Agricultural Policy Trend in ASEAN countries: AEC perspective

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Contents

1. AG policy trend: a way for AEC-CAP?
2. AG Trade Liberalization
   - A two tier noodle bowl with an Achilles heel
3. Case Study: Findings from PSE analysis
4. Challenges and perspectives

AG policy trend
a way for ASEAN CAP?

2007 AEC blueprint

- Goal: Economic Integration
- Establish AEC by 2015
- Single market & production base
- Free flow of Goods, services, invest./capital, skilled labor
- Eliminate IM duties and NTB as CEPT-AFTA (with exceptions)
- Promote integration in standards, customs, etc

Conditions for CAP

1. **Free intra-trade**
2. **Common extra-trade policies**
3. **Common price/income support**
4. **Common macro economic policies**

ASEAN AG: so diverse!

2010

	Popula-tion million	GDP Bill.$	GVA %of GDP	GDPpc 2000$	AG worker %of total	GVA/ Worker 2000$	Cereal yield ton/ha	Food import % of total
Brunei D	0.4	12.4	0.8	17225		76830	1.3	
Cambodia	14.1	11.2	36.0	558	72.2	434	3.1	7.3
Indonesia	239.9	708.0	15.3	1145	40.3	730	4.9	8.5
Lao PDR	6.2	7.2	32.7	556		465	3.8	
Malaysia	28.4	246.8	10.4	5169	14.0	6680	3.8	7.9
Myanmar	48.0	0.0					4.0	8.3
Philippines	93.3	199.6	12.3	1383	35.3	1119	3.2	11.1
Singapore	5.1	213.2	0.0	32641	1.2	28865	0.0	3.2
Thailand	69.1	318.9	12.4	2713	42.5	706	2.9	5.0
Vietnam	86.9	106.4	20.6	723	51.7	367	5.2	8.7

Source: WB, World database

AG production:
Similarity and difference

Top 10 product groups in MCs (2000intl$)

Cambodia		Indonesia		Lao		Malaysia		Myanmar		Philippines		Thailand		Vietnam	
Products	%	Products	%	Products	%	Products	%	Products	%	Products	%	Products	%	Products	%
Rice	58.9	Rice	30.6	Rice	41.3	Palmoil& k	60.0	Rice	39.0	Rice	19.9	Rice	28.4	Rice	37.2
Cassava	11.9	Palmoil & k	17.0	Vege. nes	10.0	Poulty M	15.2	Poulty M	6.5	Bana&Pine	14.0	Rubber	11.1	Pigmeat	16.2
Cattle M	5.2	Rubber	5.3	Maize	5.9	Rubber	7.3	Beans	8.7	Pigmeat	11.9	Fruits nes	8.4	Vege. nes	5.3
Pigmeat	4.0	Fruits nes	4.2	Cattle M	5.2	Rice	4.7	Pigmeat	4.0	Fruit nes	9.9	Cassava	7.3	Fruit Nes	4.7
Maize	2.8	Cassava	4.2	Pigmeat	4.9	Eggs	3.4	Vege. nes	3.6	Coconuts	8.1	Sugar C	7.2	Coffee	4.1
Vege. nes	2.7	Poulty M	3.7	Coffee	2.8	Pigmeat	2.6	Sesame	2.8	Poulty M	5.1	Poulty M	5.9	Cashew	3.8
Fruits nes	2.0	Bana&Pine	3.4	Cassava	2.6	Bana&Pine	1.4	Groundnut	2.7	Vege. nes	4.4	Eggs	5.2	Cattle M	3.4
Rubber	1.2	Coconuts	3.4	Tobacco	2.2	Vege. nes	1.1	Cattle M	2.4	Cattle M	3.9	Pigmeat	4.6	Cassava	3.1
Bananas	1.1	Maize	3.1	Poulty M	1.5	Fruits nes	0.9	Milk	2.4	Sugar C	3.1	Bana&Pine	3.2	Rubber	3.0
Soybeans	1.1	Pigmeat	1.9	Sugar C	1.2	Coconut	0.4	Fruit Nes	2.3	Eggs	2.6	Cattle M	2.4	Poulty M	2.7

Source: FAOSTAT

- Rice has predominant importance in all countries except Malaysia
- Some estate crops make up high share in Indonesia, Malaysia and Thailand
- In some countries, specific crops (e.g. cassava, coffee, beans, banana & pineapples) are produced for exports

AG trade liberalization
So far so good?

