THE ASEAN ECONOMIC COMMUNITY BLUEPRINT: IMPLEMENTATION AND EFFECTIVENESS ASSESSMENT FOR THAILAND AGRICULTURE

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Abstract

The ASEAN Economic Community (AEC) Blueprint states the plan of ASEAN countries to unify into a single market and production base. A priority focus for integration is enhancement of trade among ASEAN member countries and long-term competitiveness of food and agriculture products produced within ASEAN. Based on key person interviews, this study identifies the specific gaps for the case of Thailand agriculture, and makes appropriate recommendations. The widest gaps in AEC blueprint implementation appears to be in cooperation areas related to private sector linkages, agricultural cooperatives, R&D, and technology transfer. Considerable progress has been made in GAP, GAHP, GHP, and GMP, i.e. the case of HACCP. The following measures are recommended: First, to re-examine objectives and targets for cooperation with the private sector. Second, within trade standard harmonization, a couple of action items are: i) Expedite completion of the ASEAN GAqP; and ii) Highlight the issue of small producer inclusion. The Blueprint objectives for cooperatives, including other types of producer associations, should be re-examined towards more collective approaches to gain approval and certification.

Keywords: Market integration, trade harmonization, product standards, producer linkages

1. Introduction

The ASEAN is moving towards a single economic community based on an ASEAN Economic Community (AEC) Blueprint, which calls for a single market and production base. A priority focus for integration is enhancement of trade among ASEAN member countries and long-term competitiveness of food and agriculture products produced within ASEAN. By harmonizing their standards and quality and by standardizing their trade certifications, ASEAN agricultural products are expected to become more competitive in the global market. Progress has been made towards standardizing practices and food safety systems such as adoption of Good Agriculture Practices (GAP), Good Aquaculture Practices (GAqP), Good Animal Husbandry Practices (GAHP), Good Hygiene Practices (GHP), Good Manufacturing Practices (GMP), and Hazard Analysis Critical Control Point (HACCP)-based systems. The blueprint emphasizes agricultural cooperatives, as they are seen as a means also to enhance market access of agricultural products. The review shall focus on areas considered essential and to contribute most towards the realization of AEC by 2015. In this context, the review shall assess the gap between the implementation status and targets set as well as provide recommendations to enhance the implementation of the AEC Blueprint. The Thailand agriculture study aims to assess the effectiveness of the integration measures implemented by the Thailand at the national level, in compliance with the AEC Blueprint. Gaps in implementation and effectiveness would be identified, as well as the need to address these gaps. The assessment also covers the contributions of the proposed AEC to economic growth, employment, competitiveness, and social welfare. Data for the analysis would be obtained from a survey of respondents in the relevant government agencies, based largely on subjective rating by key informants. Based on the analysis, the study would lastly state recommendations towards enhancing implementation of the AEC blueprint on agriculture.

The rest of this report is organized as follows: background and issues of ASEAN integration for Thailand agriculture are reviewed in Section 2. The method for data gathering is presented in Section 3; findings from the survey are presented in Section 4. Section 5 summarizes and states recommendations.

2. Integration: Issues and concerns for agriculture

Agricultural trade of the Thailand The following discussion on agricultural trade is based on the Trade Map database (www.trademap.org and go to the More analysis tools part, then click at the Trade Competitiveness Map link. The new window will open, click at Trade Performance HS article and select by country is Thailand and select by year between 2009 and 2011), which permits disaggregation by direction of trade. We average statistics over a three-year period to smoothen out the data. First we report shares of imports (exports) in total trade by commodity, as well as shares of imports (exports) in trade with ASEAN by commodity.

Agricultural imports of the Thailand averaged $5.45 billion over the period 2009-2011 (Table 1). Imports are dominated by edible fruit, nuts, peel of citrus, and melons. Other major imports are vegetable fats and oils, roots and tubers, food preparations, and miscellaneous edible preparations.

Table 1. Imports and import shares of agricultural products, average of 2009-2011

	Value of imports ($millions)	Share of product in total imports (%)	Share of commodity imports from ASEAN (%)
Edible fruit, nuts, peel of citrus, melons	944	17.32	2.0
Animal,vegetable fats and oils	648	11.89	81.4
Edible vegetables, roots and tubers	467	8.57	21.9
Vegetable, fruit, nut, etc food preparations	444	8.15	21.2
Miscellaneous edible preparations	431	7.91	46.9
Fish, crustaceans, molluscs, etc	410	7.52	13.9
Cereal, flour, starch, milk products	409	7.50	42.3
Other cereals	300	5.50	0.9
Oil seed, oleagic fruits, grain, etc	252	4.62	24.7
Rubber and articles thereof	177	3.25	40.6
Lac, gums, resins, etc	174	3.19	7.9
Coffee	156	2.86	99.3
Tobacco	122	2.24	14.4
Maize (Corn)	120	2.20	30.8
Sugars and sugar confectionery	111	2.05	45.4
Cotton	108	1.98	10.8
Meat, fish and seafood food preparations	72	1.32	28.8
Products of animal origin	42	0.77	2.3
Vegetable products	32	0.59	20.7
Live animals	29	0.54	1.2
Rice	2	0.03	93.6
Total	5,450	100.00	50.1

