a matter of importance to ASEAN, and, thus, seeking a balance between the two variables is an issue of significant urgency for the regional grouping. In order to facilitate discussion, this policy report is divided into five sections. Section 2 discusses the theoretical framework for an analysis on the linkages between trade and food security. This is followed by a section giving an overview of the agricultural trade patterns and food security profiles of Southeast Asian countries. Thereafter, section 4 analyses the impacts of the 2007/08 global food crisis on food security, food trade and regional integration in Southeast Asia. More specifically, it looks at various types of policy interventions pursued at both the national and regional levels, and the way in which these affected regional efforts to promote both food security and regional trade. Finally, the report concludes with a set of policy recommendations for ASEAN and its member countries targeted at improving the balance between attaining food security, on the one hand, and maintaining the organization's open economic principle, on the other.

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1 ASEAN's cooperation with China, Japan and South Korea has also been termed ASEAN Plus Three cooperation.



## 2. The trade and food security nexus

Attempts to examine the nexus between international trade and food security are not new. While some studies focus on the implications of multilateral trade agreements for the advancement of food security (e.g., Stevens *et al.*, 2000; Aksoy & Beghin, 2005), others emphasize the impacts of preferential trade agreements on food security.<sup>2</sup> Increasingly, the trade–food security nexus is also examined within the framework of global efforts to reduce poverty.<sup>3</sup> While international trade is only one of the factors that affect food security, its absolute significance in terms of the ability of countries to achieve their food security objectives is increasing, mostly due to the rapid growth of the global food trade (Stevens *et al.*, 2000: 9). In general, international trade, and agricultural trade in particular, affects food security to the extent that it (1) increases economic growth, creates employment prospects and increases the income earning capacity of the poor; (2) increases domestic food supplies to meet consumption needs; and (3) reduces overall food supply variability (Matthews, 2003: 60).

**Table 1: Food self-sufficiency and food self-reliance: Key features, policies and impacts**

	Features	Policies	Impacts
Food self-sufficiency	<ul style="list-style-type: none"> <li>All food consumed is produced within the borders of a country</li> <li>Advocates diets that are simple and natural that can be produced domestically</li> </ul>	<ul style="list-style-type: none"> <li>The banning of food exports and imports</li> <li>The development of small scale enterprises to boost local food production</li> </ul>	Local crops tend to be plentiful and cheap, while other food items are harder to obtain in the domestic market
Food self-reliance	Food is bought wherever cheapest, using the international market to supplement domestic food supplies	International trade as a key component of food security policy (food is freely exported to and/or imported from international markets)	A wide variety of food is available, but local crops can be more expensive than those obtained from international markets

In relation to trade and trade policies, food security, which ‘exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food [that] enables them to meet their dietary needs and food preferences for an active and healthy life’ (World Food Summit, 1996), is traditionally defined in terms of either *food self-sufficiency* or *food self-reliance*. Food self-sufficiency generally emphasizes the *production* of various food items by domestic producers. Consequently, this principle rules out imports as a major source of domestic food supplies. Countries that pursue such a food security strategy generally favour not only small-scale enterprises for local food production, but also advocate diets that are simple and natural, and rely largely on home production rather than the international marketplace.

On the other hand, the food self-reliance principle focuses more on the *availability* of various food items for domestic consumption. It generally considers international trade as an essential component of a country’s food security strategy. Countries that are keen to adopt such a food security principle usually support market liberalization and export oriented agriculture founded on a strong local market through improvements in physical infrastructure and credit facilities. In essence, the basis for food security, according to this line of thinking, would be wealth and the possibility of obtaining food from the international marketplace (Kent, 2002).<sup>4</sup>

2 See, for example, Matthews (2003) and Chandra (2005).

3 See, for example, Jackson (2009).

4 Advocates of food self-reliance, such as Konandreas (2006: 3), argue that trade could contribute to the promotion of food security in a number of ways, including augmenting domestic supplies to meet consumption needs, reducing supply variability (although not necessarily price instability), fostering economic growth, using global resources more efficiently and allowing global production to take place in those regions most suited to it.

Both food self-sufficiency and food self-reliance, however, are not without their drawbacks. Given the greater capacity of the world to produce rather than consume food, the minimum of restrictions imposed on food items in countries that possess excess capacity and the availability of the international transportation system, food self-sufficiency, according to its critics, such as Panagariya (2002: 1), makes little economic sense. In fact, countries, based on their individual comparative advantages, should focus instead on their ability to generate foreign exchange earnings to import whatever food they consume over and above what they can efficiently produce (FAO, 2003). On the other hand, accepting self-reliance as a means to achieve food self-sufficiency is equally troubling. Critics of this strategy, such as Khor (2008), Vivas (2009) and Prachason (2009), contend that the potential gains from trade liberalization cannot be guaranteed, and its ability to improve the food security of all groups within a society remains questionable.

In other words, trade openness would most likely generate different outcomes among small scale and commercial farmers, rural non-farm producers and urban consumers, both within and across countries (FAO, 2003). It is also important to note, however, that neither food self-sufficiency nor food self-reliance is capable of generating equal benefits for everyone. While food self-sufficiency tends to benefit the weak and poor, food self-reliance benefits the rich and powerful (Kent, 2002). It is for this reason that, at the multilateral trade level or within the auspices of the World Trade Organization's (WTO) Agreement on Agriculture negotiations more specifically, food self-reliance is generally a food security stance commonly adopted by rich and powerful nations, whereas a food self-sufficient policy, often linked with the notion of *food sovereignty*,<sup>5</sup> is a common food security position of weaker and poorer nations.<sup>6</sup>

Despite this, there is little doubt that trade and trade policies influence not only food availability at the global level, but also the production and importation of food, including food aid, at the national level (Diaz-Bonilla *et al.*, 2000: 5). Increasingly, world markets are becoming an important source of food for many developing countries. This is particularly true in countries where food production is often constrained by natural and other factors. An example pointed out by Konandreas (2006: 4) suggests that in the period 1970–90 food production actually grew around 10 percent faster than consumption in most developing countries. Although there is some merit in developing countries pursuing a food self-sufficiency strategy, a more flexible policy of food self-reliance would make better economic sense (Panagariya, 2002: 1; FAO, 2003). A country that pursues a self-reliance food security policy would generally import food not only to ensure domestic supplies, but also because certain commodities can be procured cheaper abroad than produced domestically.

Having said this, a couple of key issues should be taken into account if a country pursues a food self-reliance strategy, and these include *import capacity* and the *reliability* of world markets (Konandreas, 2006: 4–6). While import capacity concerns the ability of developing countries to produce other income generating goods and services that can be used to finance their food imports, the reliability of world markets affects the ability of developing countries to afford and expect steady supplies of food from the

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5 Food sovereignty was a term coined by an international peasant's movement, known as the Via Campesina, in 1996. The term primarily refers to a policy framework that claims the *right* of people to define their own food, agriculture, livestock and fisheries systems. It has seven basic principles: (1) food as the basis of human rights; (2) agrarian reform; (3) the protection of natural resources; (4) the reorganization of the food trade; (5) the end of global hunger; (6) social peace; and (7) democratic control. The notion of food self-sufficiency also forms a critical part of these principles.

