

ASEAN's Emergency Rice Reserve Schemes:

Current Developments and Prospects for Engagement

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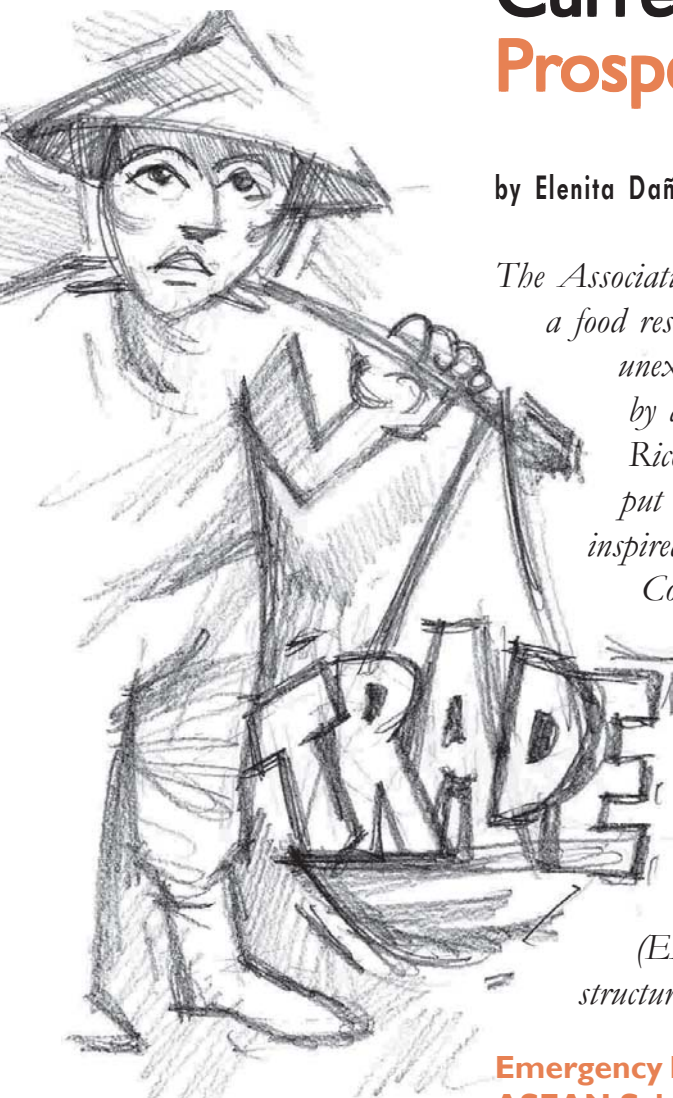
The Association of Southeast Asian Nations (ASEAN) adopted a food reserve scheme to ensure food security in the face of unexpected instabilities in supply and production brought by a gamut of factors, through the ASEAN Emergency Rice Reserve in 1979. While the model was never actually put into practice through its 27 years of existence, it has inspired the South Asia Association for Regional

Cooperation (SAARC), another regional group, to adopt a similar scheme in 1987. More recently, the biggest trading partners of the ASEAN in East Asia, namely Japan, China, and South Korea, comprising the so-called "ASEAN Plus-Three," have pumped life into the dormant scheme by expanding the ASEAN Emergency Rice Reserve into the East Asia Emergency Rice Reserve (EAERR) guided by the same objectives with some structural and operational changes.

Emergency Rice Reserve: ASEAN Scheme vs. East Asia Scheme

The ASEAN Emergency Rice Reserve was originally established as part of the implementation of the ASEAN Food Security Reserve Agreement (AFSR)

signed by the ASEAN Ministers of Foreign Affairs in 1979. Under the AFSR, Member Countries have committed to voluntarily provide rice—the primary staple food in Southeast Asia—into a common regional stockpile for the purpose of meeting emergency requirements resulting from severe



fluctuations in rice supply and production at the national level. After more than 25 years since its establishment, the ASEAN Emergency Rice Reserve only stood at a measly amount of 87,000 metric tons, or equivalent to not even the half-day combined consumption volume of the 10 ASEAN countries.¹ Notably, the total commitment of ASEAN governments to the Emergency Rice Reserve did not actually go substantially past the initial volume of 50,000 tons originally earmarked in the AFSR, and the initial commitments of the member-states in 1979 were not increased, utilised, nor replenished.² Due to the insignificant volume of its rice reserve, and perhaps, because of the onerous request and delivery procedures, the ASEAN Emergency Rice Reserve did not at all work 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 1997.³