Source of basic data: www.trademap.org
Analysis tool: Trade Competitiveness Map
Article: Trade Performance HS

Imports from ASEAN total about $2.7 billion (about half of imports). Rice imports are primarily from ASEAN, as are fats and oils; ASEAN is also a major source of miscellaneous preparations, rubber and cereal products. Table 2 presents the export side. The Thailand' top export commodities are meat and related preparations, followed by rice, fish, and sugar. ASEAN is a key market only for exports of minor products such as rice and coffee, although over than 40% of tobacco exports end up in the ASEAN market.

Table 2. Exports and export shares of agricultural products, average of 2009-2011

	Value of exports ($millions)	Share of product in total exports (%)	Share of ASEAN in product exports
Meat, fish and seafood food preparations	5,939	26.57	2.5
Rice	4,760	21.29	61.0
Fish, crustaceans, molluscs, etc	2,682	12.00	7.7
Sugars and sugar confectionery	2,569	11.49	32.5
Vegetable, fruit, nut, etc food preparations	1,706	7.63	8.3
Miscellaneous edible preparations	1,180	5.28	19.8
Edible vegetables, roots and tubers	1,060	4.74	14.7
Cereal, flour, starch, milk products	670	3.00	26.3
Edible fruit, nuts, peel of citrus, melons	652	2.92	3.9
Cotton	527	2.36	6.5
Other cereals	172	0.77	2.7
Live animals	95	0.42	8.9
Tobacco	92	0.41	42.3
Oil seed, oleagic fruits, grain, etc	88	0.40	21.7
Vegetable products	51	0.23	2.6
Coffee	45	0.20	69.0
Products of animal origin	31	0.14	10.0
Lac, gums, resins, etc	23	0.10	3.7
Rubber and articles thereof	14	0.05	17.4
Total	22,356	100.00	10.3

Source of basic data: www.trademap.org
Analysis tool: Trade Competitiveness Map
Article: Trade Performance HS

Next we examine trends over time. We take the ratio of import (export) share by country and commodity in the recent period over the same import (export) share in a base period. select the average of 2001-2003 as the base (2001 being the earliest year for the Trademap data). The import ratios are shown in Table 3. The first column presents the product share of the recent period as a ratio to the base period; the second column presents the trade share of ASEAN in the recent period as a ratio of the base period. Rice, the biggest import item, also gained the most, gaining import share by over eight-fold over the decade. The other major import items also registered the largest import share gains, except for coffee. ASEAN has emerged as an increasingly important vegetable preparations, oil seed, and meat.

Table 3. Import share ratios by agricultural product, 2001-2003 and 2009-2011

	Ratio for total imports	Ratio for imports from ASEAN
Rice	8.1	1.4
Animal, vegetable fats and oils	3.3	1.1
Edible fruit, nuts, peel of citrus, melons	3.0	0.2
Products of animal origin	2.8	0.2
Coffee	2.7	1.1
Fish, crustaceans, molluscs, etc	2.4	0.6
Miscellaneous edible preparations	2.2	1.1
Sugars and sugar confectionery	2.0	1.5
Cereal, flour, starch, milk products	1.8	1.0
Vegetable, fruit, nut, etc food preparations	1.7	2.7
Lac, gums, resins, etc	1.7	0.6
Edible vegetables, roots and tubers	1.5	1.8
Rubber and articles thereof	1.3	1.4
Other cereals	1.2	1.7
Oil seed, oleagic fruits, grain, etc	1.0	3.0
Tobacco	0.8	0.4
Cotton	0.3	1.7
Meat, fish and seafood food preparations	0.2	5.8
Live animals	0.2	0.6
Vegetable products	0.1	0.4

Source of basic data: www.trademap.org
Analysis tool: Trade Competitiveness Map
Article: Trade Performance HS

The export ratios are shown in Table 4, which is interpreted in a similar fashion as Table 3, but this time for exports. Cereals grew five-fold, as did tobacco. Other significant market share gainers are rubber, vegetable products, as well as meat and seafood preparations. Significant gains were observed for Thailand exports to ASEAN for vegetable, fruit and nut food preparations. ASEAN as a market destination is gaining in importance for some commodities, but these tend to have small product shares in total.