6 This is at least the general assumption of some governments of developing and least developed countries who usually argue that a food self-sufficiency strategy would allow these countries to keep control of certain policy spaces, which would not be the case if they relied fully on the international marketplace. The limited food options available in the domestic market, however, could lead to hikes in the prices of domestically produced foods, thereby undermining the market access of the poor and vulnerable.

international market. In terms of import capacity, there is evidence to suggest that developing countries are increasingly able to either maintain or improve their ability to finance food imports. In Southeast Asia, for example, there has been a significant shift in the economic production of the region from the agriculture sector to manufacturing and, increasingly, the services sector (Chandra, 2009: 499). Although this phenomenon undermines the sustainability of the agricultural sector and, thus, food production, incomes generated from the growth in the manufacturing and services sectors enable Southeast Asian countries to manage their food imports accordingly. Meanwhile, the reliability aspect of the food self-reliance approach is affected by the possible uncertainties faced by importing countries for reasons outside their control. The inflation of international food prices in 2007/08, for example, shows the extent to which pro-self-reliance countries are vulnerable vis-à-vis the global food market (Christiaensen, 2009).

Moreover, in his observation of the cross-national effects of trade policies and WTO-led agricultural liberalization on food security, Sumner (2003: 10–13) finds that policies that increase the incomes of the poor are likely to raise the Index of National Food Security, which measures ‘the probability that some given share of the population will be able to achieve adequate food intake in the future’ (Sumner, 2000a: 12). Consequently, he argues that the most important strategies for national food security are efforts to promote economic growth and the widespread improvement of incomes. Trade, arguably, has the capacity to help countries to achieve these objectives and, subsequently, contribute positively to nutritional adequacy and food security (Sumner, 2000b: 2). However, Timmer (2004) warns that the achievement of food security is not necessarily generated through economic growth supported by private decisions to respond to market forces. Instead, there is a direct causal link between food security and a set of government policies that integrate the food economy into a development strategy that seeks rapid economic growth with improved income distribution (Timmer et al., 1983). It is within this context, as Timmer (2004: 3) further argues, that economic growth and food security can be mutually reinforcing.

However, if the prospects for pursuing a policy of food self-reliance are so positive, it is puzzling why countries, particularly developing ones, are so keen to adopt the food self-sufficiency philosophy. Within the Southeast Asian context, there are at least two key factors to explain the keenness of governments in the region to pursue the latter strategy (Timmer, 1997). The first is the dominance of rice in the diets of most people in the region combined with the extreme price instability of rice in the world market. This factor alone has prompted many Southeast Asian governments to buffer their domestic rice price from the international price. The second factor is that ASEAN countries’ food security strategies normally have two basic components, i.e., income growth and food prices, and neither of these is specifically linked to any of the standard definitions of food security used by international agencies. Economic growth that can reach the poor is an important element of a food security strategy for most Southeast Asian countries, while the stabilization of food prices supposedly ensures that short term fluctuations and shocks do not make the poor even more vulnerable to inadequate food intake than their low incomes require. In relation to food price stabilization, furthermore, Sharma and Morrison (2009: 13) also argue that weak domestic infrastructure in most countries in the region has also led governments to perceive stabilizing price with imports as being problematic. Southeast Asian governments have opted instead for policies that ensure sufficient domestic production and manage the stability of food prices.

In relation to trade-specific issues, it is also important to highlight the importance of agricultural protection. While it is true that taxation, which is normally imposed directly through export restrictions and domestic prices, and indirectly through industrial protection and exchange rate distortion (Krueger *et al.*, 1988), the agricultural sector has shown significant decrease in recent years (Anderson & Martin, 2009) and the level of government intervention in the sector is not only deeper, but often involves a

wider range of instruments (Sharma & Morrison, 2009: 3). Within the context of Southeast Asia, however, as mentioned earlier, the region is economically open and a range of governmental interventions in the agricultural sector prevail. In many cases, given the commitments made by ASEAN member countries in various multilateral, regional and bilateral trade agreements, a more innovative approach has been used by the governments of the region to protect their agricultural sectors. In this regard, government interventions are commonly found to affect a small set of agricultural products, typically between eight and 10 products, such as rice, cereals (e.g., wheat and maize), sugar, meat products, dairy products, vegetable oils and other agricultural products.<sup>7</sup>

### 3. Agricultural trade patterns and food security profiles of ASEAN countries

In general, trade takes up a significant portion of ASEAN's economic activities. As illustrated in Table 2, the percentage share of trade in total ASEAN gross domestic product (GDP) has been above 100 percent in the last decade. This signifies the level of economic openness of the region. However, as a result of the recent (2008–10) global economic crisis, the percentage growth of ASEAN's total trade was a 'mere' 6.2 percent in 2008 (well below the previous year's 14.5 percent), while the overall trade of the grouping reached USD 1.7 trillion in the same year. Traditionally, ASEAN's trade pattern is predominantly North–South with a low proportion of South–South trade. This pattern, however, is increasingly shifting due to the greater economic integration among ASEAN member countries. The process of liberalization under AFTA, which was launched in 1992, has helped to increase the level of intra-ASEAN trade over the years. Indeed, while in 1993 intra-ASEAN trade only reached USD 82 billion, this figure had significantly increased a decade later, in 2003, to USD 206 billion. Five years later, in 2008, the grouping recorded a 45.1 percent jump in its intraregional trade to USD 458 billion. Although Singapore is traditionally considered as the major contributor to intraregional trade, newer member countries are increasingly relying on regional markets for their exports and imports.<sup>8</sup> As can be seen in the data on intra-ASEAN trade as a percentage of total trade for 2008, for example, the Lao People's Democratic Republic (Lao PDR) and Myanmar were the two most dependent countries vis-à-vis their ASEAN neighbours (refer to Table 3). At the time, 84.2 percent of Lao PDR's total trade was conducted regionally, and this was followed by Myanmar, which recorded an average of 53.6 percent of intra-ASEAN trade in its total trade figures.

7 Even within their own regional economic integration initiative, or AFTA, ASEAN member countries still maintain protection on a significant numbers of agricultural items. Nineteen out of 25 products that are considered *as highly sensitive products* by Indonesia, for example, are agricultural products. Furthermore, the country also manages to retain of up to 60 agricultural items within AFTA's General Exclusion List. The Philippines has been equally keen to protect its agricultural sector. All the products, or a total of 19, that the Philippines registers as sensitive within AFTA are agricultural products.