Progress in CEPT-AFTA for AG

- Eliminate tariffs even sensitive products under ATIGA by 2010 for 6 nations & by 2015-18 for CLMV
- Eliminate NTB by 2010 in Thailand and by 2010-15 in Vietnam
- Except for Rice and Sugar in some countries

Achieved in most cases as scheduled because:

- MCs have been either competitive or marginal producers in these products;

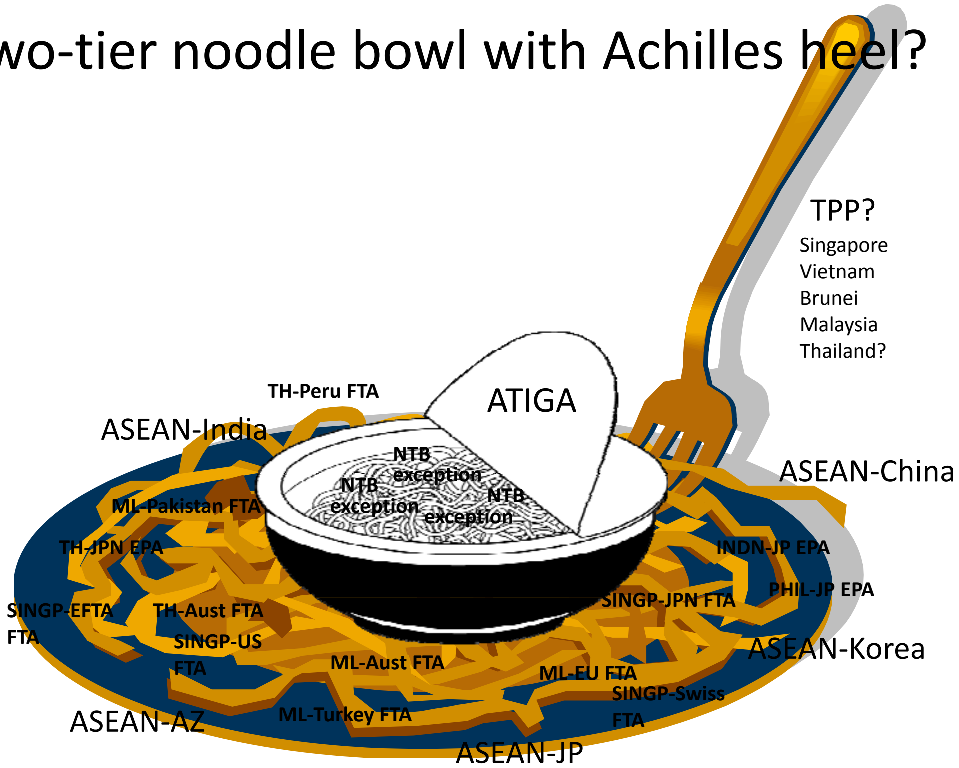
- thus, real effective tariffs had been already low;

- various NTB (NTM) including TRQ, licensing, IM permits still in force for key products;

- temporary suspension may be allowed at emergency;

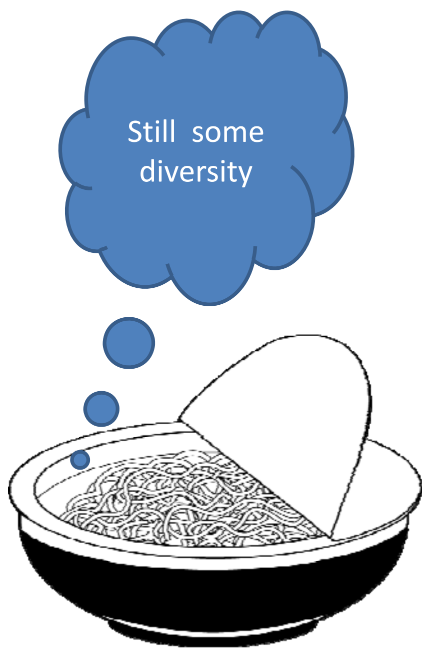
- rice and sugar have been excluded.

