



# THE ASEAN ECONOMIC COMMUNITY: THE EFFECTS ON AGRICULTURE IN MALAYSIA

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# The ASEAN Economic Community





## ASEAN: Population, Territory and Economy, 2010

Country	Total land area (sq km)	Total population (thousand)	Gross Domestic Product at current prices (US\$ Mn) (PPP\$ Mn) <sup>2/</sup>		Product per capita (US\$) (PPP\$)	
Brunei Darussalam	5,765	415	12,402	19,406	29,915	46,811
Cambodia	181,035	15,269	11,168	28,985	731	1,898
Indonesia	1,860,360	234,181	708,032	1,030,998	3,023	4,403
Lao PDR	236,800	6,230	6,508	16,105	1,045	2,585
Malaysia	330,252	28,909	238,849	415,157	8,262	14,361
Myanmar <sup>1/</sup>	676,577	60,163	43,025	76,601	715	1,273
Philippines	300,000	94,013	189,326	351,686	2,014	3,741
Singapore	710	5,077	223,015	291,934	43,929	57,505
Thailand	513,120	67,312	318,709	585,698	4,735	8,701
Viet Nam	331,051	86,930	107,650	291,260	1,238	3,351
<b>ASEAN</b>	<b>4,435,670</b>	<b>598,498</b>	<b>1,858,683</b>	<b>3,107,829</b>	<b>3,106</b>	<b>5,193</b>
CLMV <sup>3/</sup>	1,425,463	168,592	168,351	412,951	999	2,449
ASEAN6 <sup>4/</sup>	3,010,207	429,907	1,690,332	2,694,878	3,932	6,269



## ASEAN and Selected Trading Partners: Trends of per capita GDP for periods indicated

Country/Region	1998	2003	2008	2009	2010	Ratio 2010/1998
<b>In US \$</b>						
ASEAN	965	1,332	2,596	2,546	3,106	3.22
China	817	1,270	3,404	3,739	4,382	5.36
Japan	30,527	33,134	38,216	39,459	42,820	1.40
Republic of Korea	7,724	13,451	19,162	17,074	20,591	2.67
India	425	543	1,065	1,058	1,265	2.98
Australia	20,321	27,140	48,828	44,999	55,590	2.74
New Zealand	14,559	20,066	30,765	27,284	32,145	2.21
USA	31,858	38,324	47,155	45,934	47,284	1.48
EU-27	19,224	23,585	37,045	32,963	32,615	1.70
<b>In PPP international dollar</b>						
ASEAN	2,799	3,700	4,755	4,838	5,193	1.86
China	1,998	3,217	6,189	6,786	7,519	3.76
Japan	23,882	27,222	34,009	32,199	33,805	1.42
Republic of Korea	13,413	19,697	27,716	27,938	29,836	2.22
India	1,405	1,779	2,862	3,039	3,339	2.38
Australia	25,111	30,856	38,282	38,751	39,699	1.58
New Zealand	17,613	22,409	27,206	26,600	26,966	1.53
USA	31,858	38,324	47,155	45,934	47,284	1.48
EU-27	19,937	24,305	30,789	29,662	30,388	1.52

# The AEC Pillars

## Pillar 1: Single Market and Production Base

### *Free Flow of Goods*

57.1% of total 56 targeted measures have been implemented

#### Key Accomplishments:

- ✓ ATIGA Implementation
- ✓ Completion of tariff elimination schedules
- ✓ Operationalization of National Single Windows in ASEAN-6
- ✓ Implementation of 1<sup>st</sup> Pilot Project of Self Certification
- ✓ Implementation of MRA on Good Manufacturing Practice (GMP) of Inspection of Manufacturers of Medicinal Products
- ✓ Transposition of ASEAN Cosmetic Directive into national legislation

#### Pending Implementation:

- ❖ Modernisation of custom techniques
- ❖ Development of the MRAs for Prepared Food Stuff and Automotive; ASEAN Medical Device Directive Agreement
- ❖ Harmonisation of ASEAN Harmonised Electricity and Electronic Equipment and its transposition into national legislation
- ❖ Development of the Legal Framework for Implementation of ASEAN Single Window.