8 An earlier study by Frankel and Wei (1996) actually dispelled the general perception that intra-ASEAN trade is relatively low if Singapore is excluded from the data. For the period up to the early 1990s, at least, these two authors found that there was a relatively high intensity of trade among ASEAN countries, which was due primarily to rapid economic growth rather than the result of ASEAN economic cooperation and/or agreements.

**Table 2: The share of international trade in the ASEAN economy, 1998–2008**

Indicator	Unit/scale	1998	2000	2003	2006	2008
Total trade	Value (USD million)	576,108	759,101	824,539	1,404,806	1,710,422
	Growth (%)	-17.5	21.8	16.5	14.7	6.2
Intra-ASEAN trade	Value (USD million)	120,918	166,846	206,732	352,771	458,114
	Growth (%)	-19.4	25.8	29.3	15.7	14.0
	Share of total trade (%)	21.0	22.0	25.1	25.1	26.8
Extra-ASEAN trade	Value (USD million)	455,190	592,255	617,807	1,052,034	1,252,308
	Growth (%)	-17.0	20.7	11.5	14.4	3.6
	Share of total trade (%)	79.0	78.0	74.9	74.9	73.2
Ratio to GDP	Share of trade to GDP (%)	119.9	126.8	114.8	130.8	113.5
	Exports' share of GDP (%)	65.9	68.5	63.0	69.9	58.4
	Imports' share of GDP (%)	54.0	58.3	51.8	60.9	55.2
Trade balance	Value (USD million)	57,194	61,180	80,575	96,610	48,082
	Exports' (%)	18.1	14.9	17.8	12.9	5.5

Source: ASEAN Secretariat (2010a: 9)

AFTA's impacts on the flows of agricultural trade have been relatively modest. Indeed, a study conducted by Gilbert *et al.* (2001: 9) argues that, while AFTA has generated significant impacts on the trade in manufacturing goods, it has done little to facilitate the promotion of trade in agricultural items. Several years later, Pasadilla (2006) reconfirms this analysis and stipulates that AFTA, in its original form, had not really been designed to boost intraregional agricultural trade, but instead to facilitate inter-industry trade, which arises out of the vertically integrated network of manufacturing transnational corporations. As far as agricultural trade is concerned, Pasadilla (2006: 41) further explains that AFTA, based on data showing the direction of the ASEAN-6 countries' trade from 1995 to 2003, was not necessarily a trade diverting regional mechanism, since agricultural trade at that time only accounted for 1.44–1.95 percent of total trade. Similar to trade in the manufacturing sector, the utilization rate of ASEAN's preferential trade agreement in the area of agricultural goods was relatively low, mostly due to difficulties in its implementation (Pangestu *et al.*, 1992).

Having said this, trade in agricultural commodities has actually increased quite significantly since the early 1990s, much of which is due to bilateral trade deals among ASEAN member countries. Statistical data gathered by Mangabat and Natividad (2007: 57–61) on intra-ASEAN agricultural trade shows that the value of agricultural exports among the ASEAN-6 countries increased from USD 3.2 million in 1993 to USD 6.3 million in 2003. On average, intra-ASEAN agricultural exports accounted for about 6.7 percent of total trade in that period. At the same time, although the value of intra-ASEAN agricultural imports experienced some minor fluctuations within the abovementioned period, the overall trend was one of increase. While intra-ASEAN imports among the ASEAN-6 countries reached only USD 2.9 million in 1993, the figure rose to USD 5.0 million in 2003. More recent data from the ASEAN Secretariat (2009c: 206) also reveals an upward trend for intra-ASEAN agricultural trade (refer to Table 4). The entrance of new member countries, including Cambodia, Lao PDR, Myanmar and Vietnam in the mid- and late 1990s, all of which are agriculture dependent economies, gave a much needed boost to ASEAN agricultural trade. The total value of intra-ASEAN agricultural trade increased again from USD 13.7 million in 2007 to USD 17.9 million in 2008. During the same period, the value of agricultural imports among ASEAN member countries also increased, from USD 12.6 million in 2007 to USD 15.3 million in 2008. In this two year period, ASEAN was both the major destination

and origin of Southeast Asian countries' agricultural exports and imports, with an average of 20.6 percent and 31.9 percent of the grouping's total agricultural trade, respectively.

**Table 3: Intra- and extra-ASEAN trade, as of 15 August 2009**

Country	Intra-ASEAN trade		Extra-ASEAN trade		Total trade (USD million)
	Value (USD million)	Share of total trade (%)	Value (USD million)	Share of total trade (%)	
Brunei Darussalam	3,544.3	29.9	8,315.9	70.1	11,860.2
Cambodia	1,909.9	21.8	6,865.6	78.2	8,775.5
Indonesia	68,162.5	25.6	198,055.2	74.4	266,217.7
Lao PDR	2,215.3	84.2	415.6	15.8	2,630.9
Malaysia	85,076.7	25.1	253,718.0	74.9	338,794.7
Myanmar	5,581.6	53.6	4,833.9	46.4	10,415.5
Philippines	21,398.4	20.3	84,272.6	79.7	105,671.0
Singapore	171,355.4	36.3	300,809.6	63.7	472,165.0
Thailand	69,375.3	19.7	283,158.9	80.3	352,534.2
Vietnam	29,494.6	20.9	111,862.5	79.1	141,357.1
ASEAN	458,114.0	26.8	1,252,307.8	73.2	1,710,421.8

Source: ASEAN Secretariat (2009b)

The relative increase in the level of dependency on agricultural trade among ASEAN member countries can also be observed in the progress of tariff reduction in AFTA vis-à-vis their most favoured nation (MFN) rates. Here, the analysis of Pasadilla (2006: 18–19) is once again useful to the discussion. Based on her comparative studies on the ASEAN-6's MFN rates and the grouping's common effective preferential tariff (CEPT),<sup>9</sup> which is the main scheme to reduce and harmonize tariffs under AFTA, she finds that AFTA agricultural tariff reductions have actually made much more significant progress than their MFN counterparts (refer to Figure 1). A significant gap between the MFN and CEPT rates is observable in Thailand's agricultural tariff structure. While Thailand's MFN mean and median tariff rates remain above 29 percent, its CEPT mean and median rates are already 4 and 5 percent, respectively. A similar picture also occurs in other ASEAN agriculture producing countries, including Indonesia, Malaysia and the Philippines. In the case of Indonesia and the Philippines, for example, while their agricultural MFN tariffs are still above 11 percent, their CEPT levels are already between 4 and 5 percent.

