**Policy Brief**

# Food Security and Trade: Can ASEAN Show the WTO a Way Forward?

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Food security hit the global headlines in 2008 when world food prices spiked suddenly and plunged over a hundred million people into chronic hunger, contributing to the ongoing unrest in North Africa and the Middle East that started with the Arab Spring.

Whilst food prices are no longer front-page news, food security remains a key concern for governments and policymakers. At the ASEAN level, the ASEAN Summit of 2009 pledged "to embrace food security as a permanent and high policy priority".

It is also high on the agenda of trade negotiators, where the treatment of national food security policies has threatened to derail progress in trade negotiations. Indeed, the some have attempted at recent WTO Ministerials at Bali in 2013 and Nairobi in 2015 to pitch trade liberalisation against food security, with India in particular arguing that exemptions from the current trade rules are required to ensure that effective food security policies can be implemented at the national level.

In our publication 'International Trade and Food Security: Exploring Collective Food Security in Asia' we argue that this narrative is overly simplistic and does not account for the way in which the current distortions of trade in agriculture actually undermine effective food security policies rather than support them.

National food security solutions are often implemented at the expense of both individual food security for citizens within the country and of the pursuit of collective food security for 'all people at all times' by encouraging the kind of unilateral export restriction responses that exacerbated the 2008 food price crisis.

In this context it is interesting that ASEAN in its Integrated Food Security (AIFS) Framework and Strategic Plan of Action on Food Security in the ASEAN Region 2015-2020 (SPA-FS), is choosing a different way: looking beyond national solutions and seeking to promote food security through regional trade, with initiatives such as the ASEAN Plus Three Emergency Rice Reserve (APTERR) and the ASEAN Trade in Goods Agreement (ATIGA).

We take a look at these initiatives and, ahead of ASEAN's upcoming RCEP negotiations, ask whether there is scope for promoting ASEAN's vision more widely.

**Food Security Policy in ASEAN – 2008 to 2020**

In 2008, ASEAN countries were rocked by the price of rice more than tripling in less than a month. Rice exporting countries implemented or considered implementing export restrictions as a self-sufficiency strategy. This added to the crisis, causing the price of rice to rise even further. In the longer term, many traditionally rice-importing countries have attempted to create self-sufficiency strategies focused on local supply. This does not mean that a country would do without food exports, but rather that they sought to reduce their reliance on imports of staple crops such as rice by investing in national production.

In our publication 'International Trade and Food Security: Exploring Collective Food Security in Asia' we discuss at length, though contributions by experts in the field, why such efforts can be counterproductive both to containing pricing volatility and to ensuring stability of supply. Indeed, it was thinness of trade in rice that contributed to the pricing volatility that hit ASEAN in 2008. High tariff barriers and subsidies given to rice producers create a distorted market that results in inefficient production and distribution of rice.

In light of the uncertain impact of climate change, self-sufficiency as a strategy places all a country's eggs in one geographical basket – literally and figuratively – at a time when flexibility of supply is required. While we cannot be sure what the impact of climate change will be on the production potential of specific geographical areas, scientists have suggested that some regions will increase in production potential and current estimates suggest that the world will be able to provide enough food if production potential is maximised. This suggests that rather than self-sufficiency as a strategy, countries need to reconceptualise food security from a collective security perspective.

At the ASEAN level, ASEAN Member States have put together a package of measures to promote 'Sustainable Food Trade Development'[1] and under its 'Strategic Thrust 2: Promote Conducive Food Market and Trade' ASEAN has sought to convene discussions on the procedures and disciplines to be followed with respect to the use of food rice trade restrictions and operations of state trading entities; food trade facilitation; food value chain strengthening, and food diet diversification, hosting an ASEAN Food Trade Forum last year to progress these discussions.

ASEAN already has an example of a successfully negotiated regional food security initiative, APTERR, in which ASEAN and its Plus Three trading partners, China, Japan and South Korea have agreed to limit export restrictions on rice by contributing to virtual stockpiles, creating an information sharing and market

[1] See the Integrated Food Security (AIFS) Framework and Strategic Plan of Action on Food Security in the ASEAN Region 2015-2020 (SPA-FS). In the first instance the coverage of the AIFS SPA-FS covers priority commodities for food security in the ASEAN region: rice, maize, soybean, sugar and cassava. Other commodities such as livestock, fishery and crops for staple food, which are important for food security and nutrition, shall be identified during the course of implementation of the AIFS Framework and SPA-FS.

price mechanism for an origin neutral trade in rice when a member is predicted to be in need of supply and an emergency response procedure.