AEC Scorecard update as of end-April 2012

# The AEC Pillars

## Pillar 2: Competitive Economic Region

### *Competition Policy*

100% of total 4 targeted measures have been implemented

#### Key Accomplishments:

- ✓ Establishment of ASEAN Expert Group on Competition Policy
- ✓ Completion of the Regional Guidelines for Competition Policy in ASEAN and the Handbook on Competition Policy and Law in ASEAN for Business

AEC Scorecard update as of end-April 2012

# The AEC Pillars

## Pillar 3: Equitable Economic Development

**SMEs Development**  
62.5% of total 8 targeted measures have been implemented

### Key Accomplishments:

- ✓ Development of the Strategic Plan of Action 2010-2015 for SME Development
- ✓ Establishment of ASEAN SME Advisory Board
- ✓ Establishment of ASEAN Common Curriculum for Entrepreneurship

### Pending Implementation:

- ❖ Establishment of a Comprehensive SME Service Centre and SME financial facilities at national level

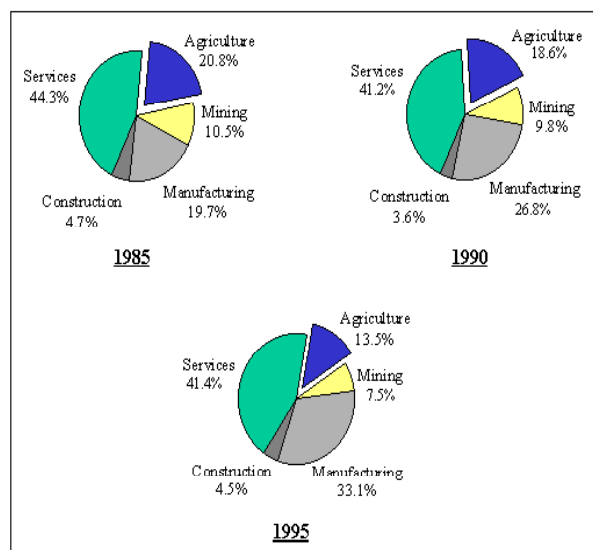
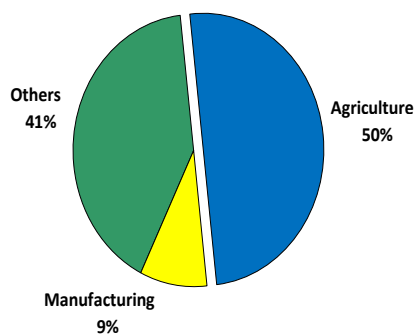
AEC Scorecard update as of end-April 2012

## AEC Scorecard: structure



# Background of Malaysian Agriculture

## Agriculture in the GDP





## Agriculture in GDP

Year/Industry	2000	2005	2010
<b>Agriculture, Forestry and Fisheries</b>	<b>8.9</b>	<b>8.2</b>	<b>7.5</b>
Manufacturing	31.9	31.4	26.7
Mining	7.3	5.9	7.5
Construction	3.3	2.7	3.3
Services	53.9	58.1	58.0



## Growth in the agricultural sector, Malaysia

Period	Growth Rate %
1961 – 1970	7.0
1971 – 1980	5.0
1981 – 1990	4.1
1991 – 1995	1.8
1996 - 2000	1.2
2001 - 2005	3.0
2006 - 2010	3.0



## The Composition of Malaysian Agriculture, 1985-2010

Item	1985	1990	1995	2000	2005	2010
	Percentage					
<b>Industrial Crops</b>	72.1	73.5	71.0	59.1	60.6	56.4
Rubber	19.2	13.8	10.6	10.0	10.5	9.0
Oil Palm	30.5	35.8	42.1	31.4	36.7	36.6
Sawlogs	17.7	15.6	13.9	16.4	13.0	10.0
Cocoa	4.7	8.3	4.4	1.3	0.4	0.5
<b>Food Commodities</b>	25.3	24.1	26.2	40.9	39.4	43.6
Paddy	4.7	4.0	4.1	3.2	3.4	3.6
Fruits	2.5	2.7	2.9	-	-	-
Vegetables	3.2	2.9	3.1	-	-	-
Fisheries	11.1	10.4	11.2	13.4	12.6	14.1
Livestock	3.8	4.1	4.8	8.1	8.1	9.0
Other Agriculture	2.6	2.4	2.8	16.2'	15.2'	16.9'
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Share of Agriculture to GDP (%)</b>	20.8	18.7	13.5	8.9	8.2	7.8