9 Trade liberalization under AFTA is governed by the CEPT, whereby each country is obliged to set its preferential commodities coming from other member countries at rates not higher than its MFN rates. CEPT rates were reduced gradually at an equal yearly rate up to the end of 2003, or the time in which the agreed 5 percent rate or lower is reached. The AFTA-CEPT scheme classifies goods to be liberalized under four classifications, including the Inclusion List (IL), Temporary Exclusion List (TEL), Sensitive List (SL) and General Exemption List (GEL). For IL products, different ASEAN countries were given different deadlines to reach tariff lines between 0 and 5 percent, including 2002 for the ASEAN-6, 2006 for Vietnam, 2008 for Lao PDR and Myanmar, and 2010 for Cambodia. Meanwhile, TEL involved manufactured, processed goods and unprocessed agricultural products (UAPs) that were exempted from tariff reductions temporarily. For both manufactured and processed goods, tariff reductions were to be done in five stages between 1996 and 2000, whereas tariffs on UAPs were phased out in seven equal stages between 1997 and 2003. The SL, furthermore, applied mostly to UAPs that were not initially considered to be considered for inclusion, but were to be phased out between 2001 and 2003 with final tariffs of 0–5 percent. Finally, the GEL includes items that fulfill Article XX of the General Agreement on Tariffs and Trade, and were permanently excluded from tariff reductions initiatives for the reasons of national protection, the protection of public morals, and so on. Further information about AFTA is available from the official website of the ASEAN Secretariat, <<http://www.aseansec.org/12025.htm>>.

Table 4: Major ASEAN markets for exported and imported agricultural commodities, 2007–08

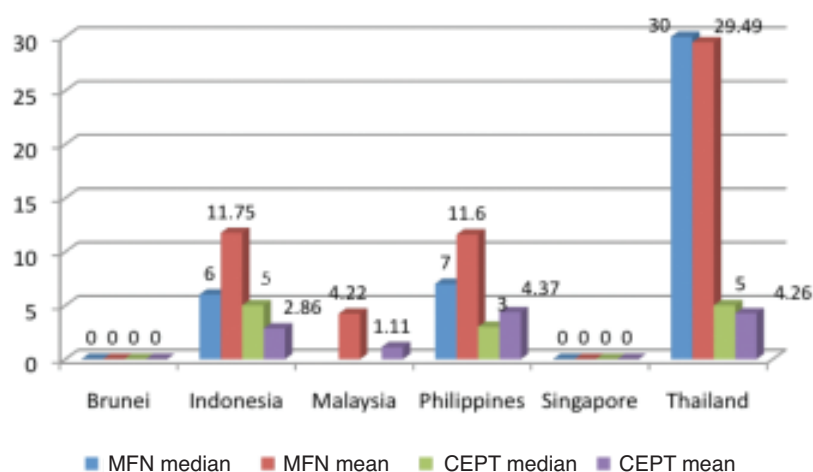
Major markets	2007		Major markets	2008	
	Value (USD million)	Share of total trade (%)		Value (USD million)	Share of total trade (%)
<b>Major exporting partners</b>					
ASEAN	13,751	20.7	ASEAN	17,921	20.5
Japan	10,393	15.6	EU-25	13,707	15.7
EU	7,657	11.5	U.S.	9,545	10.9
US	7,134	10.7	China	8,538	9.8
China	6,232	9.4	Japan	7,569	8.7
Total	45,167	67.9	Total	57,280	65.6
<b>Major importing partners</b>					
ASEAN	12,601	31.3	ASEAN	15,311	32.6
US	4,465	11.1	US	5,795	12.3
EU-25	4,115	10.2	EU-25	4,713	10.0
China	3,645	9.0	Australia	3,961	8.4
Australia	3,487	8.7	China	3,702	7.9
Total	28,313	70.3	Total	33,482	71.2

Source: ASEAN Secretariat (2009c:206)

As far as its external agricultural trade relations is concerned, furthermore, the U.S., the EU, China, Japan and Australia have been some of the major sources and destinations for ASEAN's external agricultural imports and exports (refer to Table 3). The value of agricultural exports to the EU in particular nearly doubled from USD 7.6 billion to USD 13.7 billion in 2008. The EU share as the major destination of ASEAN's agricultural exports also rose in the same period from 11.5 percent in 2007 to 15.7 percent in 2008. The other three major destinations for ASEAN's agricultural exports, such as the U.S., Japan and China, have maintained an 8–11 percent share of total ASEAN agricultural exports worldwide. In a relatively similar picture, the U.S. and EU maintained their positions as the major sources of ASEAN imports in the period 2007–08. While in 2007 ASEAN's agricultural imports from the U.S. reached USD 4.4 billion, the figure rose to USD 5.7 billion in the following year. The EU also maintained a more or less similar level of market share in terms of importing ASEAN agricultural product in the same period, taking around 10 percent of the total.

As is widely known, certain agricultural sectors are considered extremely sensitive in ASEAN and they remain outside the framework of most tariff liberalization initiatives pursued by the grouping. The previous section highlighted several key agricultural products that often attracted government interventions. Rice, in particular, has received most of the attention in most Southeast Asian countries. As with the rest of Asia, historically rice has been considered as the primary agricultural commodity in Southeast Asia, and has remained so until today. In most Southeast Asian diets, rice is an agricultural commodity that has few or no substitutes. Consequently, government interventions in this politically sensitive sector are rampant. In her study, Bello (2005: 96–99) observes a number of policy interventions regarding rice that have been pursued in the countries of Southeast Asia. Through its National Logistics Agency (Badan Urusan Logistik), for example, the Indonesian government controls the market operation of key agricultural commodities, including rice, so as to ensure price stabilization. In Thailand, the Rice Reserve Commission was set up in 1960 to ensure the stability of rice stocks in the country. Because of the political sensitivities of this agricultural product, the Philippines government has also refused the imposition of tariffs on rice. Between 1962 until 1988, the government of Myanmar controlled the production and marketing of rice and other key agricultural commodities, while further monopolization of rice exports has been imposed since 1989. The list of such interventions in the region is virtually endless.

Figure 1: Comparative agricultural tariff structures of the ASEAN-6 based on MFN and CEPT rates at HS-8 digit level (%)



Source: Pasadilla (2006: 19)

Some ASEAN member countries still dominate the global rice trade. In 2009, for example, along with India and Pakistan in South Asia, Thailand, Vietnam, Cambodia and Myanmar contributed 21.32 million tons out of the total global rice trade of 29.3 million tons. It is expected that the share of these countries combined would be 23.4 million tons of the total global rice trade of 30.84 million tons in 2010 (Commodity Online, 2010). Specific to ASEAN, a total of 16.62 million tons of rice were exported by the members of the grouping as a whole in 2009. Thailand and Vietnam exported 8.5 million tons and 5.95 million tons, respectively (refer to Table 5). Of significant importance is the emergence of Cambodia as the third major rice exporter in ASEAN with a total of 1.47 million metric tons exported in 2009. Apart from being a major rice exporter, the region also imports significant quantities of rice. In 2009 ASEAN bought up to 3.23 million tons of rice, with the Philippines and Malaysia as two major importing countries, with 1.64 and 1.09 million tons, respectively. The Philippines, in particular, is increasingly becoming known as the largest rice importer in the world. Throughout the 2000s, for instance, the country imported an annual average of 1.3 million metric tons of paddy rice, which was topped during the 2007/08 food crisis period, when the country was reported to have imported up to 2.4 million metric tons of paddy rice (based on data from AFSIS, n.d.).