ASEAN AG trade liberalization
A two-tier noodle bowl with Achilles heel?



Inner bowl : AG in ATIGA

- CEPT:
  - achieved 0-5% tariffs in most AG items (ASEAN6)
  - Except rice and sugar
  - CLMV will follow
- NTB:
  - Still many NTB/NTM and less transparent
- Standards:
  - Still diverse in SPS, food safety control



CEPT but with discretion?

Rice and Sugar Tariffs (%) and NTM

	Rice			Sugar		
	2012	2015	NTM	2012	2015	NTM
Cambodia	5	0-5		5	0-5	
Indonesia	30	25	ST	30	10	IL
Lao	5	5	ST?	10	5	
Malaysia	20	?	ST	0	0	IL
Myanmar	?	5	ST	?	0.5	
Philippines	40	35	ST	28	5	TRQ
Singapore	0	0		0	0	
Thailand	0	0	TRQ IL	0	0	TRQ
Vietnam	10	5	TRQ	5	5	TRQ

Source: ASEAN secretariat, ATIGA tariff schedule for each country

Reported major AG NTM

Country	Major Items	Type of NTM
Indonesia	Chiken Root crops Rice & maize Soybeans & oilseeds	QR/prohibition Selected approval State Trading Licensing/permit
Malaysia	Meats,Fish,Milk Rice Palm nuts & kernels Sugar	Licensing (mostly SPS?) State Trading Licensing(discret.) QR, Licensing
Philippines	Beef, pork, chiken Potatoes Coffee Maize Soybeans & oilseeds Sugar	TRQ TRQ TRQ, permit TRQ Licensing(mostly SPS?) TRQ
Thailand	Rice Soybeans Coconut oil Sugar	TRQ, licensing TRQ, licensing TRQ TRQ
Vietnam	Eggs Vegetables, Fruits Sugar	TRQ Tech regulation (SPS?) TRQ

Source: ASEAN Secretariat, Database of non-tariff measures
Note: Excludes general SPS measures
Excludes NTMs applicable to non-ASEAN countries

Outer bowl : tangled FTA/RTA

- ASEAN FTA with Dialogue partners
  - China, Japan, Korea, Aust-NZ, India
  - But simple wrapping of each nation's commit.
  - No common schedules among ASEAN members nor dialogue partners
- Bilateral FTA/EPA: so diverse and tangled with full flexibility(exclusions)
  - Thailand: JPN, AST, NZ
  - Malaysia :JPN, IND, Chile, PAK, NZ
  - Philippines, Indonesia, Vietnam: JPN(EPA)
  - Singapore: US, JPN, CHN, EFTA,IND, AST, etc
- TPP: Can they accept complete liberalization?
  - Brunei, Malaysia, Singapore, Vietnam, (Thailand)

ASEAN China FTA: Sensitive and highly sensitive list (2004)

	Sensitive products		Highly sensitive products		
	No.of items	Major items	No.of items	Major items	2012
Brunei	0		0		
Cambodia	8	porcessed food and tobacco	8	processed food	Mostly 0-10%
Indonesia	12	Minor processed food	13	rice, sugar, alcohol	Mostly retained
Lao	75	meats, milk, vegetables, fruits, rice	16	alcohol	Mostly retained
Malaysia	22	meats,milk,eggs,cabbage, tobacco	22	chicken, milk tobacco	Mostly retained
Myanmar	127	cofee, veg.oil, sugar, processed food	0		
Philippines	20	vegetables	41	meats, onion, carrots, rice,sugar	Mostly retained
Singapore	1	alcohol	3	beer	
Thailand	8	wheat flour, processed food	51	milk, onion, coffee, rice soybean, oil, sugar	Mostly 0-5%
Vietnam	Not available but chicken, coffee, rice, veg.oil and many others are included				Mostly retained

