



# EMERGENCY OR EXPEDIENCY?

A STUDY OF EMERGENCY RICE RESERVE SCHEMES IN ASIA

BY ELENITA DAÑO & ELPIDIO PERIA



A JOINT PUBLICATION OF ASIADHRRRA AND AFA



# **EMERGENCY OR EXPEDIENCY?**

A Study of Emergency Rice Reserve Schemes in Asia

**By Elenita Daño and Elpidio Peria**

**A Joint publication of AFA and AsiaDHRRA**

In this era when disasters and calamities have become both more frequent and more intense, maintaining a national food reserve is a practical and forward-looking strategy for governments to adopt in order to ensure food security for the people and as a means to minimize the adverse impacts of unexpected events. Regional food reserves in particular not only benefit countries facing food emergencies but are one way of promoting cooperation and mutual assistance among countries, especially developing ones, amid the challenges posed by globalization.

Unfortunately, and despite the logic behind food reserves, not many governments have established such schemes. The few that have been set up by governments have not fulfilled their purpose, primarily because of trade-related concerns and constraints at the national and international levels.

In 1979 the Association of Southeast Asian Nations (ASEAN) set up an Emergency Rice Reserve as part of the implementation of the ASEAN Food Security Reserve Agreement (AFSR) signed by the ASEAN Ministers of Foreign Affairs in that year. Under the AFSR, member countries commit to voluntarily contribute rice stocks towards building a regional stockpile for the purpose of meeting emergency requirements resulting from severe fluctuations in the production and supply of rice at the national level. Twenty-five years after its establishment, the ASEAN Emergency Rice Reserve (AERR) had only 87,000 tons of rice stock, or less than half a day's rice supply for all the 10 ASEAN countries<sup>1</sup>. Notably, the total commitment of ASEAN governments to the AERR did not actually go beyond the 50,000 tons originally earmarked in the AFSR, nor were the initial commitments of the member-states increased, utilized or replenished.<sup>2</sup>

---

<sup>1</sup> Ministry of Agriculture, Forestry and Fisheries of Japan, Toward a World Free of Starvation and Poverty (Introductory Information on the International Food Stock-holding Scheme and East Asia Emergency Rice Reserve), from <http://www.maff.go.jp/eaerr.pdf>

<sup>2</sup> Agreement on the ASEAN Food Security Reserve, New York, 4 October 1979

Due to the insignificant volume of its rice reserve and, perhaps because of the onerous request and delivery procedures, the AERR failed to address any of the food emergencies that struck the region since the scheme was established, such as the serious rice shortage in Indonesia in 1997.<sup>3</sup>

Nevertheless, the AERR has inspired other regional groupings to come up with their own rice reserve schemes. For example, the South Asia Association for Regional Cooperation (SAARC) adopted a similar scheme in 1987.

More recently, the biggest trading partners of the ASEAN in East Asia, namely Japan, China and South Korea, which comprise the ASEAN +3, have established the East Asia Emergency Rice Reserve (EAERR) scheme, to pump life into the dormant AERR. The idea of reviving the AERR came up at a special workshop on Food Security Cooperation and Rice Reserve Management System in East Asia which was held in Nakhon Pathom, Thailand in April 2001. The workshop recommended that a study team be established to review the possibility of establishing a new rice reserve scheme in East Asia, beyond the original ASEAN coverage. The proposal was endorsed by the Senior Officials Meeting-ASEAN Ministers on Agriculture and Forestry (SOM-AMAF) “Plus-Three” (which includes South Korea, China and Japan)<sup>4</sup>.

A study team was formed with support from the Japan International Cooperation Agency (JICA). The team then came up with a proposal for a three-year pilot project on the East Asia Rice Reserve scheme.