Table 5: ASEAN rice balance sheet, 2009 (tons)

Country	Initial stocks	Production	Domestic utilization	Imports	Exports
Brunei Darussalam	15,505	869	33,797	32,294	0
Cambodia	128,000	4,590,000	2,927,000	0	1,471,000
Indonesia	1,172,435	40,346,922	38,433,251	186,438	2,897
Lao PDR	30,169	1,820,750	1,764,642	n.a.	n.a.
Malaysia	275,899	1,585,708	2,531,159	1,094,419	n.a.
Myanmar	4,345,208	20,196,456	19,157,000	0	667,000
Philippines	2,638,287	10,737,201	13,163,706	1,638,314	159
Singapore	55,000	n.a.	262,000	280,000	33,000
Thailand	6,251,800	20,899,417	11,267,000	0	8,500,000
Vietnam	5,680,101	25,282,075	18,327,996	0	5,950,000
ASEAN	20,592,404	125,449,397	107,867,551	3,231,465	16,624,056

Source: AFSIS (2009: 10)



## 4. The 2007/08 food crisis and its implications for the food trade, food security and regional integration in ASEAN

### 4.1 The global food crisis, its impacts, and national and regional policy responses in Southeast Asia

Table 6: ASEAN inflation rates, 2004–09 (%)

Countries	Base year	2004	2005	2006	2007*	2008*	2009
Brunei Darussalam	2002	0.9	1.2	0.1	0.3	2.7	n.a.
Cambodia	2000	3.9	(15.2)	6.1	7.7	6.5	n.a.
Indonesia	2007	6.1	10.5	13.1	6.4	11.3	5.0
Lao PDR	2006	10.8	6.8	(3.1)	3.7	8.6	n.a.
Malaysia	2005	1.4	(5.5)	3.6	2.0	5.5	0.5
Myanmar	2000	4.5	10.5	18.9	34.9	26.8	n.a.
Philippines	2000	6.0	7.6	6.3	2.8	9.3	3.3
Singapore	2004	1.7	0.5	1.0	2.1	6.5	0.2
Thailand	2002	2.8	4.5	4.6	2.2	5.5	n.a.
Vietnam	2005	7.8	8.6	7.2	8.3	23.1	4.7

\* Period of the global food crisis.

Source: ASEAN Secretariat (2010b)

As in many other parts of the world, soaring food prices during the 2007/08 period had major impacts on the countries of Southeast Asia. Given diverse food production capacities among ASEAN countries, the impacts of the global food crisis were equally diverse in these countries. In food importing countries, for example, the price of foodstuffs rose to a record high, and this helped to ratchet up the overall consumer price index in 2007 (ADB, 2008a) and 2008 (refer to Table 6). In the year between March–July 2007 and March–July 2008, the prices of basic staple foods, particularly rice, rose by about 100 percent in Cambodia, while other foodstuffs, such as meat, fish and vegetables, increased by 20–70 percent (Sophal, 2008: 1). Meanwhile, Indonesia, which has increasingly become a net rice importing country in recent years, also saw the price of basic foodstuffs rise as much as 60 percent (Arnst, 2009: 9). In a country where 76 percent of the poor are net rice buyers, including 72 percent of the rural poor, it was estimated that every 10 percent increase in rice prices would reduce the real value of expenditure of the poorest tenth of the Indonesian population by 2 percent (World Bank, 2006). Moreover, concerned about the impacts of high food prices on political stability in the country, the Philippines, which was the largest net rice importing country in the world, grew anxious about whether it could secure its food supplies from the international market and was forced to make use of whatever was available in stock to feed its population. Apart from increasing the overall cost of living, the rising oil and food prices at the time also drove nearly four million people back into poverty (McCawley, 2008). On the other hand, in rice exporting countries, such as Thailand and Vietnam, Arnst (2009: 13–16) reports that international food price inflation was welcomed by those in the business. During the first quarter of 2008, contracts on the Thai Agricultural Futures Exchange quadrupled and millers were able to achieve hefty returns.

Similarly, the initial policy responses of the Southeast Asian countries to address the adverse effects of the global food crisis were also diverse and depended to a great extent on whether the countries in question were net exporters or net importers of food. While the former increased taxes and restrictions on exports, countries in the latter category generally adopted policies to reduce import restrictions and

tariffs. A study conducted by the ADB (2008b: 30–31) provides analysis on a range of policy responses pursued by the countries in the Asia-Pacific region, including those in ASEAN. At the time, some of the policy responses commonly used by net rice exporting countries in the region included the building up of rice reserves/stockpiles and export restrictions (refer to Table 7). In some instances, net exporting countries in the region, including Thailand and Vietnam, also liberalized rice imports to ensure a steady supply of rice. In terms of export restrictions, however, the Cambodian government initially banned the export of rice in late March 2008, but later decided to scrap the policy in late May that year in order to take advantage of the high international food prices and because little storage capacity was available in the country (CAAI News Media, 2008). At the end of April 2008, meanwhile, the Vietnamese government also banned all new rice export contracts during the rice harvest. The deputy minister of industry and trade at the time, Nguyen Thanh Bien, reportedly said that the move was aimed at increasing ‘the value and export revenues, while ensuring food security and serving the state’s interests’ (AFP, 2008a).

**Table 7: Policy responses to the global food crisis of selected ASEAN countries**

Policy responses	ASEAN member countries*							
	Cambodia	Indonesia	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
Reduce import duties		X						
Increase supplies using reserves	X	X					X	
Build up reserves/stockpiles	X		X		X	X	X	X
Increase imports/relax restrictions		X			X		X	X
Increase export duties								
Impose export restrictions	X							X
Price controls/consumer subsidies	X	X	X		X		X	
Minimum support prices					X			X
Minimum export prices								
Subsidies to farmers					X			
Promote self-sufficiency			X	X	X			
Cash transfers						X		
Food rationing		X			X			

Note: Cambodia, Thailand and Vietnam are considered to be net exporting countries, whereas Indonesia, Malaysia, Myanmar, the Philippines and Singapore are net importing countries.