## Share of exports by sector, Malaysia, 1980-2010

Sector	1980	1990	1995	2000	2005	2010
Agriculture	48.5	22.3	13.1	6.1	7.0	6.8
Mining	26.4	18.3	5.8	7.2	9.8	12.3
Manufacturing	20.6	58.8	79.6	85.2	80.5	80.7
Others	9.3	0.6	1.5	1.5	2.7	0.7



# Malaysia's Trade Policy



# Malaysia's Trade Policy

- Fundamentally a trade oriented economy
- Consistently among the 25 trading nations in the world: top 21 exporter in 2011
- Exports and imports – 176.80 % of GDP





## At the International Front:

- Malaysia a strong advocator of freer and fairer trade
- At the multilateral:
  - member of the Cairns group
  - call for more reforms in agric.
  - “leveling the playing field”



## At the International Front:

- Actively involved in free trade arrangements

### FTAs:

- MY-JP, MY-PK, MY-NZ, MY-IN,
- MY-CL, MY-AU, MY-CN,
- ASEAN-China, ASEAN-Japan,
- ASEAN-Korea, ASEAN-India
- ASEAN-Australia and New Zealand



## At the International Front:

- Actively involved in free trade arrangements

### FTA under negotiations:

- MY-TR, MY-EU
- Trade Preferential System-Organisation of Islamic Conference(TPS-OIC)
- Developing Eight (D-8) Preferential Tariff Agreement (PTA)



## ∴ in general

- Malaysia believes and practices an open trading system
- external trade is highly important for Malaysia
- relatively low tariffs

## Composition of ASEAN Tariffs

Country	Number of Tariff Lines				Percentage			
	0%	>0%	Other (GE-Sch H)	Total	0%	>0%	Other (GE-Sch H)	Total
Brunei D.	8,223	-	77	8,300	99.07	-	0.93	100
Indonesia (AHTN 2007)	8,625	16	96	8,737	98.72	0.18	1.10	100
Malaysia	12,173	66	96	12,335	98.69	0.54	0.78	100
Philippines	8,857	95	28	8,980	98.63	1.06	0.31	100
Singapore	8,300	-	-	8,300	100.00	-	-	100
Thailand (AHTN 2007)	8,287	13	-	8,300	99.84	0.16	-	100
<b>ASEAN-6</b>	<b>54,465</b>	<b>190</b>	<b>297</b>	<b>54,952</b>	<b>99.11</b>	<b>0.35</b>	<b>0.54</b>	<b>100</b>
Cambodia	821	7,479	-	8,300	9.89	90.11	-	100
Lao PDR	5,890	2,324	86	8,300	70.96	28.00	1.04	100
Myanmar	5,029	3,212	59	8,300	60.59	38.70	0.71	100
Vietnam	4,618	3,492	190	8,300	55.64	42.07	2.29	100
<b>CLMV</b>	<b>16,358</b>	<b>16,507</b>	<b>335</b>	<b>33,200</b>	<b>49.27</b>	<b>49.72</b>	<b>1.01</b>	<b>100</b>
<b>Total ASEAN</b>	<b>70,823</b>	<b>16,697</b>	<b>632</b>	<b>88,152</b>	<b>80.34</b>	<b>18.94</b>	<b>0.72</b>	<b>100</b>

## Tariff lines in agriculture:

Products	Number of Tariff Lines			
	Duty Free	5 percent	20 percent	Exclusion
Rice and Rice Products			12	
Tropical fruits		7		
Tobacco and tobacco products		32		
Alcoholic				56
Others	1200			