The idea to improve the implementation of the ASEAN Emergency Rice Reserve scheme was crystallised in a special workshop on Food Security Cooperation and Rice Reserve Management System in East Asia held in Nakhon Pathom, Thailand in April 2001, funded by the government of Japan. 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” that includes South Korea, China, and Japan.⁴

The study team, supported by the Japan International Cooperation Agency (JICA), came out with a proposal for a three-year pilot project of an East Asia rice reserve scheme, approved in October 2003. It was understood that this scheme—the EAERR—should be in line with the original set-up and scheme adopted by the ASEAN in 1979.⁵

The shift in the paradigm from 1979, when the concern of ASEAN in establishing an emergency rice reserve is largely on food security as a key to attaining political stability, to the agricultural trade liberalisation 25 years hence can be clearly gleaned from the mechanisms for the implementation of the EAERR. While largely maintaining the scheme established in the 1979 ASEAN Emergency Rice Reserve, the breadth and coverage of 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

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security objective. The EAERR has also adopted more concrete mechanisms and measures to implement the ideals of the ASEAN Emergency Rice Reserve scheme 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.

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 \$ 380,000 (Yen 40 million) to finance the EAERR Secretariat's expenses in 2004 and 2005. The original ASEAN Emergency Rice Reserve scheme did not assign any principal responsibility to a specific Member Country to coordinate the scheme, although the chairpersonship of the ASEAN Food

Security Reserve Board is 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, the pilot phase at least would expect concrete results that would shape the future mechanisms and processes that will be adopted by ASEAN Plus Three in operationalising its revised model of regional emergency rice reserve.

The pilot phase of the EAERR scheme was originally meant to run up to March 2007, but the most recent meeting of the ASEAN Ministers of Agriculture and Forestry (AMAF) in November 2006 held in Singapore has agreed to extend the initial project period and to ultimately adopt it as a permanent mechanism.

Insiders in the ASEAN observed that among the Member Countries only Thailand has shown enthusiasm over the EAERR, together with Japan which has the greatest interest in the scheme. As the world's top rice exporting-country, Thailand regards the scheme as a prospective market for its rice export especially in the midst of the cut-throat competition in the international rice market.

Overall, however, Japan is seen as the party that will benefit the most from the EAERR once it gets permanently adopted by the ASEAN Plus Three. Observers note that the scheme is a clever means for Japan to comply with its international trade commitment under the World Trade Organisation (WTO) to open up its domestic rice market while at the same time protecting the interest of its own rice producers against the onslaught of imported cheaper rice. The scheme could serve as a mechanism for Japan to absorb imported rice coming

in through its minimum access volume (MAV) requirement under the WTO and physically keep the imported stocks in other locations within the ASEAN, thus ensuring that the price of domestically-produced rice will not be adversely affected by any upsurge of rice imports. The physical stocks kept in locations around the ASEAN could also provide as source for Japan's rice food aid to countries in the region in times of emergencies. On balance, Japan gains from the arrangement by safeguarding the interests of local rice farmers while complying with its trade commitments, and at the same time maintains its generously altruistic image among its poor neighbors.

Prospects for Engagement

Food Security as Priority

The most immediate and explicit challenge that the 1979 ASEAN Emergency Rice Reserve scheme aimed to address is ensuring food security among its member-countries. This challenge remains after

more than two decades, albeit in the midst of higher food production across the region, less turbulent political situations and higher trade competition among neighbors. An important concern involved in the food security challenge is how the ASEAN, and subsequently ASEAN Plus Three, define the concept of food security. None of the documents adopted by either scheme define what "food security" is, but it is clear from the two schemes that ensuring self-sufficiency at the national level is not part of their agenda. While the 1979 AFSR may have touched on the factors that need to be addressed at the national level to ensure food security, it has not gone past the prescription and did not provide any mechanism to operationalise the proposals. With liberal references to bilateral and regional trade in rice, it is not difficult to assume that food security, as referred to in the ASEAN Emergency Rice Reserve and the subsequent EAERR, is not about developing the capacity of local rice farmers to make decisions in their farms and production nor increasing the capacity of each member-country to produce its own food, as defined by many civil society groups working on food security.