## **THE EAST ASIA EMERGENCY RICE RESERVE**

Taking off from the discussions and research proactively initiated by Japan, the EAERR which is still in its pilot stage, has been adopted as a component of a broader Strategic Plan of Action on ASEAN Cooperation in Food, Agriculture and Forestry. The Strategic Plan of Action, covering the period 2004-2010, was endorsed by the ASEAN Ministers on Agriculture and Forestry in Yangon in 2004. It is

---

<sup>3</sup> Ministry of Agriculture, Forestry and Fisheries of Japan, Toward a World Free of Starvation and Poverty (Introductory Information on the International Food Stock-holding Scheme and East Asia Emergency Rice Reserve), from <http://www.maff.go.jp/eaerr.pdf>

<sup>4</sup> From <http://www.eaerr.org/history>

regarded as the latest manifestation of ASEAN cooperation in agriculture, which started in 1968. The thrusts of the Strategic Plan of Action<sup>5</sup> are as follows:

1. Strengthening of food security arrangements in the region;
2. Enhancement of the international competitiveness of ASEAN Food and Agricultural products/ commodities;
3. Enhancement of ASEAN cooperation and joint approaches on international and regional issues;
4. Development and acceleration of transfer and adoption of new technologies;
5. Enhancement of private sector involvement; and
6. Management, sustainable utilization and conservation of natural resources.

The establishment of the EAERR is provided for in Action Program 3 of Strategic Thrust 1 of the Special Plan of Action on the strengthening of food security arrangements for the region, with the following details<sup>6</sup> :

Review of the ASEAN Food Security Reserve to realize effective cross-supply arrangements of food, especially rice, from food surplus countries, or other Member Countries, to food-deficit countries during normal conditions and during times of emergency. This review is in turn implemented through the following:

- 3.1 Review of the earmarked quantity for the ASEAN Emergency Rice Reserve (AERR) to cater to the development of the East Asia Emergency Rice Reserve (EAERR);
  - 3.11 The establishment of a Pilot Project of the East Asia Emergency Rice Reserve (EAERR) to confirm mechanisms and workability of the EAERR (2005-2010)
- 3.2 Establishment of plans for renewing Food Reserve Arrangements from the Surplus Member Country(ies) to the Deficit Member Country during normal conditions as well as in times of emergency and/or justifiable conditions
  - 3.21 Establishment of a guideline for the emergency rice reserve as operational activities to respond to emergency situations with particular emphasis on strengthening household food security (2005-2010).

---

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

A shift in mindset can be gleaned from the stated rationale behind the two rice reserve schemes. In 1979, the AERR regarded food security as key to attaining political stability. Twenty-five years later, the EAERR reflects policies supportive of the liberalization of agricultural trade. While largely maintaining the scheme established by the 1979 AERR, the EAERR is essentially broader, covering emergency situations as well as normal times, and maintaining physical stocks rather than mere earmarked stocks. The East Asian scheme is also geared more towards intra and inter-regional rice trade and towards developing the international competitiveness of the member-countries through technology transfer, regional cooperation and private sector participation, over and above the food security objective. The EAERR has also adopted more concrete mechanisms and measures to implement the ideals of the AERR in ensuring food security in the sub-region and towards strengthening the rice trade linkages among the member-countries and with the rest of the world.

### **FOOD SECURITY IN THE EAERR MODEL**

The most immediate and explicit challenge that the 1979 AERR aimed to address was ensuring food security among its member-countries. The challenge was a very real and serious one at the time, in the aftermath of the worldwide oil crisis in the early 1970s which wreaked political havoc across the region.

The food security challenge was carried through in 2003 when the EAERR was adopted in the ASEAN Action Plan for 2004-2010. What is causing some concern, however, is how the ASEAN, and subsequently the ASEAN+3, defines food security. Neither the AERR nor the EAERR provides an explicit definition, but it is clear that ensuring self-sufficiency at the national level is not part of their agenda. The 1979 AFSR had made some mention of the factors that need to be addressed at the national level to ensure food security, but it did not provide for a mechanism to operationalize the proposals. On the other hand, given the liberal references to bilateral and regional trade in rice, it is not difficult to assume that food security in the EAERR scheme is not about developing the capacity of local rice farmers to make decisions concerning production nor about increasing the capacity of each member-country to produce its own food, which are being advocated by many civil society groups working on food security.