From a rice trade reform perspective ASEAN is focusing on two twin strategies: (i) guaranteeing stability of supply; and (ii) promoting market access.

**Designing an ASEAN Food Security Strategy**

As highlighted above, encouraging the efficient production for rice in the region would be one pillar in the ASEAN food security strategy.

ASEAN is considering encouraging "reduced self-sufficiency targets of net-rice importing countries in exchange for guarantees on export deliveries of net rice exporting countries". This will not be easy. Several ASEAN countries aim to become entirely self-sufficient in rice. Malaysia has publicly declared its intention to achieve this by 2020. Indonesia has announced it is ahead of its goal of achieving self-sufficiency by 2018 and The Philippines has delayed its target of 2016, aiming for only 90-95% self sufficiency this year.

The costs of these policies, monetarily and from a food security perspective, are considerable. We have already covered the dangers of attempting to see national boundaries as defining the production for food security: climate change means that production yields are now unpredictable.

Further, as explained by Dawe, "[t]he problem with such a strategy is that there is a very good reason why fewer farmers grow rice in the importing countries, namely, other crops are more profitable. Forcing farmers to grow rice will reduce their income, which will work against household food security. Thus, rice importers face a trade-off between national self-sufficiency (which is often equated with national food security) and household food security. The policy of restricting imports to achieve national self-sufficiency and reduce reliance on the world market raises domestic prices, which reduces household food security because most of the poor have to buy their rice in markets and are hurt by higher prices. Higher domestic prices also result in other costs, such as reduced farm diversification, poorer nutrition, and less competitiveness in other sectors of the economy. These costs should be considered in the design of national policies."

The only way to persuade countries that self-sufficiency is not necessary for national food security is to provide a viable alternative: guaranteed supply through trade. It is no coincidence that these self-sufficiency drives gained traction following export restrictions by major exporters in 2008. To this end, ASEAN is considering a "set of criteria to be met and disciplines to be followed in the exercise of export restrictions and/or related domestic measures which have the equivalent effect of reducing rice exports". ASEAN has effectively started moving towards limiting export restrictions by each member guaranteeing its contribution to APTERR's virtual stockpile. More of course can be done but this is an important first step.

Strategies to increase efficient production must be married to strategies to lower market barriers and thereby improve opportunities for distribution of rice.

In return for disciplines on export restrictions, ASEAN aims to ensure that market access will be provided through a "set of criteria to be met and other disciplines in the grant of the Article 24 waiver for rice under the ATIGA". To this, ASEAN adds the "promotion of private sector participation in rice trade and disciplines to be followed by national food parastatals [government controlled companies]."

If implemented as amendments to Article 24 of ATIGA as proposed in the AIFS SPA-FS, these measures could go a long way to supporting an effective regional food security strategy.[2] The focus on trade as a food security component will be critical to reducing the thinness of rice trade in ASEAN and this could in turn result in better production and distribution of rice in ASEAN, fulfilling national needs through a collective food security strategy.

## Planting the Seeds for a Collective Food Security Strategy

Recognising that a regional collective food security strategy is the best way to ensure food security across ASEAN is a critical and necessary first step towards its implementation. However, there is still a long way to go before this is achieved even in ASEAN.

Building on APTERR could provide a way forward that would ease the process. In addition to emergency reserves, as highlighted above APTERR provides:

- Disciplines on agricultural export restrictions including a *de facto* partial prohibition of export restrictions up to a certain threshold committed to the virtual stockpile;
- Greater market price transparency; and
- Regional cooperation on pricing information.

Significantly, the regional model embodied in APTERR goes some way to implementing export disciplines by ensuring that at least 1.75 million metric tons of rice in the region will not be subject to export restraints, at least amongst the APTERR members. This will also help reduce rice price spikes as it limits the opportunity for speculators to take advantage of panic buying by ensuring that there will be enough rice to meet short-term needs.