Source: ADB (2008b: 31)

Typical policy responses of the net rice importing countries at the time, on the other hand, generally involved the reduction of import duties, the building up of extra reserves, the relaxation of import restrictions, price controls through subsidies and, more importantly, the promotion of self-sufficiency. Among the five net rice importing countries listed in Table 7, only Indonesia imposed export restrictions on rice. At the time, the Southeast Asia’s largest rice consumer not only brought in rules to stop farmers from selling their crops at export prices, which many believed caused inflated local prices, but the country’s National Logistics Agency was also instructed by the government only to sell medium grade rice abroad when national stocks were above three million tons (BBC News, 2008).<sup>10</sup> In Indonesia,

10 Earlier, in February 2008, the Indonesian government also adopted a specific policy package to eliminate import tariffs and taxes on soybeans, increased the export tax on palm oil to control the price of cooking oil, subsidized cooking oil for low income households, eliminated value added tax on cooking oils, increased the monthly quota of subsidized rice for poor households, removed the import tariff on flour, relaxed flour fortification standards, and strengthened the role of the National Logistics Agency. It was at this time as well that the Indonesian government began to develop a pilot project for a conditional cash transfer program targeted at 500,000 extremely poor families (Brahmbhatt & Christiaensen, 2008: 9).

Malaysia and the Philippines, policies to control food prices and restrictions on private grain trading were also issued as an attempt to keep food prices low for consumers. However, the food insecurity situation in the Philippines had become disastrous. At times in April 2008 Manila residents were forced to queue for hours to buy cheap government rice outside the country's National Food Authority (FOMCA, 2008: 7). The Philippines president also instructed the authorities to throw anyone caught stealing rice into jail (AFP, 2008b). Another common policy measure taken by ASEAN rice importing countries, with the exception of Singapore, was the promotion of self-sufficiency. In Indonesia and the Philippines policymakers were wary about the reliability of global food production, and food self-sufficiency was thought to be the way forward for these countries to secure their basic needs (Demekle *et al.*, 2009: 25).

**Table 8: Quantities earmarked for the ASEAN Emergency Rice Reserve**

Countries	Earmarked quantity (tons)
Brunei Darussalam	3,000
Cambodia	3,000
Indonesia	12,000
Lao PDR	3,000
Malaysia	6,000
Myanmar	14,000
Philippines	5,000
Singapore	5,000
Thailand	15,000
Vietnam	14,000
ASEAN	87,000

Source: Ministry of Agriculture, Forestry and Fisheries of Japan (n.d.: 5).

As in the case of other crises that have hit the region, regional efforts took a back seat throughout much of the initial phase of the global food crisis. Despite the existence of a regional food security mechanism that pre-dated the crisis, excessive commitment to national economic interests and concerns gave little scope for regional solidarity to take centre stage as the potential solution to the food crisis in the region. Indeed, ASEAN had actually set up the ASEAN Food Security Reserve (AFSR) as far back as 1979 in order to ensure long term food security in the region.<sup>11</sup> The initiative also involved the establishment of an ASEAN Emergency Rice Reserve (AERR) that could be used during a food crisis. Although the scheme had inspired the South Asian Association for Regional Cooperation, another regional grouping in Asia, to adopt the same model in 1987, ASEAN had effectively never used this rice reserve throughout the period of its existence (Daño, 2006: 1). When the 2007/08 global food crisis hit the region, the amount of rice stocked by the AERR scheme stood at a measly 87,000 tons (refer to Table 8), which was only sufficient to feed the 550 million people of ASEAN for less than half a day (Ministry of Agriculture and Forestry of Japan, n.d.).<sup>12</sup> During the initial phase of the global food crisis, therefore, member countries could not look to existing regional rice reserves to solve their food security problems.

11 The AFSR was actually signed in New York city, U.S., by the then five foreign ministers of the original ASEAN member countries. For further details of the AFSR agreement, see ASEAN Secretariat (1979).

12 In fact, the commitments of the five original member countries have never been increased since the plan for establishing an EARR was announced in 1979.

It was not until the 41st ASEAN Ministerial Meeting in Singapore in July 2008 that the countries of Southeast Asia began to look for regional alternatives to address their food security concerns.<sup>13</sup> At the time, ASEAN member countries issued a joint communiqué that emphasized the importance of ‘regional and international efforts to ensure the efficient functioning of market forces, as well as to come up with [a] longer term agricultural solution’ (ASEAN Secretariat, 2008b) to the food crisis problem. In relation to the food trade, or, more precisely, the rice trade, ASEAN also encouraged all countries in the world to eschew price distorting export subsidies and other forms of protectionism, as well as to provide market access to competitive food exports. More recently, at the 14th ASEAN Summit, which was held in Cha-am, Thailand, on 28 February–1 March 2009, the grouping also adopted the ASEAN Integrated Food Security (AIFS) framework and the Strategic Plan of Action on Food Security (SPA-FS) as a way to address the longer term food security concerns and improve the livelihoods of farmers in the region.<sup>14</sup> In order to achieve these goals, more specifically, the AIFS and its corresponding SPA-FS were designed to increase food production, reduce post-harvest losses, promote a conducive market and trading system for agriculture commodities and inputs, ensure food stability, promote the availability of and accessibility to agricultural inputs, and, finally, put into operation the existing regional food emergency relief arrangements. The initial priority commodities covered by the AIFS were rice, maize, soybeans, sugar and cassava, while other relevant commodities, especially those considered as alternative crops for staple food, are expected to be identified during the course of the implementation of AIFS and SPA-FS.<sup>15</sup>

Apart from these endeavours, ASEAN is also involved in a wider East Asian regional effort to address the food security concerns of the region, and these include the ASEAN Food Security Information System (AFSIS) and the East Asia Emergency Rice Reserve (EAERR). These two projects are the initiatives of the 10 ASEAN ministers of agriculture and forestry, along with their key dialogue counterparts in Northeast Asia, including China, Japan and South Korea. The AFSIS project emerged as a result of the first Strategic Plan of Action on ASEAN Cooperation in Food, Agriculture and Forestry for the period of 1999–2004, and was designed ‘to facilitate food security planning, implementation, monitoring and evaluation in ASEAN through the systematic collection, organization, management, analysis and dissemination of food security data and information’ (ASEAN Secretariat, 2009e) among the ASEAN Plus Three member countries. The EAERR, on the other hand, grew from a realization of the relative weakness of ASEAN’s earlier AERR initiative. Initially, the EAERR began as a three year project covering the period 2004–07, but later was extended yearly so as to allow member countries to make the necessary preparations for possible conversion of the project into a permanent scheme (ASEAN Secretariat, 2009f). When the global food crisis hit the region, however, the EAERR was still in its pilot stage, and it was not used to counter the food security crisis in the region at the time.<sup>16</sup>

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13 Previously, on 3 May 2008, ASEAN economic ministers had actually met and discussed food security and the global food crisis at the ASEAN Economic Ministers’ Retreat in Bali, Indonesia. At the time, they issued a ‘Joint ministerial statement on food security’ that highlighted four key issues. Firstly, the ministers were concerned that the high prices of food at the time would have an adverse impact on the economies of member countries. Secondly, they reaffirmed that access to adequate and reliable supplies of rice and stable prices was fundamental to the region’s economic and social wellbeing. Thirdly, effective responses were subsequently needed to boost rice production through the effective transfer of technology, research and development, increases in the extent of agricultural land, and substantially increased public and private investment. And, finally, the economic ministers also pledged to continue fair trade practices and to achieve an orderly regional rice trade. For further details, see ASEAN Secretariat (2008a).