## No substitute for trade

A key challenge underlying the objectives of the AERR and which was even more highlighted in the EAERR is rice trade. East Asia in general, and Southeast Asia in particular, is home to the world's biggest rice producers and importers, namely, Thailand, Vietnam and China. Ironically, some of the world's biggest rice-deficit and exporting countries are also found in East Asia, such as the Philippines, Malaysia and until recently, Indonesia. Least-developed countries in the region, such as Cambodia, Laos and Myanmar are perennially dependent on rice food aid, a condition which is not necessarily due to shortage in production but is more often an offshoot of distribution problems, poor infrastructure and political instability.

The 1979 AFSR, while emphasizing the need to ensure food security in the sub-region, was actually rather cautious about the potential negative consequences of maintaining a rice reserve within the region. Measures such as limiting the use of the rice reserve to emergency situations and relying on earmarked stocks rather than maintaining physical rice stocks, were explicitly provided for in the AFSR to avoid causing domestic supply distortions.

The pact provided that the emergency rice reserve “is not intended to fill continuing food deficits of individual ASEAN Member Countries, which normally are met through imports, commercial as well as concessional. The elimination of such deficits should, where appropriate, be attempted through increased production at an accelerated rate”<sup>7</sup>. While promoting regional cooperation, the AFSR made it clear that the emergency rice reserve scheme was not a substitute for rice trade in any way.

On closer scrutiny, the AERR sought to address the challenges of rice trade in a situation characterized by vast differences in rice production among its members. However, it went about this task in a schizophrenic manner. That the rice reserve could only be tapped in emergency situations was probably the reason why the AERR was never put to use in its 27 years of existence. No government worth its salt would admit to experiencing an emergency, as doing so would almost certainly exacerbate an already bad situation and undermine its standing in the region. This was clearly the case in Indonesia in 1997.

---

<sup>7</sup> Agreement on the ASEAN Food Security Reserve, New York, 4 October 1979. Article 3, Section 2.



Rather than tapping the ASEAN rice reserve to address the serious rice crisis it was facing, the Indonesian government opted to turn to the IMF-WB for loans to import food from other countries. Indonesia might have even purchased rice from Thailand and Vietnam at the time, but it would have done so only as part of a regular bilateral trade arrangement and thus outside the purview of the AERR. After all, the latter does not offer any preferential or special terms to fellow members, but rather leaves the terms to be negotiated between countries.

The pilot phase of the EAERR appears to be trying to correct the flaws of the 1979 AFSR by way of more explicit mechanisms geared towards the promotion of intra-regional trade. Beyond earmarked stocks, the EAERR aims to maintain physical rice stockpiles in various locations in the sub-region, which would be more accessible to members facing emergency situations. The terms of procurement and pricing would also be addressed at the regional level by a management team to be created for the purpose. In terms of the legal stature of the two schemes, however, while the provisions on the AERR are enshrined in a formal agreement signed by Member Countries, the current arrangement is a mere management scheme albeit one that was initiated by an ASEAN engagement partner.

Beyond the trappings of regional cooperation, the EAERR is more straightforward about the trade-related objectives of the scheme. Fluctuations in rice production and supply are attributed more to low levels of production, poor technology, inadequate infrastructure and investments in the rice sector and less to natural calamities. Thus, interventions under the EAERR are geared more towards enhancing international competitiveness through technology-transfer and greater investments in the sector.

### **Goodwill vs. Competition**

Both the AERR and the EAERR seek to address the challenges of regional cooperation in the face of threats to food security. How the principle of regional cooperation is operationalized, however, differs in the two models.

While it purports to promote regional cooperation, the AERR is not truly regional in character. The mechanisms for implementing the scheme are largely bilateral in nature. The mandate of the ASEAN Food Security Reserve Board is limited to receiving information on which countries need to tap the emergency rice reserve and which ones would provide the required volume. But the process is

largely bilateral, with the country-in-need directly informing the provider-country that it is facing an emergency situation and that it needs a specific volume of rice. The terms of procurement, delivery and pricing are settled on a bilateral basis, with the ASEAN Food Security Reserve Board serving merely as an information clearing-house. The Agreement does not even provide for preferential pricing for the earmarked rice stocks that will be utilized by a member-country for emergency situations. On the other hand, the EAERR has clearer mechanisms to operationalize regional cooperation in implementing the scheme. The rice reserve scheme will be coordinated and implemented by a regional team rather than being left to bilateral negotiations.