The continued reliance of ASEAN countries on international rice food aid, in the midst of increasing rice exports by its neighbors, is a glaring example of how the capacity of a country-in-need to purchase rice from fellow-members through the emergency rice reserve could spell the success or failure of such scheme. The key reason why the original ASEAN rice reserve model did not take off is primarily the bilateral nature of the process of request and releases of earmarked rice stocks which



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would mean leaving the terms and price of the transaction at the mercy of the market, to avoid preferential treatments and price distortions that may be harmful in the implementation of regional and international trade regimes. The EAERR, on the other hand, presents a model where food aid for national emergencies would be readily accessible with physical stocks kept in actual locations, while the costs of handling and distribution will still be borne by the country-in-need.

In reality, however, countries that would need emergency assistance in providing rice supplies for its people would most likely be the ones without sufficient financial resources to provide for their own needs. Without sufficient resources to purchase the required rice stockpile and without active support from the ASEAN (considered as a mechanism that promotes regional cooperation and collective self-sufficiency), any emergency rice reserve model that is solely premised in facilitating rice trade and availability will defeat its purpose

of providing safeguards for food security among Member Countries. Otherwise, such a regional emergency rice reserve model would always remain as an option of last resort, and would be rendered useless as it leaves Member Countries at the mercy of lending institutions and restrictive trade regimes. Still, even with rice food aid coming its way for free in times of emergencies, the high costs of distributing and handling the stocks that would have to be borne by the country-in-need might potentially defeat the purpose of the scheme in the end.

Fairer Rice Trade

A key challenge underlying the objectives of the ASEAN Emergency Rice Reserve scheme which was even more highlighted in the EAERR is rice trade. East Asia and Southeast Asia combined is the world's center of origin and diversity of rice. It is no wonder that it is also the home of world's biggest rice producers and exporters, namely, Thailand, Vietnam, and China. Ironically, among the world's biggest rice-deficit and importing countries are also found in the region, 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, which may not necessarily be due to shortage in rice production but more often because of problems in distribution, poor infrastructures, and political instability. The ASEAN Emergency Rice Reserve therefore occurs in the midst of obvious inequality in terms of rice production and trade among its members.

In close scrutiny, the ASEAN Emergency Rice Reserve scheme actually addresses the challenges of rice trade, in a situation

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characterised by vast differences in rice production among its members, in a schizophrenic manner. The rice reserve can only be tapped in emergency situations beyond the usual rice deficit experienced by a country member, which could be a reason why it was not utilised in its 27 years of existence. Any politically-shrewd government would not admit to its neighbors that it is experiencing an emergency situation which may aggravate domestic unrest and will put the country in a weak political position in the region. The bilateral nature of negotiations for the terms in tapping the rice reserve under a supposedly multilateral scheme also puts a country-in-need at the mercy of a more powerful rice-surplus neighbor, thus making multilateral financial or development institutions as a more attractive option to run to in times of food emergencies. This was clearly the case in Indonesia in 1997. Rather than tapping the ASEAN rice reserve to address the serious rice crisis it was facing, the Indonesian government opted for International Monetary Fund-World Bank (IMF-WB) loans to import food from other countries. Indonesia might have even purchased rice from Thailand and Vietnam at that time, but that was on a normal bilateral trade arrangement and outside the ASEAN

Emergency Rice Reserve scheme. After all, the scheme does not offer any preferential or special terms for fellow members at all, but in the end leaves the terms to bilateral negotiations.

Beyond the trappings of regional cooperation, the EAERR is more straightforward on the trade-related objectives of the scheme. Fluctuations in rice production and supply are attributed more to low levels of production technologies, infrastructures, and investments in the rice sector and less on natural calamities, thus interventions are more geared towards technology-transfer and increasing investments in the sector to improve international competitiveness. The prospective winners from the scheme would not be difficult to predict. Japan, with its obvious motive to protect the interest of its domestic rice farmers while complying with its commitments in the WTO to open up its rice sector, is an obvious winner. The major rice-exporters in the region such as Thailand and Vietnam are also projected to benefit from the scheme. Without any built-in mechanism to ensure fairer rice trade in the region, the perennial rice-importing members of the ASEAN will remain so, while the least-developed countries dependent on rice food aid would be encouraged to sustain their dependence under the scheme.