14 The AIFS framework provides goals, objectives, definitions of terminology, guiding reference and principles, and components for ASEAN’s latest cooperative project in the area of food security, whereas the SPA-FS is meant to support the implementation of the AIFS.

15 For further details concerning the AIFS and SPA-FS, see ASEAN Secretariat (2009d).

16 At the moment, the EAERR pilot project is in phase 2 (2008–12), and should add new features to food security cooperation among the ASEAN Plus Three member countries, including the improvement of data analysis capacity that aims to provide meaningful information for food security planning, implementation and monitoring, as well as an early warning information system, mutual technical cooperation and the preparation of commodity outlook reports (ASEAN Secretariat, 2009f).

## 4.2 The global food crisis and its impact on ASEAN regional food trade and economic integration

Table 9: ASEAN exports and imports of selected agricultural products and inputs, 2004–08 (USD million)

No.	Description	2004	2005	2006	2007	2008	Rate of growth	
							2000–04 (%)	2004–08 (%)
<b>Exports</b>								
1.	Rice (e.g., husked and broken rice)	3,092	2,993	2,304	4,539	7,854	17.1	25.2
2.	Fresh bananas	340	376	421	417	415	2.8	5.1
3.	Pineapples, excluding fresh	568	650	667	646	928	3.3	13.1
4.	Mangoes, fresh pineapples, including guavas	115	122	121	158	152	5.4	7.2
5.	Palm oil	8,418	8,182	10,121	16,468	25,011	24.9	31.3
6.	Coconut oil	961	1,202	951	1,442	1,993	4.2	20.0
<b>Imports</b>								
1.	Rice (e.g., husked and broken rice)	631	900	1,060	1,866	3,091	-0.5	48.8
2.	Fresh bananas	13	4	15	15	17	109.9	6.7
3.	Pineapples, excluding fresh	3	15	13	12	13	3.4	41.8
4.	Mangoes, fresh pineapples, including guavas	47	53	65	83	83	23.9	15.5
5.	Palm oil	815	510	622	918	1,627	73.4	18.9
6.	Coconut oil	131	165	122	178	244	24.4	16.8

Source: ASEAN Secretariat (2009c: 197)

As far as the food trade is concerned, it is far from clear whether the global food crisis and the corresponding policy responses of each ASEAN member countries had actually hampered regional trade. The most recent statistical data from the ASEAN Secretariat (2009c: 197), for example, only shows the increase in value of selected ASEAN agricultural exports and imports, and little detail is given on the quantity of agricultural products traded (refer also to Tables 9 and 10). What was clear during the global food crisis, however, was the fact that there was little in the way of solidarity to ensure food security in the region, despite ASEAN's intention to establish an ASEAN Economic Community in 2015. To start with, as mentioned earlier, export restriction policies pursued by net rice exporting countries hurt rice consumers in the net rice importing countries in the region. In Malaysia, for example, the price of Thai rice in the country tripled in the last few months of 2007, which was also partly due to the reluctance of other rice producing countries in the region, particularly Vietnam, to export rice to Malaysia (Ruff, 2008). The move by rice producing countries in the region to impose export restrictions on rice had in fact inflamed further panic and encouraged other rice exporting countries across the globe to pursue similar offsetting policies (Palatino, 2008), thus limiting the ability of rice importing countries to seek alternative sources of rice. Furthermore, attracted by economic gains from the increase in the international price of food commodities, net rice exporting countries preferred to satisfy global food demand at the expense of fulfilling the needs of their ASEAN neighbours. The Philippines government, which faced the sternest challenge to feed its 97 million people, was even forced to plead with its fellow ASEAN member Vietnam to provide it with rice (Crimmins & Francisco, 2008).

**Table 10: Major export and import markets of ASEAN husked and broken rice, 2004–08 (value in USD million; share in %)**

Top three countries	2004		2005		2007		2008	
	Value	Share	Value	Share	Value	Share	Value	Share
<b>Exports</b>								
ASEAN	655.2	21.2	827.7	27.6	1,593.6	35.1	2,588.0	33.0
China	243.2	7.9	204.2	6.8	232.0	5.1	161.4	2.1
South Africa	182.2	5.9	139.5	4.7	166.5	3.7	384.8	4.9
Total	1,080.6	35.0	1,171.4	39.1	1,992.1	43.9	3,134.2	40.0
<b>Imports</b>								
ASEAN	510.5	80.9	798.0	88.7	1,772.0	95.0	2,807.2	90.8
U.S.	36.6	5.8	23.7	2.6	6.4	0.3	89.8	2.9
China	19.6	3.1	22.1	2.5	26.3	1.4	48.2	1.6
Total	566.7	89.8	843.8	93.8	1,804.7	96.7	2,945.2	95.3

Source: ASEAN Secretariat (2009c: 210)

The most troubling development that affected regional economic solidarity in ASEAN during the global food crisis was the announcement by some ASEAN member countries of their intention to establish an Organization of Rice Exporting Countries (OREC), which was supposedly a project to organize the 21 major rice exporting countries around the world.<sup>17</sup> The initiative to set up such an organization, however, was not entirely new, as it had actually been tabled at the ASEAN–India Senior Official Meeting in Phnom Penh in November 2002. Officials from both ASEAN and India at the time wanted an organization among major rice producing nations capable of influencing the global price of rice. The countries involved, however, decided to drop the idea, because coordination among different rice producers to set prices proved to be difficult. Three years later, in 2005, during the meeting of the so-called Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy, Cambodian Prime Minister Hun Sen once more raised the possibility of creating an OPEC-like organization for the rice producing nations in the region. At the height of the global food crisis, on 30 April 2008, the former prime minister of Thailand, Samak Sundrajev, publicly announced Thailand's interest in forming OREC, and he asked other ASEAN Mekong countries, including Cambodia, Lao PDR, Myanmar and Vietnam, to help form this organization. While it was not clear whether the activities of the organization would entail a price fixing cartel similar to that of OPEC, it was assumed that, given the announcement of the idea during a period of rising food prices, some price coordination mechanism would have been put in place had the idea come to fruition (*Forbes*, 2008).