Table 4. Export share ratios by agricultural product, 2001-2003 and 2009-2011

	Ratio for total exports	Ratio for exports from ASEAN
Cereals	5.2	1.0
Tobacco	4.7	1.2
Rubber and articles thereof	3.6	0.8
Vegetable products	3.1	0.5
Meat, fish and seafood food preparations	2.6	0.3
Lac, gums, resins, etc	2.2	0.9
Cereal, flour, starch, milk products	1.8	0.6
Sugars and sugar confectionery	1.7	1.5
Miscellaneous edible preparations	1.6	1.3
Vegetable, fruit, nut, etc food preparations	1.4	17.4
Coffee	1.2	4.1
Edible fruit, nuts, peel of citrus, melons	1.2	3.4
Live animals	1.0	0.4
Fish, crustaceans, molluscs, etc	0.9	2.0
Oil seed, oleagic fruits, grain, etc	0.6	2.4
Edible vegetables, roots and tubers	0.5	1.0
Products of animal origin	0.4	4.4
Cotton	0.1	0.3

Source of basic data: www.trademap.org
Analysis tool: Trade Competitiveness Map
Article: Trade Performance HS

Key agencies for implementation of the AEC Blueprint in the Thailand The implementation of harmonization measures for agricultural products is under the regulation of various government agencies. The DA is the principal agency that implements food safety and quarantine of agricultural products that are fresh, live and semi-processed. The Department of Health-Bureau of Food and Drugs (DOH-BFAR) is tasked with ensuring that processed food and agricultural products are safe for human consumption. The Bureau of Agriculture and Fisheries Product Standards (DA-BAFPS) is tasked by the Agriculture and Fisheries Modernization Act (AFMA) to formulate as well as enforce standards for fresh, primary and secondary processed agricultural products (Bondad, 2012). It conducts research on product standardization, including alignment of local standards with international standards.

DA-BAFPS is the national inquiry point for Codex Alimentarius and other food safety regulatory bodies. It is the lead agency for ASEAN harmonization of standards on horticultural produce and other food crops, as well as for food safety management and certification systems. It conducts national food safety and quality trainings to disseminate standards to stakeholders. Thus far there are 110 Thailand National Standards (TNS) covering cut flowers, vegetables, fruits, cereals, beverages, fishery and fishery products, and sugar.

DA-BAFPs is chairperson of GAP certification, as well as co-chair and secretariat for GAHP. Certification is harmonized throughout ASEAN for GAP and GAHP; harmonization is in process for GAqP, which has likewise been developed for the Thailand based on HACCP.

3. Method

This study combines desk review with primary data based on assessments by key informants (i.e., a form of expert opinion). The desk review covers reports and past studies on regional integration, a broader context in terms of salient features of Thailand agriculture, and related background information (such as relevant private and public sector institutions). Meanwhile, key informants are drawn from heads of the relevant line bureau and agencies concerned with implementing the AEC Blueprint for agriculture, mainly from the Department of Agriculture (DA) and related agencies (DA-BAFPS, DA-BPI, DA-BFAR, DA-BAI, DA-

BAR), as well as CDA. Interviews were conducted according to a structured questionnaire on food and agriculture sector developed a regional study team under the Economic Research Institute for ASEAN and East Asia or ERIA (see Annex). The questionnaire covers intra- and extra- ASEAN trade, the long-term competitiveness of ASEAN's food and agriculture commodities, and assessment of the implementation of HACCP-based systems. It also looks into the harmonization of quarantine and inspection procedures, MRLs, issues related to GAP, GAHP, GHP, and GMP. It also focused on the cooperation in R&D, technology transfer, among agricultural cooperatives, and the private sector.

4. Findings from the survey

The surveys interview with 25 respondents for fisheries and 25 respondents for crops and livestock. Interviews were conducted one-on-one, though on one occasion the respondents met with the interviewer as focus group. Due to the comprehensiveness of the questionnaire many items were skipped in any single interview session, with the respondent(s) deferring to officers whose function was more directly involved with the skipped item. Their interpretation and explanation of responses was also captured, and is incorporated into the discussion below. Another clarification referred to the scope of impact and cost being assessed. Most of the respondents assessed impact and cost in terms of affected stakeholders, not in terms of universe of stakeholders in the Thailand.