Emphasising this aspect of APTERR could assist in encouraging commitments from both exporting and importing countries under Art. 24 ATIGA.

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[2] These will be combined with (a) measures to attract private investors in a regional rice futures trading, including the development of a rice index; (b) establishing product standard and certification procedures in the trade of food commodities; (c) facilitating cross-border trade in food commodities; (d) strengthening value chain systems and promoting contract farming; and (e) accelerating food diet diversification among the peoples in ASEAN.

But there is another advantage to APTERR, in that it covers not only ASEAN but also the 'Plus Three' countries: China, Japan and South Korea all of which are major rice producers and rice consumers.

**Looking Beyond ASEAN: RCEP and the WTO**

There is an opportunity, through APTERR, to expand this model of regional food security strategy beyond ASEAN.

ASEAN's famous 'noodle bowl' of FTAs is currently being streamlined, with ASEAN member countries collectively negotiating the 'Regional Comprehensive Economic Partnership Agreement' (RCEP) with the ASEAN+6 countries, that is, the ASEAN+3 and Australia, India and New Zealand.

With APTERR already covering ASEAN+3, and RCEP envisaged as paving the way towards greater regional economic integration, the kind of commitments envisaged in the reform of Art. 24 ATIGA could be translated to RCEP.

Currently RCEP does not contemplate this kind of concessions in agriculture, even though its aim is "progressively eliminating tariff and non-tariff barriers on substantially all trade in goods in order to establish a free trade area" among the RCEP participating countries". Instead commentators have voiced concern that RCEP's low ambition could render it irrelevant even to the businesses it is intended to benefit. While the negotiating agenda has expanded, there is currently little to suggest that RCEP's level of ambition will match that of the other regional agreement to which several ASEAN member countries are party, the Trans Pacific Partnership (TPP). In it, countries like Japan offered significant concessions on rice – never before granted in any of Japan's FTAs - in return for market access in other areas.

It may just be that the recent conclusion of the TPP could spur a higher level of ambition for RCEP. There are powerful drivers that could support this: those RCEP countries which have already granted concessions under the TPP may find it difficult to argue that they cannot be granted under RCEP and those that are not party to it may be keener to seek an effective counterweight that would avoid the diversion of trade away from their markets that the TPP could create.

Regional agreements could also pave the way for progress at the WTO. Currently at WTO level, despite the attempts at a Single Undertaking to cover multiple issues, all progress is limited to individual issue Declarations, which can only attempt to deal with the issues we raise - the stability of trade and reduction of distortions to agriculture distribution and production - at a much slower pace.

Indeed, the use of Decisions, Declarations and Peace Clauses to make progress at the WTO, outside the clear negotiating framework provided by the Doha *single undertaking* raises concerns. Para. 47 of the Doha Ministerial Declaration allows for progress via Decisions to be incorporated into the *single undertaking*. But the future of the Doha round is highly uncertain, with WTO members failing to ratify their commitment to it at the recent Ministerial in Nairobi. This clouds the otherwise significant progress in prohibiting export subsidies achieved at Nairobi, as sought under Goal 2 'Zero Hunger' of the Sustainable Development Goals (SDGs).

WTO is open to incorporating progress that takes place outside its framework through regional agreements. The Nairobi Ministerial Declaration at its paragraph 28 states "We reaffirm the need to ensure that Regional Trade Agreements (RTAs) remain complementary to, not a substitute for, the multilateral trading system. In this regard, we instruct the Committee on Regional Trade Agreements (CRTA) to discuss the systemic implications of RTAs for the multilateral trading system and their relationship with WTO rules." This is placed in Part III of the Ministerial Declaration which deals with the future of the WTO negotiations and this language could present an opportunity for the WTO to discuss the issues raised on Food Security by FTAs such as the TPP and RCEP.

From a collective food security perspective this would be critical: ultimately the WTO is the only organisation capable of creating a level playing field in trade in food. It is the only forum where the US and China are both present unlike the TPP and RCEP. It is also the only effective rule maker and arbitrator through the DSU. Ultimately any framework for an effective food security policy will require this.

With ASEAN countries members of the WTO and RCEP and some ASEAN members also in the TPP, and with the high ambition of the ASEAN food security strategy, ASEAN is in a key position to show the WTO members a possible way forward.