The revival of the idea to set up a rice cartel caused mixed reactions both from the international community and other ASEAN member countries that were not expected to be part of the scheme. Senior Asian Development Bank officials, for example, stated that the establishment of OREC would contradict the spirit of the market economy and would disadvantage both sellers and buyers (*Xinhua*, 2008). Apart from Thailand, which had initiated the idea of forming OREC, Cambodia was the only country among the potential members of the new initiative that made a strong public announcement in defence of the idea. In a speech delivered on 5 May 2008 Prime Minister Hun Sen stated that OREC had been presented inaccurately by the international community as an OPEC-style cartel, and argued that it would contribute to food stability in its member countries and globally (*Dina & Le Gouanvic*, 2008). For ASEAN countries excluded from the scheme, however, the idea of OREC was rather

17 As explained in the supposedly official OREC International website (OREC International, n.d.).

disturbing. This was particularly the case for the Philippines, the largest rice importer in the region. Politicians and leaders in the Philippines reacted strongly against the plan, arguing that the initiative was against the ASEAN spirit of solidarity. A Filipino senator, Manuel A. Roxas, for example, urged the country's Department of Foreign Affairs to formally propose a summit on rice and food security among the leaders of ASEAN and stated that 'the ASEAN Community must weigh in as a regional bloc to obtain trade privileges with its fellow members in keeping with the ASEAN spirit' (GMA News, 2008).

Although ASEAN had always been considered as a major pillar of the Philippines' foreign policy, it was rather rare for a Filipino politician to make substantive comments on the importance of ASEAN economic solidarity. There were virtually no official responses from other ASEAN member countries that were excluded from the OREC scheme, and this was probably due to the decision of the Thai government to scrap the idea about a week after it was first launched. However, inputs from a research workshop that was conducted in Jakarta, Indonesia, to complete the present study also revealed concerns among Indonesian rice trade observers and practitioners, particularly as the OREC initiative would have not only undermined the country's food security, but also jeopardized the overall ASEAN economic integration process.<sup>18</sup> Responding to the OREC issue, an official from the ASEAN Secretariat who attended the abovementioned research workshop stated her personal opinion that while the fact that the initiative had involved five out of ten ASEAN member countries had caused major concern, the failure of the plan to turn into an institutionalized form of cooperation illustrated for the five would be OREC member countries the importance of ASEAN cohesion.<sup>19</sup>

## 5. Conclusion and policy recommendations

Achieving a balance between food security and economic openness is increasingly becoming a matter of great significance for ASEAN. The 2007/08 global food crisis shed light on the existing discrepancies between ASEAN's supposed objective of becoming an integrated economic community and its member countries' continued tendency to put national economic interests above regional solidarity. To a large extent, policy responses at the national level had not only contributed to further global food price volatility (Slayton, 2009), but also undermined the food security situation in the region. As the grouping integrates further and moves towards its plan to establish an ASEAN Economic Community in 2015, there is now an impending need for each member country to review its food security and trade priorities. Despite the diverse capacity of ASEAN member countries to produce food, food insecurity is a regional problem that could best be tackled through a regional approach. Based on these concerns, therefore, the proposed policy recommendations of this paper are as follows:

1. *Implement national food security policies that are in line with the spirit of ASEAN regionalism.*

As illustrated throughout this report, the 2007/08 global food crisis resulted in national policies that ran counter to the promotion of solidarity in the region, although such solidarity is supposedly essential to ASEAN's objective of creating an ASEAN Economic Community in 2015. In the quest for greater economic gains, for instance, rice producing nations in the region opted to supply global food demand at the expense of ensuring the food supplies of rice importing countries in the region. The global food crisis further dampened ASEAN's regional solidarity as a result of the emergence of the OREC initiative

18 For the purpose of gathering inputs from relevant stakeholders in ASEAN, TKN Southeast Asia organized a Research Workshop on Trade, the Environment and Food Security, Jakarta, 25 February 2010.

19 As stated by an official of the ASEAN Secretariat dealing with the issues of agriculture and food security cooperation during the workshop, who preferred to remain anonymous.

among rice exporting countries in the region. Although OREC never materialized, the fact that the idea had emerged in the first place illustrated how fragile ASEAN's regional solidarity was. The rethinking of the future format of individual member countries' food security policies must, therefore, take into account the importance of achieving a balance among national, regional and global concerns.

### *2. Make use of, improve and expand existing food security mechanisms.*

ASEAN has pursued extensive cooperation in the area of food security. While early food security mechanisms developed in the late 1970s, such as the AFSR and AERR, were primarily safeguard mechanisms that member countries could resort to in times of food emergencies, more recent initiatives, such as the AIFS and its corresponding SPA-FS, as well as the wider ASEAN Plus Three's EAERR, were more holistic in their approaches to the food security issue in the region. Interestingly, many of these relatively new food security initiatives have also been anchored on international trade (Daño, 2006: 11–12). While all these more recent developments are encouraging, the devil is always to be found in the details of the implementation of these schemes.

Another critical element to improve ASEAN's food security status is the region's sense of ownership of many of its food security schemes. In the past, it was mainly its dialogue partners, particularly Japan, that pushed ASEAN to revisit the performance of its food security initiatives (Daño, 2006: 16). This trend should change, and the organization and its member countries should understand that food insecurity is a key issue that could have significant political and security repercussions for the region as a whole.

### *3. Establish greater coordination to reduce policy discrepancies at the national and regional levels.*

As is with many areas of ASEAN cooperation, coordination both at the national level (e.g., among relevant trade and food security agencies) and the regional level (e.g., among trade- and food security-related agencies across Southeast Asia) is critical. At the moment, there are still extreme discrepancies among policies concerning trade and food security pursued at the local, national and regional levels in nearly all ASEAN member countries.<sup>20</sup> While ASEAN as a grouping is still committed to the open regionalism principle, which would translate into the implementation of a food self-reliance strategy to improve the region's food security status, most member countries of the grouping remain adamant that such an objective would be better achieved through a food self-sufficiency strategy. The ability of ASEAN to coordinate and manage these differences will strongly affect the future food security status of the region.

### *4. Put in place relevant social safety nets and work with relevant stakeholders to minimize the adverse impacts of an open food trade regime.*

Given the increasing push towards liberalization in the region as a whole, it is likely that the gradual opening of ASEAN's sensitive agricultural products to international competition will adversely affect some food producers, particularly in the short term. Consequently, relevant social safety nets and other protective measures should be put in place to help the most vulnerable groups in society cope with the adjustment costs resulting from food trade policy changes. More importantly, the views of non-state actors (e.g., non-governmental organizations, farmers' associations, etc.) capable of supporting ASEAN and its member governments should be taken into account in the formulation and implementation of these initiatives.

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20 As articulated by a representative of the Indonesian Chambers of Commerce and Industry (Kamar Dagang dan Industri Indonesia) during the TKN's Research Workshop on Trade, the Environment and Food Security, Jakarta, 25 February 2010.



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