→→→→ about 92 percent duty free



## The protected sub-sectors

- rice
- tobacco
- selected livestock
- tropical fruits
- cabbages



- rice
  - monopoly imports
  - GMP
  - control prices at milling, wholesale and retail
  - fertilizer subsidy
  - price support



- tobacco
  - licensing of curers and manufacturers
  - registering of growers
  - production quotas
  - GMP
  - price control
  - high tariffs



- tropical fruits
  - high tariffs
- cabbages
  - import quotas
- selected livestock
  - administered imports

# EFFECTS of AEC

## Intra ASEAN-6 trade (exports) in agricultural products, 1993 -1999 (million US\$)

Product type	1993	1994	1995	1996	1997	1998	1999
Live and animal products	607.5	666.8	872.2	1,080.5	981.1	860.0	883.1
Vegetable products	758.2	960.1	1,316.4	1,450.9	1,432.1	1,339.6	1,254.7
Animal, vegetable fats and oils	742.5	844.7	1,048.4	702.5	908.4	906.9	808.6
Prepared foodstuffs, beverages, spirits, vinegar and tobacco	1,167.3	1,487.2	1,990.2	2,681.7	3,034.7	1,838.7	1,969.2
<b>Total Exports</b>	<b>3,275.5</b>	<b>3,958.7</b>	<b>5,227.2</b>	<b>5,915.6</b>	<b>6,356.2</b>	<b>4,945.2</b>	<b>4,915.6</b>
<b>Average</b>	<b>4,153.8</b>			<b>5,533.2</b>			
% increase between periods	33.2						



## Intra ASEAN-6 trade (imports) in agricultural products, 1993 -1999 (million US\$)

Product type	1993	1994	1995	1996	1997	1998	1999
Live and animal products	716.4	693.9	792.8	942.2	934.4	793.5	917.1
Vegetable products	803.1	1,141.3	1,460.3	1,828.2	1,513.2	1,945.0	1,973.4
Animal, vegetable fats and oils	715.9	641.6	667.1	528.5	487.9	555.5	520.2
Prepared foodstuffs, beverages, spirits, vinegar and tobacco	745.1	861.2	1,533.5	1140.4 <sup>1</sup>	1,414.3	1,036.0	1,252.0
<b>Total Imports</b>	<b>2,980.5</b>	<b>3,338.0</b>	<b>4,439.3</b>	<b>4,439.3</b>	<b>4,349.8</b>	<b>4,330.0</b>	<b>4,662.6</b>
<b>Average</b>	<b>3,590.7</b>			<b>4,445.4</b>			
% increase between periods	23.8						

Note: <sup>1</sup>Data adjusted based on mean value

[www.mardi.my](http://www.mardi.my)

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## Total ASEAN-6 trade in agricultural products, 1993 - 1999 (million US\$)

Year	Total	Average	Percentage increase between periods
1993	6,256.0	7,444.5	28.85
1994	7,296.7		
1995	9,578.2		
1996	10,354.9	9,978.6	28.85
1997	10,706.0		
1998	9,275.2		
1999	9,578.2		

Source: ASEAN Secretariat (2001)

[www.mardi.my](http://www.mardi.my)

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## Malaysia's share of intra-ASEAN-6 agricultural trade, 1993 - 1999 (million US\$)

Trade	1993	1994	1995	1996	1997	1998	1999
Exports	907.5	1,004.0	1,166.6	1,303.9	1,442.4	1,346.4	1,421.3
Imports	420.8	559.5	770.5	900.4	880.9	948.0	1,039.0
<b>Total Malaysia</b>	<b>1,328.3</b>	<b>1,563.5</b>	<b>1,937.1</b>	<b>2,201.3</b>	<b>2,323.3</b>	<b>2,294.4</b>	<b>2,460.3</b>
% share of exports	27.7	25.4	22.3	22.0	22.0	22.7	28.9
% share of import	14.2	16.8	17.3	20.3	20.3	21.9	22.3
% share of ASEAN-6	21.2	21.4	20.0	21.2	21.7	24.7	25.7
Net Exports	486.7	444.5	396.1	403.5	561.5	398.4	382.3
Average	442.4			436.4			
% increase/decrease between periods					-1.37		