Trumping Japan's Trade Motives

A potential threat that the ASEAN needs to watch out for is Japan's motive in initiating the resuscitation of the emergency rice reserve scheme, which one cannot just dismiss as unfounded suspicion. Japan is a rice-exporter, but mainly from the US and Thailand, both of which can still manage to compete in

the Japanese market despite the excessively high tariffs imposed by the Japanese government on imported rice. By nurturing the position of ASEAN as a key production and export hub for rice for the rest of the world and ensuring its leadership position in the process of reviving the regional emergency rice reserve scheme, Japan can protect its long-term interest in ensuring rice security for itself. The recent moves of Japanese development and aid agencies and agri-business companies to establish areas for production of the sticky *japonica* rice varieties, which is widely consumed by the Japanese people, in some countries in Southeast Asia especially in Indo-China/Mekong region, is another clear indication of Japan's prospects in rice production and trade to serve its domestic interests. In Laos, for example, small Japanese agri-

by Japan. It is very evident to the Member Countries and the other Plus-Three partners, China and South Korea, that Japan's agenda behind the scheme is to safeguard its domestic interest in rice trade in view of its obligations to the WTO to open up its market to imported commodities, including rice, which is heavily protected in Japan. Since allowing a considerable stock of imported rice in its market will seriously hurt Japanese rice farmers, the EAERR scheme is a very convenient mechanism to allow it to keep a reliable stock of rice elsewhere which it can run to as domestic demand dictates while at the same time comply with its multilateral trade obligations. By reviving the ASEAN rice reserve scheme and introducing changes that would suit its interests while nurturing an international image of a generous neighbor, Japan strategically gains from its investments on the East Asia rice reserve scheme.

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businesses have established production areas for *japonica* rice in locations with appropriate agro-climatic conditions.

Informants in the ASEAN note that only Japan and Thailand are the ones strongly pushing for the adoption of the EAERR scheme while the rest are taking part in the pilot phase out of diplomacy and to maximise the resources made available

Challenging Multilateral and Bilateral Trade Rules

The restrictive rules in the Agreement on Agriculture (AoA) of the WTO remain as the major threat in operationalising 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, with Vietnam about to complete its accession process. The ASEAN too has adopted the rules and restrictions set in the WTO in its own ASEAN Free Trade Agreement (AFTA), which could be a reason behind the lack of interest in fully

implementing food security ideals to assist members facing food emergencies and the reluctance of members themselves to utilise the scheme.

While specific preferences, such as those provided in regional free trade agreements, are allowed in the WTO rules, mechanisms that would cause price distortions are strictly prohibited. Among all potential implications of fully implementing a genuine emergency rice

Another threat in the region is the proliferation of free trade agreements (FTAs). Besides creating a regional FTA among them, the ASEAN is keen on establishing strategic and economic linkages with its neighbors and other so-called “dialogue partners.” In fact, ASEAN is seen as a “hub” for a number of regional FTAs not only with East Asian countries (viz., China, Japan and South Korea), but also with countries outside the region (viz., India, Australia and New Zealand, and even regional formations such as the European Union).⁶

The proliferation of FTAs in East and Southeast Asia could give rise to a host of technical and administrative complications including mismatches in the phasing of tariff reductions under overlapping arrangements and implementation of different rules of origin under separate FTAs. This is the so-called “spaghetti-bowl effect” which may actually turn out to be a stumbling block to regional economic integration rather than a facilitator of it. Uncoordinated proliferation could also lead to inconsistent provisions between FTAs, especially on the rules of origins, hampering the cross-border production networking process, which has been crucial to the region’s economic development.⁷

The opportunities presented by a well-integrated East and Southeast Asian region, especially in the area of food security are enormous, giving rise to political and economic stability which will provide the base for a higher level of economic development in the years to come. Japan, which has provided substantive economic and political leadership in this scheme to push the ASEAN to make some changes in its rice reserve system, stands to gain

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reserve is the distortion of prices of rice, which the AFSR and even the EAERR pilot phase are carefully preventing. Being too cautious in this regard and leaving the operationalisation of the rice reserve scheme to bilateral negotiations, the original scheme has been rendered useless. Thus, the innovations in operating the scheme through regional mechanisms and maintaining physical stocks are noteworthy mechanisms that could test the limits of the flexibilities in the current trade regimes with regard to ensuring food security at the national level.

also by way of accessibility to the markets in the region for its own manufactured products, be it in food or in industrial goods.

Another bounty from this project presents itself through the information gathered in the way food is produced, distributed, marketed, and consumed in the region, through the establishment of a Food Security Information System which is another key project alongside the EAERR Pilot Project. This information is crucial in determining the possible strengths and weaknesses of the countries in the region in terms of achieving food security aside from enabling food producers to align their production and marketing methods based on the trends gathered through the information system.