The shift in the paradigm for regional cooperation, from focusing on food security to promoting trade, is related to developments in the trade arena at the regional and international levels. Regional trade regimes such as the ASEAN Free Trade Agreement and international trade rules set in the World Trade Organization (WTO) are consistently guided by neo-liberal trade paradigms premised on the central role of liberalized trade in promoting economic development and political stability.

Regional cooperation has evolved into another means to promote trade rather than as a platform to ensure collective self-sufficiency as espoused by the ASEAN in the 1979 AFSR. The value of goodwill, which was the rationale behind the call for regional cooperation as exemplified by the establishment of rice reserves—even if merely for emergency situations—has been replaced by the value of competition among the member-countries, which now characterizes the current rice reserve scheme.

While issues critical to ensuring food security, such as production and post-harvest technologies, food supply and production information, stable national food stockpiles, and national rice price stability, among others, were explicitly identified in the 1979 AFSR, the measures it prescribed were to be implemented only at the national level, and only “as appropriate”—a provision common to ASEAN agreements, following the group’s policy of “non-interference<sup>8</sup>. None of the key issues behind food security is proposed to be addressed through regional mechanisms. In fact, the Emergency Rice Reserve scheme does not at all address the underlying issues of food security but merely provides a regional safeguard mechanism which member-countries can resort to in times of food emergencies. The EAERR is apparently aware of such lapses and is anxious to learn from them. The analysis done

---

<sup>8</sup> Ibid.

by Japan which served as the empirical basis for adopting the EAERR examined the following trends in the global rice market<sup>9</sup>:

1. Rising competition among rice exporters, especially China, India, Vietnam and Pakistan, for Thailand's dominant position;
2. Non-trade concerns, issues on food security and food safety of rice as well as issues on regional cooperation are becoming more important in international trade negotiations;
3. Scientific discoveries in hybrid and high-yielding rice are expected to alter rice production and trade in the near future by delivering more advantages to those nations willing to spend more on research and development.

The manner in which the foregoing issues are defined in the EAERR suggests that the latter is anchored on international trade. While the EAERR has attempted to look into the limitations and shortcomings in the implementation and operationalization of its precursor, the way in which it has formulated the issues and identified the needed interventions is clearly within the framework of neo-liberal trade. The premise that rice production is directly correlated with the level of production technologies is evident in the EAERR's framing of the issues, as are its acknowledgement of the competition among rice exporters and the importance it accords to trade regimes in defining the parameters of "non-trade concerns" such as food security and food safety.

## **STRATEGIES AND TACTICS**

The 1979 AFSR clearly identified the areas that member-states need to deal with to ensure food security at the national level, namely<sup>10</sup>:

1. The strengthening of the food production base of the ASEAN Member Countries;
2. The prevention of post harvest losses of food grains;
3. The establishment of a food information and early warning system;
4. The adoption of effective national stock holding policies and improved arrangements for meeting requirements of emergency food supplies;

---

<sup>9</sup> From <http://www.econ-chula.cic.th/publication/project/2003/4605e.pdf>

<sup>10</sup> Ibid., Article 1

5. The promotion of stability of food prices;
6. The adoption of policies and programs for improving consumption and nutrition, particularly of the vulnerable groups within each ASEAN Member Country;
7. The promotion of labor opportunities especially in rural areas and increasing the income particularly of the small farmers; and other measures, including possible long-term trade arrangements.

While these measures would have addressed concerns for ensuring food security, the AFSR stopped short of providing any mechanism for how the ASEAN can assist or enable its member-states to adopt measures at the national level in accordance with these prescriptions. The only concrete mechanism at the regional level provided for in the Agreements is the establishment and operation of the Emergency Rice Reserve Board.

