Centre For Non-Traditional Security Studies

# NTS POLICY BRIEF

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## ASEAN Economic Community (AEC) 2015: Opportunities and challenges for food security

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This NTS Policy Brief is based on the proceedings of the Expert Group Meeting on the ASEAN Economic Community (AEC) 2015: Opportunities and Challenges for Food Security held in June 2013. A key message from the Meeting was that food security has to be a priority agenda for the AEC, and several issues were flagged: (1) current impediments to agricultural trade and food production; (2) standardisation mechanisms and regulatory frameworks; (3) disjunctions between regional arrangements and domestic policies; and (4) public-private partnerships.

## Introduction

The ASEAN Economic Community (AEC) aims to build a single market and production base; a highly competitive economic region; a region of equitable economic development; and a region fully integrated into the global economy from 2015 onwards. The building of the AEC will involve integrating 12 priority sectors, including agriculture and fisheries, to create multiple forward and backward linkages for industries in ASEAN, and transform the region into an economically integrated market.

The global food crisis in 2007/8 highlighted the point that food insecurity threatens peace and stability, and is a key cause of conflict and possible violence. At the 21st ASEAN Summit held in Phnom Penh, Cambodia, in 2012, ASEAN leaders declared that 'food security remains a major challenge for ASEAN and the world as a whole, at a time of high commodity prices and economic uncertainty'.

As ASEAN moves to establish a single market and production base to generate greater intra-ASEAN trade from 2015 onwards, it becomes important to examine the impact of the AEC on the region's food industry, and on the various dimensions of food security, namely, food availability (with two aspects – primary production, and supply of food, including food reserves and trade); physical access (market supply chain and distribution); economic access to food (affordability/income); and utilisation (safety and quality or nutritive value).

While improvements in trade facilitation under the AEC through initiatives to promote physical, institutional and people-to-people connectivity are expected to enhance the region's economic and physical access to food, and lead to greater and more diversified regional trade, impediments exist. Trade protectionism and lack of product specialisation in the region, for example, partially explains the relatively low 1.3 per cent growth in intra-regional ASEAN agricultural trade over the last decade. This is in spite of the fact that six ASEAN countries, Indonesia, Thailand, Vietnam, Malaysia, the Philippines and Myanmar, rank among the world's top three exporters of several key food commodities.

Against this backdrop, the Expert Group Meeting on the ASEAN Economic Community 2015: Opportunities and Challenges for Food Security was held in June 2013. The Meeting was organised by the Centre for Non-Traditional Security (NTS) Studies at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore. It brought together representatives from government and international non-governmental organisations, as well as academic and think tank communities and civil society organisations in the region to share their assessments of how the AEC may offer both opportunities and challenges for ASEAN.


*Realising the AEC will involve integrating 12 priority sectors, including agriculture and fisheries.*

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## Food security as an AEC priority

Availability, affordability and safety of food are existential needs. As such, governments are well aware that food security is an issue of national security. At the same time, Southeast Asia's food systems are rapidly changing. Food demand and the channels for accessing food are shifting as per capita income increases and urban populations swell. Land competition in rural zones is becoming more acute as biofuel and other non-food or partial-food production increases. These challenges are extending at a time when environmental stresses such as water scarcity, soil erosion, agricultural and industrial pollution and climatic changes threaten agricultural productivity. Thus, a key message from the Meeting was that food security should be a top priority for the AEC. The Meeting thus offered four policy pointers, elaborated in the next section.

## The key issues

- ***While the AEC is likely to improve access to food and increase trade competitiveness, politicisation of the food sector and structural shortcomings could hinder progress.***

While freer trade could help to lower the cost of food and improve food accessibility in the region, food sectors in Southeast Asia are faced with a number of impediments. The high trade costs associated with intra-regional agricultural products affect competitiveness. These products are often bulky, perishable, have high shipping expenses, and face unique logistical and regulatory challenges. There are also growing concerns over food safety as consumers become increasingly affluent. Food safety regulations and standards will likely become an important determinant of trade and affect the growth of two AEC priority sectors, agriculture and fisheries. To add to the complexity of the challenge, these hurdles exist within the longer-term context of falling agricultural prices, reductions in investment, and shortcomings in regulatory harmonisation.

