

Key Policy Issues on:

- While AEC is likely to improve access to food and increase trade competitiveness, politicisation of the food sector and structural shortcomings could hinder progress.
- Coordination in pushing ahead with standardisation mechanisms and regulatory frameworks would help maximise potential gains in intra-ASEAN trade and extra-ASEAN trade.
- Regional food trade arrangements can benefit food security, but domestic policies and actions can potentially alter regional calculations.
- Public-private partnerships are necessary to improve investments and R&D.
- Urbanisation, R&D investments, health and nutrition are crucial for food security robustness.

Barry Desker
Dean

S. Rajaratnam School of
International Studies (RSIS)

Mely Caballero-Anthony

Associate Professor
S. Rajaratnam School of
International Studies (RSIS)

Paul Teng

Professor and Dean of Graduate
Studies and Professional
Learning, National Institute of
Education (NIE)

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ASEAN Food Security: Towards a More Comprehensive Framework

By BARRY DESKER, MELY CABALLERO-ANTHONY and PAUL TENG

This *Policy Brief* is based on the Issues Paper on ASEAN Food Security: Towards a More Comprehensive Framework. The key message is that food security is a priority agenda for the AEC, and the issues to be addressed are: (1) current impediments to agricultural trade and food production; (2) standardisation mechanisms and regulatory frameworks; (3) disjunctions between regional arrangements and domestic policies; (4) public-private partnerships; and (5) crucial indicators for food security robustness.

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 2007-2008 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 towards an integrated community of caring societies in 2015 and beyond, we argue that food security should be an integral part of the ASEAN community building agenda and needs to be given more attention than it currently has been in the AEC Blueprint. More importantly, ASEAN needs to be infused with a new thinking on food security that is responsive to the emerging global threats and

challenges.

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 explain the relatively low 1.3 percent growth in intra-regional ASEAN agricultural trade over the last decade. This is in spite of the fact that six ASEAN countries -- Indonesia, Thailand, Viet Nam, Malaysia, the Philippines and Myanmar -- rank among the world's top three exporters of several key food commodities.

Food Security as an AEC Priority

The availability, affordability and safety of food are existential needs (see Figure 1). As such,

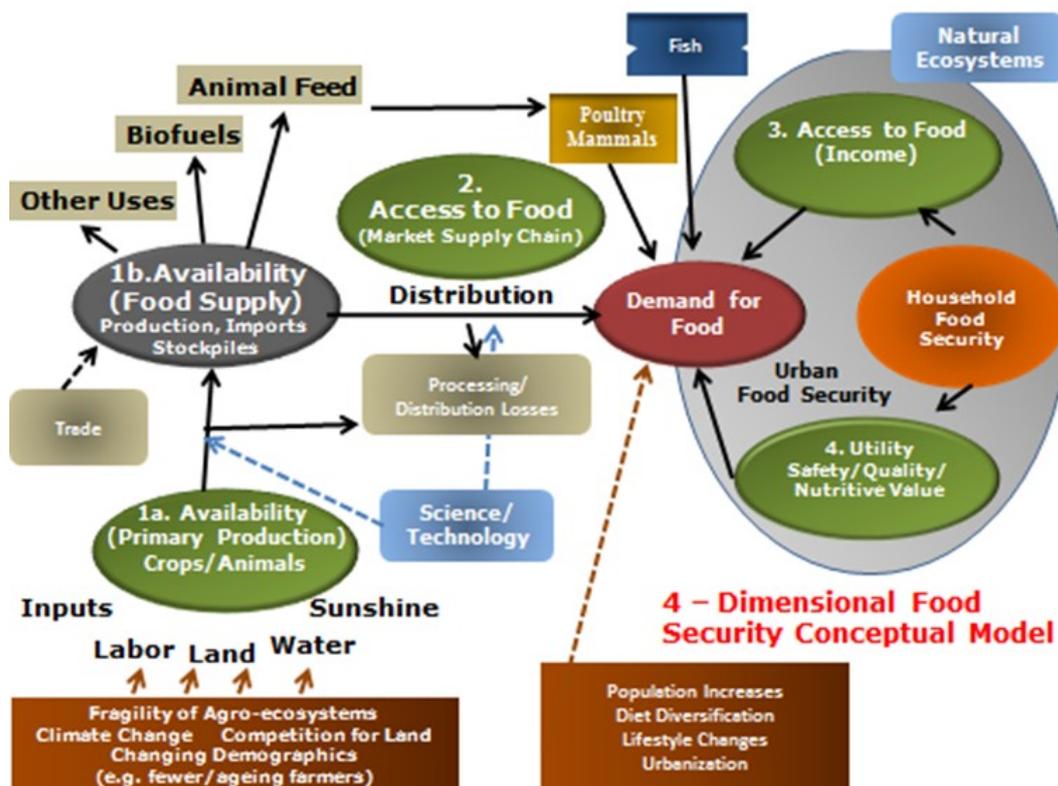
governments are well aware that food security is an issue of national security. At the same time, Southeast Asia's food systems are rapidly changing. Food demand and the channels for accessing food are shifting as per capita income increases and urban populations swell. Land competition in rural zones 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.

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

Figure 1: The Four Dimensions of Food Security



Source: Teng (2013).