On paper, the AFSR provides a straightforward mechanism for releasing the rice stocks earmarked by the member-states to meet the emergency requirements of another member, as follows<sup>11</sup> :

1. The ASEAN Member Country in need shall directly notify the other ASEAN Member Country or Countries of the emergency it is facing and the amount of rice required.
2. The other ASEAN Member Country or Countries on being requested shall take immediate steps to make the necessary arrangements to ensure immediate and speedy release of the required rice.
3. The prices, terms and conditions of payments in kind or otherwise, in respect of rice so released, shall be the subject of direct negotiations between the ASEAN Member Countries concerned.
4. The requesting ASEAN Member Country shall at the same time inform the ASEAN Food Security Reserve Board of its request to the other ASEAN Member Country or Countries.

The bilateral nature of the operations of the Emergency Rice Reserve scheme clearly reveals itself as one goes into the details of how it was supposed to work. The spirit of regional goodwill and cooperation on which the Agreement was supposed to have been built is undermined by the fact that the members-in-need had to deal bilaterally anyway with the provider-country, with the ASEAN playing no role at all in the negotiations. This fact partly explains why no member-country has ever tapped the Emergency Rice Reserve despite the various food emergencies that certain member countries had experienced in the past 27 years since its establishment.

---

<sup>11</sup> Ibid., Article 5.

The inherent flaws of the original 1979 rice reserve scheme have been duly acknowledged by the ASEAN, on the instigation of its powerful partners in East Asia. Keeping faith with the concept and value of maintaining a regional rice reserve scheme while improving its operationalization, the EAERR identified the following strategies<sup>12</sup>:

1. To establish a reserve stock both as earmarked and physical stocks stored at various locations either in surplus or deficit countries backed up by strong political will in each country;
2. To smooth out erratic price fluctuations in the region and increase rice trade in the ASEAN +3 areas;
3. To improve farmers' income and welfare.

Recognizing the need to maintain physical rice stocks in various locations across the region is a key revision in the original scheme. Beyond the food security rhetoric in the AFSR, the EAERR has also added as a key strategy the improvement of the income and welfare of farmers.

In terms of operational mechanisms, the EAERR scheme works as follows<sup>13</sup>:

1. A Member Country of the ASEAN +3 pledges a specific amount of rice as an earmarked emergency rice reserve;
2. A Member Country of the ASEAN +3 voluntarily pledges to contribute stockpiled emergency rice reserve;
3. Among other things, the Management Team (MT) analyzes the rice supply and demand in both deficit and surplus countries;
4. A Member Country encountering disaster will undertake the following :
  - Report to the MT EAERR the extent of its rice shortage brought about by the calamity and the amount of rice emergency they require to meet the demand in emergency conditions;
  - Request the MT EAERR to release the earmarked emergency rice reserve to meet the demand for rice in the disaster area; the country requesting shoulders the transportation and operational costs in this instance;
  - If the rice needed to meet the emergency requirement exceeds the earmarked amount of rice

---

<sup>12</sup> From <http://www.eaerr.org/how>

<sup>13</sup> From <http://www.eaerr.org/how2>

reserve, the Member Country requests the MT to provide additional amounts of rice from other countries' earmarked reserve stock.

This process is graphically presented in Diagram 1.

The bilateral nature of the original emergency rice reserve scheme has also been addressed by providing a regional mechanism to take stock, coordinate and facilitate the stockpiling of earmarked and physical rice stocks, and more importantly, to oversee the release of the rice reserve to countries in need. The proactive nature of the MT of the EAERR in terms of monitoring and analyzing the rice supply and demand among the Member Countries, and its mandate to move stockpiles between countries in times of food emergencies, is a noteworthy innovation on the previous scheme.

To see through the implementation of the pilot scheme, Japan has taken on the role of Coordinator-Country of the EAERR Pilot Project and has provided about US\$ 380,000 (Yen 40 million) to finance the EAERR Secretariat's expenses for 2004 and 2005. The AERR did not assign a specific Member Country to take principal responsibility for coordinating the scheme, although the chairmanship of the ASEAN Food Security Reserve Board was rotated among its members, representing all the member-states. With Japan playing the pivotal role in the EAERR, and even allocating resources for its initial implementation, some concrete results can probably be expected from the pilot phase that would give form and shape to future mechanisms and processes that would be adopted by the ASEAN+3 in operationalizing its revised model of a regional emergency rice reserve.