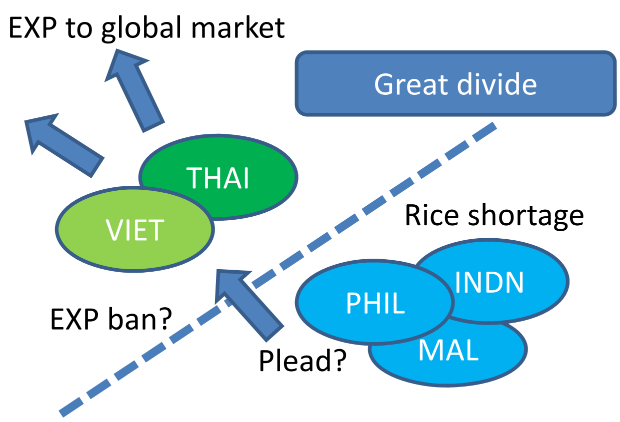
Source: ASEAN secretariat, ASEAN China FTA area, Agreement on Trade in Goods, Annex II and reduction schedule

Note: Tariff rates have been reduced since 2004 for sensitive products.

Reduction schedules differ by country and by ASEAN FTA

Food security: An apple of discord

- 2007/08 global food crisis disclosed a serious defect of CEPT-AFTA
- Had nothing to do with food exports and put food importing MCs at risk in double sense: export ban or export to non-MCs for the national interests
- Dilemma of “open-regionalism” and solidarity
- Is emergency rice reserve earmarked by ASEAN (87000ton only) enough?



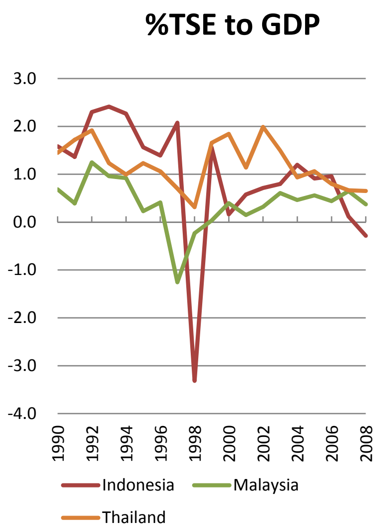
Case Study: Findings from PSE Analysis

- Free trade alone cannot promise AEC-CAP
- It requires common AG policies including:
  - Common price/income support measures
  - Common Gov. services
- To capture overall policy trend, we need a good analytical tool : PSE/CSE/TSE

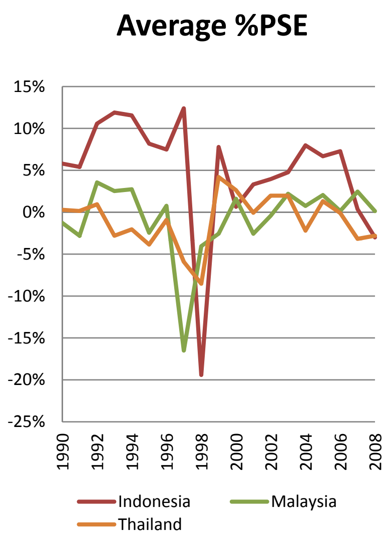
What are the PSE methodology?

- It attempts to measure the overall transfers to AG sector through policies
- They comprise transfers to producers/consumers from price support (MPS-PSE) and income support (non-MPS PSE) and transfers to the sector (GSSE)
- MPS is measured through price gap between domestic and international market
- Non-MPS and GSSE are computed from Govt. budgetary data

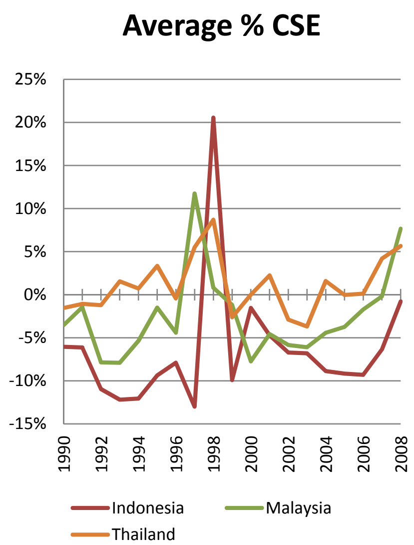
Trend of TSEs : convergence?