## Impacts on protected sub-sector

- tobacco – cultivation drastically reduced
- poultry – expected to survive
- rice – government still continue to support ;  
– also capped at 20% tariff
- fruits – reduce Πs but still likely to remain competitive
- palm oil : only commodity expected to be sure winner



### Total Intra ASEAN Trade

Country/Year/ Total trade	1995		2000		2005		2011	
	Value	% share	Value	% share	Value	% share	Value	% share
	9,593.1	100.0	9,876.9	100.0	16,717.0	100.0	44,321.1	100.0
Brunei Darussalam								
Cambodia	-	0.00	96.7	1.0	160.8	1.0	363.6	1.0
Indonesia	1,655.8	17.3	1,600.3	16.20	2,685.8	16.1	11,123.9	25.10
Malaysia	2,513.5	26.2	2,232.4	22.6	4,002.	23.9	12,775.7	28.8
Myanmar		0.00		0.00		0.00		0.00
Philippines	-	0.00	603.84	6.11	1,472.45	8.81	2,590.06	5.84
Singapore	3,679.37	38.35	2,692.39	27.26	3,763.41	22.51	8,570.10	19.34
Thailand	1,744.50	18.18	1,847.13	18.70	3,014.49	18.03	8,897.87	20.08
Viet Nam	-	0.00	804.12	8.14	1,617.44	9.68	1,947.2 <sup>1</sup>	5.3 <sup>1</sup>

<sup>1</sup>Based on 2010 data

### Intra-ASEAN Exports (USD million)

Country/Year	1995	% share	2000	% share	2005	%share	2011	% share
Total Export	5,632.0	100	5,716.5	100	8,972.0	100	24,401.2	100
Brunei	-	-	-	-	-	-	-	-
Cambodia	-	-	7.5	0.13	16.4	0.18	50.0	0.20
Indonesia	857.0	15.22	946.90	16.56	1,742.25	19.42	7,011.21	28.73
Malaysia	1,615.1	28.68	1,369.5	23.96	2,091.3	23.31	5,962.2	24.43
Philippines	-	0.00	165.8	2.90	370.0	4.12	598.1	2.45
Singapore	1,688.4	29.98	1,218.7	21.32	1,654.0	18.44	3,946.3	16.17
Thailand	1,471.5	26.13	1,486.2	26.00	2,149.0	23.95	6,833.5	28.00
Viet Nam	-	0.00	522.1	9.13	949.1	10.58	2,097.5 <sup>1</sup>	13.00 <sup>1</sup>



Intra ASEAN Imports

Country/Year	1995		2000		2005		2011	
	Value	%	Value	%	Value	%	Value	%
<b>Import</b>	3,961.01	100	4,160.4	100	7,745.0	100	19,920.0	100
Brunei Darussalam		0.00		0.00		0.00		0.00
Cambodia		0.00	89.3	2.15	144.5	1.87	313.6	1.57
Indonesia	798.8	20.17	653.4	15.70	943.6	12.18	4,112.6	20.65
Malaysia	898.4	22.68	863.0	20.74	1,911.3	24.68	6,813.5	34.20
Myanmar		0.00		0.00		0.00		0.00
Philippines		0.00	438.1	10.53	1,102.5	14.23	1,992.0	10.00
Singapore	1,991.0	50.26	1,473.7	35.42	2,109.4	27.24	4,623.8	23.21
Thailand	273.0	6.89	360.9	8.68	865.5	11.17	2,064.3	10.36
Viet Nam		0.00	282.1	6.78	668.3	8.63	1947.1#	11.071#

#Year 2010



## Overall Effects of AEC

- studies showed economic welfare expected to increase
- FDIs also expected to increase
- should be able to help CLMV countries to faster intergrate



## Overall Effects of AEC

- On agricultural development and trade – not much more than that has already been taking place
  - tariff reduction completed for ASEAN 6
  - still protection through NTBs and administrative procedures



## EFFECTS of AEC

### Further Discussions