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 the AEC's two priority sectors, namely, 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 to bring about free trade for agricultural products by 2015. While intra-ASEAN agricultural trade has been liberalised substantially, a number of key commodities are still considered sensitive or highly sensitive and are not necessarily moving towards more open markets.

- **Coordination in pushing ahead with standardisation mechanisms and regulatory frameworks would help maximise potential gains in intra-ASEAN trade 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 capitalise 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 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 the 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 exporting raw agricultural goods and importing 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' propensities to rely heavily on domestic production for key food commodities.

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

ASEAN leaders need to avoid any protectionist policies which reduce overall food availability for trade. National food self-sufficiency policies often work against ASEAN-wide efforts to ensure regional food security, especially in sensitive items such as rice (Teng and Morales, 2014). Food self-sufficiency, for instance, implies meeting food needs, as far as possible, from domestic supplies and minimising dependence on international trade. Food self-reliance, on the other hand, advocates reliance on the international market to make food available in the domestic market, implying the maintenance of some level of domestic food production supplemented by imports from the world market as needed. Hence, international trade is an essential component.

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

The potential to create symbiotic relationships between the public and private sectors exists as governments seek to ensure food availability, accessibility and utilisation of food – a public good. Towards 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 national agricultural research institutes, and between national and regional/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 needs to be viewed as a partner and not a

competitor in technology transfer to improve food security.

- **Urbanisation, R&D investments, health and nutrition are crucial for food security robustness.**

The analysis of the Rice Bowl Index (RBI) highlighted the implications of urbanisation and changing dietary patterns for food security robustness in ASEAN. A higher value of the RBI is indicative of greater food security robustness. As seen in **Table 1**, the two important indicators affecting food security robustness are urban population and meat consumption. An increasing urban population tends to increase food security robustness because it lowers per capita food consumption relative to the rural population. However, greater attention has to be paid to the urban poor who are more vulnerable to food price increase since typically, over 60 percent of the poor urban households' income is spent on food (UNESCAP, 2012). Meanwhile, the increasing consumption of meat, protein-rich and processed foods can compromise the robustness of the food system. Production of meat requires higher demand for land and water which thereupon constitutes a trade-off in the production of crops for food security. Thus, lower consumption of meat or

protein-rich foods can improve the robustness of food security.

At the same time, the twin problem of malnutrition and hunger disrupts human capital formation and long-term economic development prospects. Sixty-five million of the ASEAN population remain undernourished and childhood stunting is prevalent and can impede household investment in education and health (ADB, 2013). High levels of anemia and vitamin A deficiency also exist in Cambodia, Myanmar, Indonesia, the Philippines and Viet Nam.

Tables 2 and 3 show some of the policy and farm-level factors that could increase the robustness of the food system. Improvements in transportation and infrastructure, and ease of doing business, for example, all contribute to food security robustness through improved logistics and investment climate. Likewise with irrigation and rural electrification which help increase yield and improve productivity. But since improvements in farm yields and productivity in farm and factories are highly dependent on R & D and innovation, the promotion and protection of intellectual property rights (IPR) would encourage investments in R & D and can be beneficial for food security robustness. On the other hand, for farm-level factors, adult literacy boosts the

Table 1: Demand and Price Factors of Food Security Robustness (RBI)

Personal disposable income	Food per capita consumption	Population	Consumer price index	Urban population	Oil imports	Meat consumption
0.043211	-0.31829	-0.19475	0.637966	0.760259*	-0.38236	-0.5133*

Note: *statistically significant at 0.05 based on p-value
Source: Teng and Morales (2014).

Table 2: Policy and Trade Factors of Food Security Robustness (RBI)

Short-term political rating	Transportation infrastructure value	Intellectual property rights	Net agricultural trade	Government spending	Ease of Doing Business ranking
0.974133	0.454029*	0.707938*	0.051585	0.381136	0.519988*

Note: *statistically significant at 0.05 based on p-value
Source: Teng and Morales (2014).

Table 3: Farm-level Factors of Food Security Robustness (RBI)

Unit labour cost	Mobile phone subscribers	Roads and bridges Network	Short-term household credit	Availability of arable land	Irrigation	Adult literacy	Cereal yield	Rural electrification
0.008885	0.211462	0.089478	-0.31924	0.951327	0.808123*	0.644319*	0.909142	0.570627*

Note: *statistically significant at 0.05 based on p-value
Source: Teng and Morales (2014).

adoption of new technologies. As farmers gain more access to education and information, they are better able to learn and apply new productivity-enhancing techniques and crop varieties, thereby increasing their chances to have improved farm productivity that leads to greater food security robustness.

Conclusion

The AEC is expected to have a positive impact on food security through its efforts to harmonise regulatory standards, remove NTBs, liberalise tariffs completely, enhance connectivity, and strengthen institutional capacity. 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 which necessitate deeper cooperation in food security through the AEC.

With the AEC envisaged to come into fruition in 2015, serious effort should be made to make 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. ■

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Headquarters:
The ASEAN Secretariat
Mezzanine Floor
70A Jl.Sisingamangaraja
Jakarta 12110,
Indonesia

Annex Office:
Sentral Senayan II 5th & 6th Floors
Jalan Asia Afrika No.8,
Gelora Bung Karno, Senayan,
Jakarta Pusat 10270,
Indonesia

Tel: (62-21) 5797-4460
Fax: (62-21) 5797-4464
E-mail: info@eria.org