Vary by country
Declining trend?

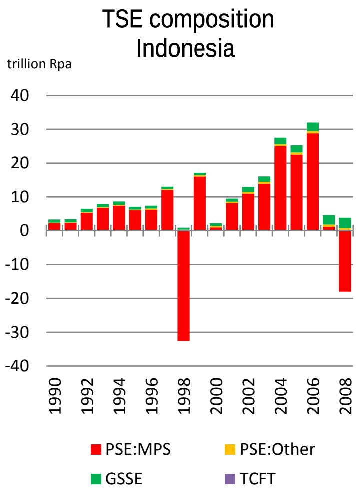


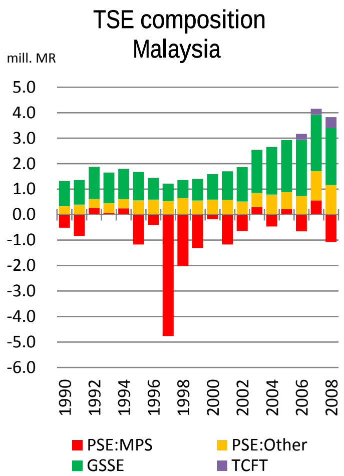
Mostly remain +-10%
Except 1997-8

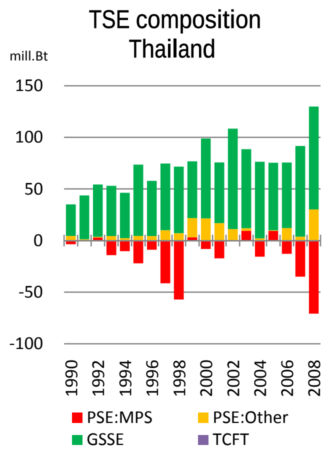


Mirror images with
an upward trend?

TSE composition :Policy support varies







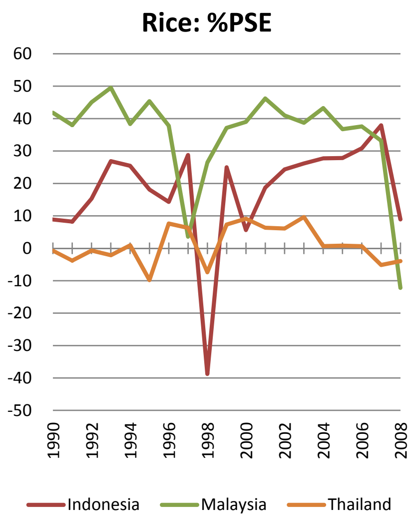
- Mostly MPS with high fluctuation
- Producers are modestly protected

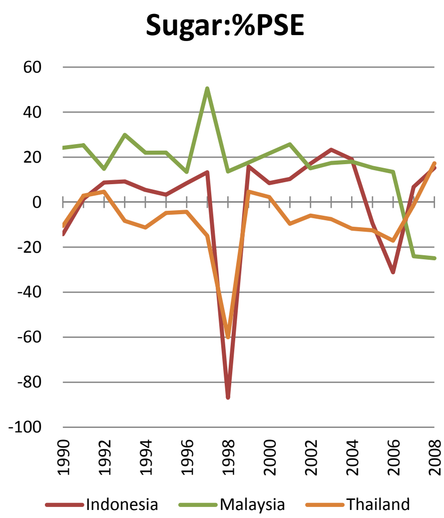
- High share of GSSE and others
- Producers are not protected so much