Implementation framework

Fisheries. Based on modal responses (Table 5),for fisheries the Thailand has been pursuing all of the items in the AEC blueprint, except for two items, namely: application of quality and safety standards for small enterprises; and networks and linkages between (fisheries) cooperatives. The major initiative is HACCP. National Fisheries Association of Thailand formally adopted in 2004 the HACCP system for the local fishing industry to ensure the competitiveness of locally-produced tuna in the world market. BFAR has been recognized by the European Union (EU) as the competent Certification Authority to ensure safety of fish and fishery products exported from the Thailand to EU member countries. Meanwhile, the HACCP program in aquaculture in the Thailand constitute mainly of the National Residue Monitoring Program. Recently an information and education campaign has been conducted for fisheries technicians, planning officers, aquaculture centers, extension officers and health/quarantine officers as prospective farm inspectors. On the import side, all importation of fishery products satisfies the Permit to Import and Sanitary and Phytosanitary (SPS) requirements as provided under Section 67 of Republic Act No. 8550, the Hazard Analysis and Critical Control Points (HACCP) Standards. Fish and fishery/aquatic products must meet the consumer product quality and safety standards imposed under the Consumer Act of 1992.

Table 5. Modal responses for AEC blueprint initiatives for fisheries

Item	Modal response
HAACP Certification (implementation, validation, verification)	Yes
Quality and safety management for small enterprises	No
Quarantine and inspection procedures	Yes
Maximum residue limits for fishery products[a]	Yes
Good Aquaculture Practices/Good Manufacturing Practices	Continuing
Aquaculture chemicals	Yes
Technical cooperation	Many
Private sector cooperation:	
Food safety	Strong
Joint venture	Fair
Promotion and market access	Strong
Combating illegal fishing	Major progress
R&D cooperation	Continuing
Alliances between cooperatives	No
Linkages between cooperatives	No

Source: Authors' data

The quarantine and inspection/sampling procedures of the Thailand is harmonized with ASEAN and international standards. Upon arrival, the consignment shall be subjected to the following inspection requirements: a.) The importer shall submit the original copy of the import permit, photocopies of the pro-forma invoice, packing list and airway bill (bill of lading) to the BFAR Fisheries Quarantine Officer for low, medium and high risk species. In the case of medium and high risk species, a copy of the health certificate shall accompany each consignment/shipment. This shall also apply to hand carried shipments. Consignments not accompanied by import permit and/or health certificate shall be confiscated and destroyed. b.) The Fisheries Quarantine Officer shall check the species identify and conduct visual inspection. If the fish is clearly unhealthy, he shall require the consignee to treat the shipment in the importer's holding facility under the supervision of a fish health officer or if the unhealthy fish poses high risk of contaminating healthy stocks, the shipment shall be confiscated and destroyed. A laboratory examination of the shipment shall be conducted by the BFAR Fish Health Officer at the expense of the importer. One exception for fisheries is the application of quality and safety standards for small enterprises. In general, small scale fisheries enterprises cater only to the domestic market and do not have to adopt HACCP and other international quality and safety management systems beyond what are required by the local authorities. Nevertheless authorities recognize that quality and safety are concerns that are important to both producers and consumers in the local market.

Crops and livestock. In the case of crops and livestock, the trade-related requirements (quarantine, good practices, MRL) have all been harmonized (Table 6). This may need to be qualified though with respect to quarantine: according to one officer, the same protocols are followed and ideally the same procedures; however owing to high cost, lack of equipment, and lack of staff, some of the more involved technical sampling and testing procedures are not being implemented. In fact the government invests heavily in product sampling and testing for some out-bound export commodities to meet certification requirements in Japan, US, and other discriminating yet lucrative markets. Among ASEAN countries, SPS are similarly strict for Singapore - however owing to its low import volume requirements, fruit and vegetable exporters are less interested in selling to the city-state.

For cooperatives, participation is limited to NEDAC (Network for the Development of Agricultural Cooperatives), whose membership is Asia-wide, and which include other ASEAN member countries. The NEDAC is meets annually and mainly devoted to information exchange and technical cooperation among cooperatives. Networking however has not matured to the level of international business linkages among or between cooperatives.

Table 6. Modal responses for AEC blueprint initiatives for crops and livestock

Item	Modal response
Quarantine and sampling procedures	
Crops	Yes
Livestock	Yes
Processed food	Yes
GAP, GAHP, GMP, GHP	Yes
Maximum Residue Limits (crops)	Yes
Technical cooperation	Seldom
Private sector cooperation:	
Food safety	Strong/Fair
Joint venture	None/fair
Promotion and market access	Strong/fair
R&D cooperation	Sporadic
Alliances between cooperatives	Yes,
Linkages between cooperatives	No

Source: Authors' data

HACCP - The fish processing industry members who meet the standards benefit from the higher export prices brought about by improved product quality. At the start however, some processors did not meet the standard and thus lost money. Over time, more and more processors have been able to comply and subsequently benefit. The fish traders who were able to have their products certified, benefit with the higher export prices even more than the processors since they do not have to invest in HACCP as fish traders unlike the processors who have to put up real HACCP investment. Over time, the export competitiveness of the fisheries industry has improved since they have to meet HACCP standards or perish in the international market.