Platforms for Engagement in the ASEAN

Aside from the windows of opportunities for engagements on the issues arising from the current effort to revive the ASEAN Emergency Rice

Reserve scheme under the aegis of the ASEAN Plus Three's regionally bigger EAERR, there are a number of platforms for engagements in the ASEAN that civil society organisations may want to put efforts on. True, there are doubts among some groups on the relevance of engaging the ASEAN especially in the area of trade with its steadfast commitment towards neo-liberal economic integration. But the recent renewed interests of the ASEAN on food security issues, as may be gleaned from its adoption of an Action Plan specifically on food security as well as the revival of the emergency rice reserve scheme albeit through the instigation of Japan, provide sound reasons to engage the ASEAN as these interventions will have strategic implications on the food, agriculture, and trade situations across the region. The current pilot phase of the EAERR is a good opportunity for civil society to understand the process and plan on how to influence its adoption and full implementation in the short-term.

This section provides initial ideas for platforms of engagement in the ASEAN which interested civil society organisations may take on to influence the shaping of rice trade and food security in Southeast Asia. These platforms would clearly require efforts and investments in terms of time, expertise, and resources from civil society groups that would decide on the importance of engaging the ASEAN on this specific area of intervention in food security.

Monitoring the AFSRB

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been an inconspicuous body that does not fall within the radar of civil society organisations monitoring food security and trade concerns. The ASEAN Food Security Reserve Board (AFSRB), comprised of the heads of national food agencies from the Member Countries, meets annually to discuss trends in production, distribution, supply, demand, prices, and stocks of rice across the region but does not really make any significant decisions pertaining to the emergency rice reserve simply because the scheme did not really function beyond concepts. Under the EAERR, AFSRB will be strengthened and bestowed with more powers to decide on the regional rice reserve including deciding on the locations of the physical stocks and coordinating the sourcing, supply, and terms of emergency rice needs of Member Countries.

Civil society organisations may start to know who the members of the decision-making bodies are under the EAERR, whose pilot phase has recently been extended until March 2008. Discussions with the government officials involved may be initiated at the national level to know the positions, interests, and commitments of national governments in the scheme, and also to explore opportunities to influence the scheme both at the national and regional levels. As experiences in lobbying the ASEAN have shown, the most effective way to influence decisions in specific regional bodies is through establishing good relationship with national officials built on substantive contribution from civil society organisations.

Following the EAERR Pilot Implementation

Understanding the scheme and monitoring the processes right at the pilot

stage would provide an edge to civil society groups intending to influence the direction of the process in the near future. Establishing civil society presence in discussions on the rice reserve scheme, or at least make the ASEAN know that civil society is monitoring the implementation of the scheme, would pressure the AFSRB and the ASEAN Plus Three partners involved in the emergency rice reserve scheme to observe the principles of transparency and accountability. Monitoring may be done through the ASEAN Secretariat or directly to the government officials involved in the decision-making bodies on the emergency rice reserve scheme. Civil society monitoring may even help bolster the position of the representatives of the ASEAN Member Countries in relating with their more powerful and well-funded counterparts from Japan and the rest of the ASEAN Plus Three.

Hounding the AMAF

Serious monitoring of the emergency rice reserve scheme should not be limited to hounding the specific coordinating or decision-making bodies directly involved in operationalising the scheme. The emergency rice reserve scheme falls under the overall mandate of the ASEAN Ministers of Agriculture and Forestry (AMAF), comprised of agriculture, food, and forestry ministers of the Member-Countries, which makes the strategic decisions on food and agriculture matters in the regional body. While it is the more specialized bodies that would have specific knowledge and more solid understanding of the issues involved in the rice reserve scheme, it is the AMAF that makes and adopts the decisions on the overall direction

and objectives of the interventions. The political decisions regarding the emergency rice reserve scheme are eventually made by the AMAF.

Civil society organisations may attempt to influence the political decisions concerning the emergency rice reserve scheme by choosing to work directly with the AMAF, mainly through high-level contacts at the national level. Providing substance in specialised discussions on specific issues concerning the rice reserve scheme, done at the levels of working groups and specialised bodies

such as the AFSRB, however, remains indispensable to have a more nuanced understanding of the issues and appreciation of the dynamics within and among these bodies in the ASEAN. ■

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Endnotes

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- ⁵ For more detailed information regarding the EAERR, visit <<http://www.eaerr.org>>
- ⁶ 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>>
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