High share of GSSE which counterbalance negative MPS

Rice and Sugar PSE:

divide between exporter/importer

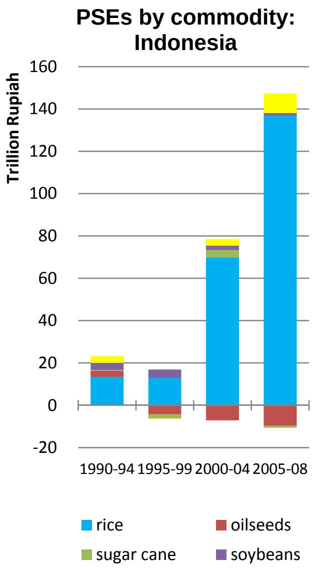


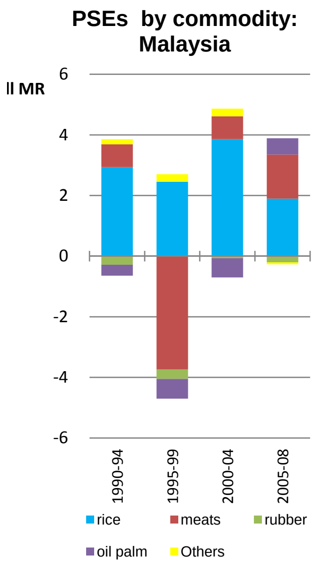


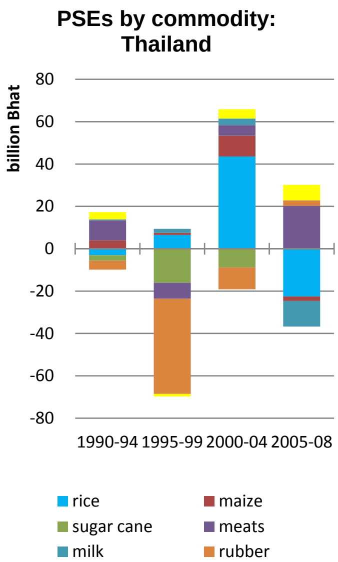
- High in importers with volatility
- Nil for exporter (Thailand)

High volatility due to abrupt changes in exch. rate and intl. prices

PSE by commodity: No resemblance







Mostly rice (+) | Mostly rice(+) & meats(+-) | Diverse (+-)

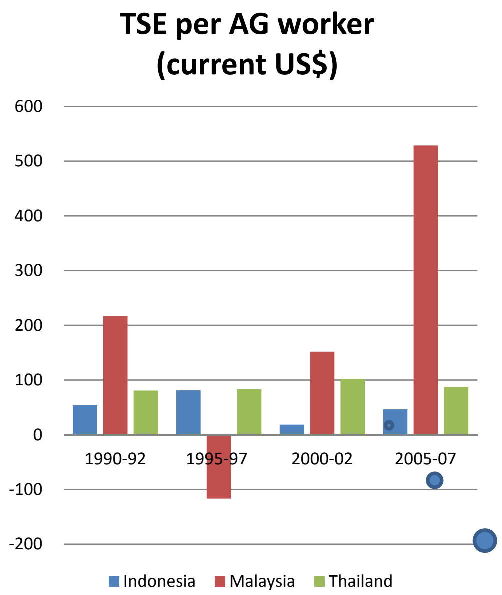
Transfer Matrix and TSE (annual average, 2000 price)