## THREATS AND OPPORTUNITIES

### Calamities and disasters

The East Asia region, being part of the Asia-Pacific's so-called "Rim of Fire" and "typhoon belt", is highly susceptible to natural disasters<sup>14</sup> which can potentially reverse the progress of development and poverty reduction efforts. This means that the need for an emergency food reserve system, especially of rice, is ever present, and may need to be further strengthened.

<sup>14</sup> Jakarta Joint Ministerial Statement on Regional Partnerships towards the Achievement of Food and Livelihood Security and Rural Development in Asia and the Pacific, 28th FAO Regional Conference for Asia and the Pacific, 15-19 May 2006, Jakarta, Indonesia.

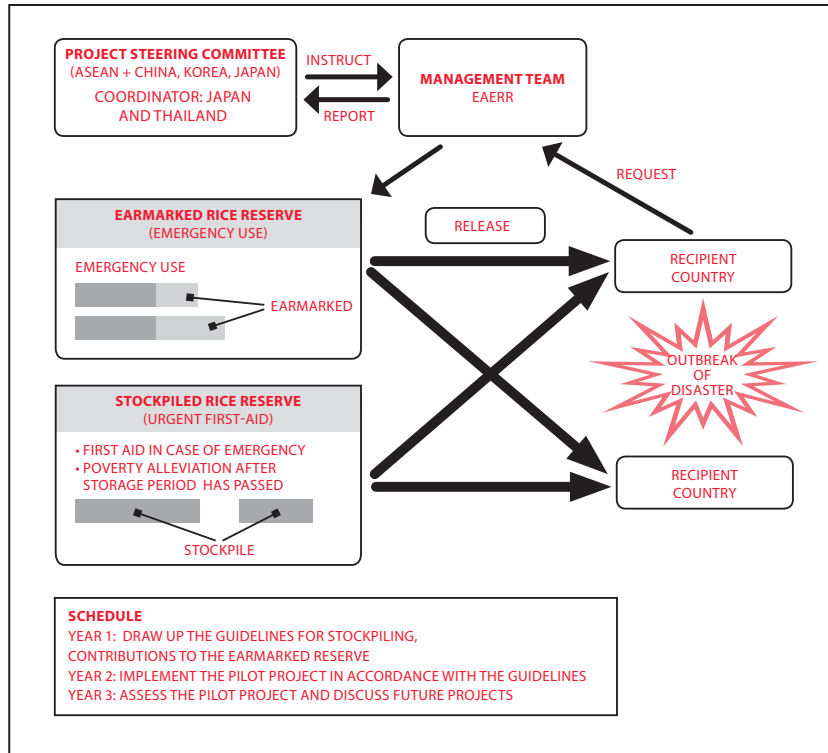
In addition to these external challenges are the recent trends in the regional security situation and political stability at the national level. Southeast Asia has been identified as a major hub of international terrorist groups, particularly of the Al-Qaeda-linked Jemaiah Islamiah (JI) which operates in the Philippines and Indonesia. Counter-terrorist operations launched by governments against suspected areas of operations of these groups, in collaboration with the US armed forces, such as in the southern Philippines, could trigger widespread internal displacement and food emergencies.

Perversely, both natural- and man-made calamities and disasters could provide the opportunities for the regional emergency rice reserve schemes to operate and demonstrate their usefulness. However, while those situations may require national governments to declare food emergencies, whether or not they will tap the regional emergency rice reserve to respond to the domestic problem is another matter.