For the cooperation measures, private sector cooperation provides substantial benefits but commensurate cost - which may account for low levels of participation of private sector players. With respect to technology transfer and R&D, engagement with other ASEAN member countries is on a multilateral basis. There is ASEAN Technical Working Group (TWG) on Agriculture R&D. The TWG meets annually, mostly to exchange information status, trends, breakthroughs. The focus has recently been on rice, and soybean, though certainly all major agricultural commodities in the region are of interest. The TWG is considering region-wide research on climate change for ASEAN under the lead of Indonesia. Bilateral initiatives with other ASEAN countries has been sporadic. In 2008 there was a technical exchange on rice with Brunei as both countries were seeking to raise their respective self-sufficiency targets owing to a volatile international market. The Thailand also engaged Thailand with information and germplasm exchange in the 1990s, but this was mired in a bureaucratic tangle and was ultimately shelved. Lastly, for cooperatives, Thai cooperatives in NEDAC have benefited Very much from their participation, particularly in terms of information and building capacity through observing good governance practices in other successful organizations. Costs are minimal as these can be shared over a large cooperative membership; the CDA also funds the Network by hosting (on rotation basis) the NEDAC annual meeting (at government expense).

5. Conclusion and recommendations

The widest gaps in AEC blueprint implementation appears to be in cooperation areas related to private sector linkages, agricultural cooperatives, R&D, and technology transfer. For the private sector, a key factor accounting for the gap is preference for own networking and business arrangement. Where government is offering support, say for market access, the private sector is engaged only if they have a direct interest and if there are few or no viable alternatives, as in the case of HACCP certification which is required by developed country markets.

Similarly for R&D and technology transfer, ASEAN member countries are already pursuing wider regional and global networks, hence specific Southeast Asian or bilateral ties are seen as less necessary for mainstreaming. Meanwhile development of producer cooperatives is at a nascent phase within each country, hence participation in international commercial linkages is a tall order. There is nonetheless an active international alliance (though membership is not specifically confined to ASEAN). As for trade-related harmonization, considerable progress has been made in GAP, GAHP, GHP, and GMP. In general harmonization is most advanced where foreign markets have imposed stringent standards, i.e. the case of HACCP. The other aspects have not been as mandatory hence interest in these is lower. For some key markets the Thailand has worked out bilateral arrangements, e.g. mangoes for Japan and the US, with standards specifically tailored for these markets. Conversely there is less interest for market access for developing countries and ASEAN itself, given lack of mandatory requirement, and relatively low levels of trade integration with these markets.

While the Thailand is monitoring aquaculture activities intensively, work on ASEAN GAqP is yet to be concluded. This is certainly one area were ASEAN work should be expedited. Another major gap is implementation of HACCP for small enterprises. The costs for small enterprises are simply too high, and few are expected to export; hence there is no reason for small enterprises to invest in certification. In general, aside from HACCP, quality and safety standards are expected to tighten in the medium to long term. This raises concerns about exacerbating the dual development structure of agricultural production in developing countries. One mechanism to open up market access is to engage cooperatives and other collective arrangements among small producers in the trade harmonization. Such a prospect appears to not have been mentioned in the cooperatives and related sections of the AEC blueprint.

Recommendations

Re-examine objectives and targets for cooperation with the private sector, agriculture cooperatives, R&D, and technology transfer. To avoid unnecessarily raising expectations, objectives and targets for these areas of cooperation should be specific, and based on rationale for collective action across member countries. Note that trade standard harmonization is easily justified given that acceptance by outside importers of ASEAN standards ipso facto carries over to domestic certification. However the collective rationale for cooperation in the other areas need to be better articulated.

Within trade standard harmonization, a couple of action items are: Expedite completion of the ASEAN GAqP; Highlight the issue of small producer inclusion. ASEAN-wide mechanisms towards inclusion of small producers hold a long-term potential for uplifting livelihoods of millions of small farmers and fishers in Southeast Asia through improved market access and value addition. Such inclusion cannot follow the same modality as standards certification for large exporting companies. To this end, the blueprint targets and objectives for cooperatives, including other types of producer associations, should be reformulated towards collective modalities of approval and certification.

6. References

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