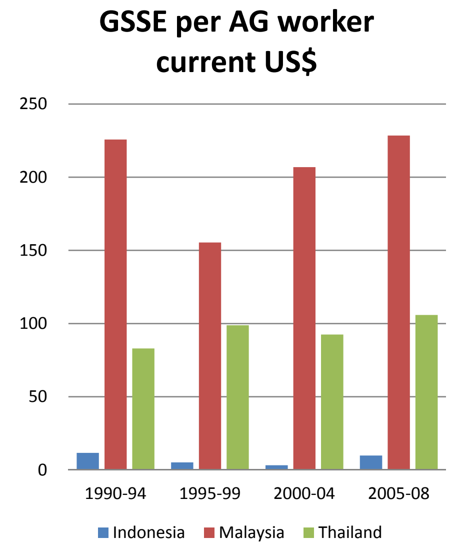
	1990-94					1995-99					2000-4					2005-08				
		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total
	PRD	0	-16.0	-2.0	-18.0	PRD	0	-7.6	-0.6	-8.3	PRD	0	-10.9	1.3	-9.6	PRD	0	-12.6	6.4	-6.1
Indonesia	CSM	16.0	0	1.7	17.7	CSM	7.6	0	2.2	9.8	CSM	10.9	0	1.9	12.8	CSM	12.6	0	1.4	14.0
(Rpa trill.)	TXP	2.0	-1.7	3.7	4.0	TXP	0.6	-2.2	1.7	0.1	TXP	-1.3	-1.9	1.1	-2.1	TXP	-6.4	-1.4	1.4	-6.5
	Total	18.0	-17.7		*(21.7)*	Total	8.3	-9.8		*(9.9)*	Total	9.6	-12.8		*(10.7)*	Total	6.1	-14.0		*(7.5)*
		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total
	PRD	0	-0.4	0.1	-0.3	PRD	0	1.1	0.4	1.6	PRD	0	-0.2	0.1	-0.2	PRD	0	-0.03	-0.53	-0.6
Malaysia	CSM	0.4	0	0.5	0.9	CSM	-1.1	0	0.9	-0.3	CSM	0.2	0	0.9	1.2	CSM	0.03	0	-0.26	-0.2
(RM bill.)	TXP	-0.1	-0.5	1.6	1.0	TXP	-0.4	-0.9	1.0	-0.3	TXP	-0.1	-0.9	1.3	0.4	TXP	0.53	0.26	1.74	2.5
	Total	0.3	-0.9		*(1.9)*	Total	-1.6	0.3		*(-0.6)*	Total	0.2	-1.2		*(1.5)*	Total	0.56	0.23		*(2.5)*
		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total		PRD	CSM	TXP	Total
	PRD	0	-0.2	2.1	1.9	PRD	0	6.8	3.6	10.4	PRD	0	-1.1	-1.6	-2.8	PRD	0	5.6	2.0	7.5
Thailand	CSM	0.2	0	0.6	0.8	CSM	-6.8	0	-0.1	-6.9	CSM	1.1	0	0.2	1.3	CSM	-5.6	0	-2.7	-8.3
(Bt bill.)	TXP	-2.1	-0.6	35.0	32.3	TXP	-3.6	0.1	39.8	36.3	TXP	1.6	-0.2	45.5	46.9	TXP	-2.0	2.7	40.0	40.8
	Total	-1.9	-0.8		*(33.1)*	Total	-10.4	6.9		*(29.4)*	Total	2.8	-1.3		*(48.3)*	Total	-7.5	8.3		*(32.5)*

Note: 1 PRD: producers, CSM: consumers, TXP: taxpayers. Figures in bracket are TSE

- Transfers were positive for producers and negative for consumers in Indonesia
- This was not so clear for Malaysia
- Producers were mostly taxed but govt. supports AG sector in Thailand
- No significant changes in real-term support to AG sector
- Transfer pattern differ by period reflecting relative prices to intl. market

Gaps in support per AG worker





Are rich members
are ready to pay?

Challenges
Long way for AEC-CAP

- AG sectors in ASEAN MCs are quite diverse by country. So are the AG and trade policies.
- CEPT-AFTA appears advancing but hidden barriers of NTMs seem to be resilient. Tangled FTA/EPA/RTA network makes the task for an open single market and production base more difficult.
- Huge disparities and variations exist among MCs on AG policies and Govt. support. No clear trend of convergence have been seen until 2008.
- These disparities should be narrowed but would need enormous time and funds in such a loose political group like ASEAN.
- 2007-8 global food crisis disclosed a risk of discord among MCs on national food security. Many MCs reverted to traditional self-sufficiency policies, a set back in AEC-CAP.
- An single AG market and production base may hardly come true without total economic and political integration

Perspectives
But ship would move forward

- Real locomotive of AEC is the region's industrial sector which is rapidly developing and being integrated through the cross-border supply chain
- Extra ASEAN AG trade is not so conflicting because major traded items are complementary rather than competitive.
- The share of processed AG products in AG trade are increasing as economy grows and they are not included in highly sensitive products except CLMV
- Rice and sugar (& dairy?) may be controversial but ASEAN way of conventional wisdom (loose and practical approach) would find solution
- TPP would be a real challenge for them because such wisdom may not work well.

Thank you!