Politicisation of the food sector and structural shortcomings are expected to hinder the process of bringing about freer trade for agricultural products by 2015, and individual countries are expected to adhere to different trade liberalisation schedules. Tariff rates are higher for food products than in other sectors, and agricultural goods were not included in the Common Effective Preferential Tariff scheme of the ASEAN Free Trade Area (AFTA) because they were too politically charged. While agricultural trade has been liberalised gradually, many key commodities are still considered sensitive or highly sensitive and are not necessarily moving towards more open markets.


*The high trade costs associated with intra-regional agricultural products affect competitiveness.*

*Food safety regulations and standards will likely become an important determinant of trade and affect the growth of the AEC's two priority sectors, agriculture and fisheries.*

- ***Coordination in pushing ahead with standardisation mechanisms and regulatory frameworks would help to maximise potential gains in intra-ASEAN as well as extra-ASEAN trade. Lessons from other regional integration processes can also be instructive.***

Despite a range of impediments and structural shortcomings, ASEAN food trade will likely become more important in the near term. Regional cooperation and national policies will determine how well the region responds to the changing regional environment and capitalises on opportunities to position ASEAN as a competitive exporter of food vis-à-vis the rest of the world. Realising the goals of the AEC in the food sector will require incremental steps at both the regional and national levels.

For sustained progress on regional integration, a number of cross-boundary issues that impede potentially beneficial integrative policies would have to be dealt with, including regulatory issues and concerns of food sovereignty. Existing activities such as seasonal labour movements across borders, shared ecosystem management and informal cross-border trade demonstrate that greater regional integration is possible. However, regulatory frameworks would need to be harmonised where possible and managed with greater continuity if such activities were to be legitimised. Standardisation mechanisms, in particular, could greatly promote trade if adopted consistently across the region. Single window policies, more harmonious safety standards and integrated transportation systems could prove to be the strongest drivers of regional food trade. Additionally, a closer examination of non-tariff barriers (NTBs) and an understanding of where the most significant barriers lie will contribute to a conducive trading environment.

These benefits can extend beyond the ASEAN market, as the region's exports are currently hindered by the difficulty of adhering to international standards set primarily by developed countries. Improving regulatory principles and practices region-wide may reduce some of these impediments. External lessons from other regional integration processes can also be instructive for ASEAN. The North American Free Trade Agreement (NAFTA) and Mercado Común del Sur (MERCOSUR) show that domestic agricultural policies that are not aligned with the interests of the wider region and the complexity of free trade agreements (FTAs) can influence market preferences and dynamics, and in turn, determine the winners and losers of trade. The Closer Economic Relations (CER), also known as the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA), however, brought about increased agricultural trade between Australia and New Zealand even though the

## Key recommendations

The following summarises the key recommendations flagged by participants at the Expert Group Meeting on the ASEAN Economic Community 2015: Opportunities and Challenges for Food Security.

1. Eliminate tariffs and non-tariff barriers (NTBs) and harmonise food safety requirements.
   - Eliminate tariffs and NTBs by establishing simple, efficient and transparent import settings, and through monitoring of non-tariff measures (NTMs).
   - Facilitate food safety certification processes by encouraging best agricultural practices and investing in regional certification mechanisms, e.g., focusing on traceability.

2. Improve connectivity within ASEAN and its External Partners.
   - Merge independent economies through the Nautical Highway System in ASEAN (also known as the ASEAN Roll-on/Roll-off Network).
   - Increase connectivity of ASEAN and the Plus Three countries (China, Japan and South Korea) through implementation of the transport and connectivity agreements under ASEAN.

3. Initiate structural change and raise productivity through regional R&D cooperation.
   - Establish a mechanism to promote technology sharing and innovation within ASEAN.
   - Establish a network of centres of excellence on agricultural R&D with specific regional responsibilities, facilitated by ASEAN working groups, with oversight from the ASEAN Ministerial Meeting on Agriculture and Forestry (AMAF).
   - Provide information on and increase awareness of ASEAN technical working groups on the strong linkages between intellectual property rights (IPRs), innovation and private-sector investment.

4. Increase private-sector investment in R&D and production as well as the supply chain.
   - Leverage on technology and management expertise from the private sector to provide agricultural producers with the means to move up the value chain and become agricultural entrepreneurs.
   - Provide for greater private-sector control of the supply chain to attract investment.
   - Develop 'smart' partnerships between the public and private sector throughout the supply chain – input, output, processing, distribution and retail.