The experience of the AERR has shown that Member Countries may not resort to this scheme regardless of their need. Indonesia did not, even at the height of its severe crisis in 1997. The Philippines did not send any SOS signal to the ASEAN during the series of natural calamities that hit the country nor despite the widespread internal dislocation caused by the anti-secessionist war in Mindanao which started in the 1980s. Instead, recent history shows that ASEAN countries experiencing food emergencies have opted instead to increase their rice imports and to depend on foreign loans to enable them to purchase imported rice. Notably, a good bulk of the rice imported by rice-deficit countries like Indonesia and the Philippines was actually sourced from Thailand and Vietnam.

### **Financial resources**

An important opportunity available to the EAERR that did not exist at the time when the AERR was operating is the cooperation, leadership and financial resources of Japan as the prime mover in the ASEAN +3. Without Japan's interest and resources, the ASEAN would not have bothered to look at how the original emergency rice reserve scheme had performed nor would the ASEAN have recognized its potentials in the current context. With Japan acting as the Country-Coordinator of the EAERR's pilot phase and with substantial funds having been allocated for it, the pilot phase should at least yield results that would establish the feasibility and usefulness of a regional emergency rice reserve scheme to the ASEAN in view of the challenges in the Region.



**Diagram 1. Process Flow in the Operation of the East Asia Emergency Rice Reserve Pilot Phase**

The importance of Japan's leadership role and resources in exploring the potentials of a regional emergency rice reserve scheme is underlined by the weakening financial resources among intergovernmental institutions involved in responding to food emergencies and ensuring long-term food security. The steadily dwindling resources of the United Nations Food and Agriculture Organization (FAO)<sup>15</sup> is also a concern as this has reduced its capacity to effectively respond to the food and agriculture-related needs of its members, particularly in East Asia, where most of the countries are facing challenges in food security.

<sup>15</sup> Ibid



It is also ironic to note that half of the Member Countries of the ASEAN are still receiving food aid, especially rice, from the United Nations' World Food Programme (WFP). The three least developed countries in the region – Cambodia, Laos and Myanmar – are among the top recipients of rice food aid from the WFP. Even middle-income ASEAN stalwarts Indonesia and the Philippines are recipients of rice food aid from the WFP, especially the calamity-affected provinces in the former and the war-torn Muslim south in the latter. These examples show that member-states would rather extend their begging bowls to UN agencies and receive free rice food aid for their poor and hungry populations rather than maximize the so-called regional goodwill behind the regional emergency rice reserves (as this would require them to deal bilaterally with the country-provider and pay for the rice stocks).

The EAERR offers a mechanism where food aid for national emergencies would be readily accessible, with physical stocks being kept in actual locations, while the costs of handling and distribution would still be borne by the country-in-need. In reality, however, countries that find themselves needing emergency assistance are also most likely to be the ones without sufficient financial resources to provide for their own needs. Hence, an emergency rice reserve scheme whose sole concern is to facilitate the rice trade would defeat its purpose of providing a safeguard for food security among Member Countries.

### **Less than pure motives**

A potential threat that the ASEAN needs to watch out for concerns Japan's motives for taking the lead in resuscitating the emergency rice reserve scheme. There are speculations that Japan is seeking to protect its long-term interests in regard to rice security by nurturing the position of ASEAN as a key production and export hub for rice for the rest of the world and by ensuring its leadership position in the region in the process of reviving the regional emergency rice reserve scheme.

Informants in the ASEAN note that Japan and Thailand are the most enthusiastic promoters of the EAERR scheme; the rest have committed to taking part in the pilot project for the sake of diplomacy and to benefit from the resources being made available by Japan. It is evident to the Member Countries and to the other ASEAN +3 partners - China and South Korea - that Japan's agenda is to safeguard its domestic interests in the face of its obligations to the WTO to open up its market, including rice—a highly protected sector in Japan—to imported commodities. Since allowing a considerable stock of

imported rice in its market would seriously hurt the Japanese rice farmers, the EAERR scheme would give Japan an excuse to keep stocks of rice elsewhere which it can resort to as domestic demand dictated, while allowing it at the same time to comply with its multilateral trade obligations.