5. Manage shocks through regional surveillance mechanisms and cooperation.
   - Tie the ASEAN Food Security Information System (AFSIS) to the ASEAN Plus Three Emergency Rice Reserve (APTERR).
   - Build on AFSIS to establish an effective early warning system and a surveillance mechanism that is credible at the regional and national levels.

two countries produce similar commodities. The prime lesson for ASEAN here is that shared visions, mutual trust, compatible policy frameworks, a commitment to detail, and the support of the business communities in the region would be all important in ensuring the success of economic integration.

Regional cooperation in intellectual property rights (IPR) has been minimal even though the protection of intellectual property is widely acknowledged to be a key factor of growth for businesses. Regional IPR frameworks can potentially encourage region-wide innovation as investments in agricultural R&D and commercialisation of production technologies are primarily undertaken by the private sector.

- ***Regional food trade arrangements can benefit food security, but domestic policies and actions can potentially alter regional calculations.***

Intra-ASEAN food trade has increased partly as a result of moves towards the AEC. Current trends indicate that trade in processed food, for instance, has increased partly due to market integration efforts that see countries export raw agricultural goods and import processed derivations. The presence of informal and formal intra-regional production networks has also contributed to greater trade volumes. Furthermore, the liberalised foreign direct investment policies of Cambodia, Lao PDR and Myanmar, particularly towards other ASEAN members, help to play to the comparative strengths of different locations and reduce countries' propensity to rely heavily on domestic production for key food commodities.

NTBs continue to be high however. They contribute more to trade costs than tariffs, which account for just 6 per cent of total trade costs. Efforts to reduce NTBs have also been less than successful. Not even half of the strategic NTB reduction measures from 2009 to 2010 have been effectively implemented.

- ***Public-private partnerships are necessary to enhance investments and R&D.***

Potential to create symbiotic relationships between the public sector and the private sector exists as governments seek to ensure food availability, accessibility and utilisation of food – a public good. To this end, the private sector could facilitate the access of smallholder farmers to the latest production methods and agricultural practices. Besides increasing overall yields, opportunities will open up for farmers to move up the value chain, and gradually, towards farm specialisation.

Given the implications of climate change and dwindling natural resources on agricultural production, cooperation with international agricultural research institutes and the development of new technologies will help both large and small farmers adapt to future challenges. Private-sector investments in post-harvest technologies and cold chain facilities could also help to support the storage and transportation of perishable food across the region.

*The private sector could facilitate the access of smallholder farmers to the latest production methods and agricultural practices.*

## Conclusion

The AEC is expected to have a positive impact on food security through its efforts to harmonise regulatory standards, remove NTBs, liberalise tariffs, enhance connectivity and promote freer trade. Increased trade and market confidence can improve price stability and help to mitigate the rapid price fluctuations witnessed over the past decade. In addition to the AEC, regional food trade is likely to become more liberalised through measures taken by the Trans-Pacific Partnership, ASEAN Plus Six, the Asia-Pacific Economic Cooperation (APEC) forum and efforts within the World Trade Organization (WTO). However, these pathways will not solve many of the regional hurdles, and deeper cooperation in food security through the AEC will be needed. The Meeting identified several areas where the AEC will have the greatest impact and where specific policy action is required (see *Key recommendations*).

With the AEC envisaged to come to fruition in 2015, serious effort should go into making food security an integral part of the regional agenda in 2015 and beyond. The goal of becoming more food secure is a shared objective of all ASEAN member states. Given that ASEAN is home to some of the world's top agricultural exporters, the opportunity must be seized.

*Single window policies, more harmonious safety standards and integrated transportation systems could prove to be the strongest drivers of regional food trade.*

## About the Authors

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## About the Centre

The RSIS Centre for NTS Studies, NTU, was inaugurated by the ASEAN Secretary-General, Dr Surin Pitsuwan, in May 2008. The Centre maintains research in the fields of Food Security, Climate Change, Energy Security, Health Security as well as Internal and Cross-Border Conflict. It produces policy-relevant analyses aimed at furthering awareness and building capacity to address NTS issues and challenges in the Asia-Pacific region and beyond. The Centre also provides a platform for scholars and policymakers within and outside Asia to discuss and analyse NTS issues in the region.

In 2009, the Centre was chosen by the MacArthur Foundation as a lead institution for the MacArthur Asia Security Initiative, to develop policy research capacity and recommend policies on the critical security challenges facing the Asia-Pacific.

The Centre is also a founding member of and the Secretariat for the Consortium of Non-Traditional Security (NTS) Studies in Asia (NTS-Asia). More information on the Centre can be found at www.rsis.edu.sg/nts

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