### Trade agreements

The restrictive rules in the Agreement on Agriculture (AoA) of the WTO remain as the major threat to operationalizing the spirit of regional cooperation and collective self-sufficiency embodied in the AFSR. While the Member Countries and the ASEAN itself still uphold these ideals, their hands are tied in fully implementing these due to the commitments they made in the WTO. Among the ASEAN members, only Laos and Myanmar, remain outside of the WTO; Vietnam is in the process of acceding to the WTO. The ASEAN too has adopted the rules and restrictions set in the WTO in its own ASEAN Free Trade Agreement (AFTA), which could be the reason behind the lack of interest in fully implementing the Food Security ideals to assist members facing food emergencies and the reluctance of members themselves to utilize the scheme.

While specific preferences, such as those provided in regional free trade agreements (FTAs), are allowed under WTO rules, mechanisms that would cause price distortions are strictly prohibited. Among the potential implications of fully implementing a genuine emergency rice reserve is the distortion in rice prices, which the EAERR pilot phase, and the AFSR before it, is careful to avoid.

However, being too cautious in this regard and leaving the operationalization of the rice reserve scheme to bilateral negotiations, could render the EAERR useless as happened with the AERR. Thus, the innovations, namely operating the scheme through regional mechanisms and maintaining physical stocks, are noteworthy and would put to a test just how flexible the current trade regimes are with regard to ensuring food security at the national level.

Another threat in the region is the proliferation of FTAs. Besides creating a regional FTA among themselves, the ASEAN is keen on establishing strategic and economic linkages with its neighbors. In fact, the ASEAN is seen as a “hub” for a number of regional FTAs not only among East Asian countries, but also with countries outside the region, viz., India, Australia and New Zealand<sup>16</sup>.

<sup>16</sup> Denis Hew, Economic Integration in East Asia : AN ASEAN Perspective, UNISCI Discussion Paper No. 11, May 2006, Institute of Asian Studies, Singapore, from <http://www.ucm.es/info/unisci/UNISCI11Hew.pdf>

The proliferation of FTAs in East Asia could give rise to a host of technical and administrative complications, including mismatches in the phasing of tariff reductions under overlapping arrangements and differences in rules under separate FTAs. This is the so-called “spaghetti-bowl effect”, which may turn out to be a stumbling block to regional economic integration. Uncoordinated proliferation could also lead to inconsistent provisions between FTAs, especially with regard to the rules of origin, hampering the cross-border production networking process, which has been crucial to the region’s economic development<sup>17</sup>.

The opportunities presented by a well-integrated East Asian region, especially in the area of food security, are enormous. They could promote political and economic stability which could be the foundation of a higher level of economic development in the years to come. Japan, which has provided substantive economic and political leadership in pushing the ASEAN to make some changes in its rice reserve system, stands to gain also in terms of ensuring its access to the region’s markets for its own manufactured products, be it food or industrial goods.

Another bounty from this project is the establishment of a Food Security Information System, a companion project to the EAERR pilot scheme. This system could generate information on how food is produced, distributed, marketed and consumed in the region. This information is crucial in determining the possible strengths and weaknesses of the countries in the region as far as food security is concerned and in enabling food producers to align their production and marketing methods with current trends.

## CONCLUSION

As the EAERR scheme is still in its pilot phase, it is imperative for civil society groups working on food security in the region to monitor developments in this regard and to gather more data to facilitate a more extensive multi-disciplinary analysis of the concept and implications of this system, especially on small-holder farming systems and on consumer participation in the choice of food that is made available in the market.

---

<sup>17</sup> Ibid.

It may not be too late to submit the views and perspectives of small farmers and civil society groups on how this scheme would actually be implemented, as the ASEAN +3 countries are piloting the scheme through their own government instrumentalities and organizations only.

On an issue as supremely important as food, decisions should not be left to government officials alone. Ensuring food security at the national and regional levels should in no way be left at the mercy of trade regimes.

---

A joint publication of AFA and AsiaDHRRA

Editorial Board: Marimuthu Nadason, Marlene Ramirez, Seo Jung Eui and Esther Penunia  
Research Associates: Elenita Daño and Elpidio Peria  
Editor: Teresa Lingan Debuque

Originally published in INITIATIVES ON PRO-SMALL FARMER TRADE (2006)



