

THE ASEAN ECONOMIC COMMUNITY: THE EFFECTS ON AGRICULTURE IN MALAYSIA

Tengku Mohd Ariff Tengku Ahmad
The Malaysian Agricultural Research and
Development Institute (MARDI)



The ASEAN Economic Community

ASEAN: Population, Territory and Economy, 2010

Country	Total land area (sq km)	Total population (thousand)	Gross Domestic Product at current prices		Product per capita	
			(US\$ Mn)	(PPP\$ Mn) ^{2/}	(US\$)	(PPP\$)
Brunei Darussalam	5,765	415	12,402	19,406	29,915	46,811
Cambodia	181,035	15,269	11,168	28,985	731	1,898
Indonesia	1,860,360	234,181	708,032	1,030,998	3,023	4,403
Lao PDR	236,800	6,230	6,508	16,105	1,045	2,585
Malaysia	330,252	28,909	238,849	415,157	8,262	14,361
Myanmar ^{1/}	676,577	60,163	43,025	76,601	715	1,273
Philippines	300,000	94,013	189,326	351,686	2,014	3,741
Singapore	710	5,077	223,015	291,934	43,929	57,505
Thailand	513,120	67,312	318,709	585,698	4,735	8,701
Viet Nam	331,051	86,930	107,650	291,260	1,238	3,351
ASEAN	4,435,670	598,498	1,858,683	3,107,829	3,106	5,193
CLMV ^{3/}	1,425,463	168,592	168,351	412,951	999	2,449
ASEAN6 ^{4/}	3,010,207	429,907	1,690,332	2,694,878	3,932	6,269

ASEAN and Selected Trading Partners: Trends of per capita GDP for periods indicated

Country/Region	1998	2003	2008	2009	2010	Ratio 2010/ 1998
In US \$						
ASEAN	965	1,332	2,596	2,546	3,106	3.22
China	817	1,270	3,404	3,739	4,382	5.36
Japan	30,527	33,134	38,216	39,459	42,820	1.40
Republic of Korea	7,724	13,451	19,162	17,074	20,591	2.67
India	425	543	1,065	1,058	1,265	2.98
Australia	20,321	27,140	48,828	44,999	55,590	2.74
New Zealand	14,559	20,066	30,765	27,284	32,145	2.21
USA	31,858	38,324	47,155	45,934	47,284	1.48
EU-27	19,224	23,585	37,045	32,963	32,615	1.70
In PPP international dollar						
ASEAN	2,799	3,700	4,755	4,838	5,193	1.86
China	1,998	3,217	6,189	6,786	7,519	3.76
Japan	23,882	27,222	34,009	32,199	33,805	1.42
Republic of Korea	13,413	19,697	27,716	27,938	29,836	2.22
India	1,405	1,779	2,862	3,039	3,339	2.38
Australia	25,111	30,856	38,282	38,751	39,699	1.58
New Zealand	17,613	22,409	27,206	26,600	26,966	1.53
USA	31,858	38,324	47,155	45,934	47,284	1.48
EU-27	19,937	24,305	30,789	29,662	30,388	1.52

The AEC Pillars

Pillar 1: Single Market and Production Base

Free Flow of Goods

57.1% of total 56 targeted measures have been implemented

Key Accomplishments:

- ✓ ATIGA Implementation
- ✓ Completion of tariff elimination schedules
- ✓ Operationalization of National Single Windows in ASEAN-6
- ✓ Implementation of 1st Pilot Project of Self Certification
- ✓ Implementation of MRA on Good Manufacturing Practice (GMP) of Inspection of Manufacturers of Medicinal Products
- ✓ Transposition of ASEAN Cosmetic Directive into national legislation

Pending Implementation:

- ❖ Modernisation of custom techniques
- ❖ Development of the MRAs for Prepared Food Stuff and Automotive; ASEAN Medical Device Directive Agreement
- ❖ Harmonisation of ASEAN Harmonised Electricity and Electronic Equipment and its transposition into national legislation
- ❖ Development of the Legal Framework for Implementation of ASEAN Single Window.

AEC Scorecard update as of end-April 2012

The AEC Pillars

Pillar 2: Competitive Economic Region

Competition Policy

100% of total 4 targeted measures have been implemented

Key Accomplishments:

- ✓ Establishment of ASEAN Expert Group on Competition Policy
- ✓ Completion of the Regional Guidelines for Competition Policy in ASEAN and the Handbook on Competition Policy and Law in ASEAN for Business

AEC Scorecard update as of mid-April 2012

The AEC Pillars

Pillar 3: Equitable Economic Development

SMEs Development

62.5% of total 8 targeted measures have been implemented

Key Accomplishments:

- ✓ Development of the Strategic Plan of Action 2010-2015 for SME Development
- ✓ Establishment of ASEAN SME Advisory Board
- ✓ Establishment of ASEAN Common Curriculum for Entrepreneurship

Pending Implementation:

- ❖ Establishment of a Comprehensive SME Service Centre and SME financial facilities at national level

AEC Scorecard update as of end-April 2012

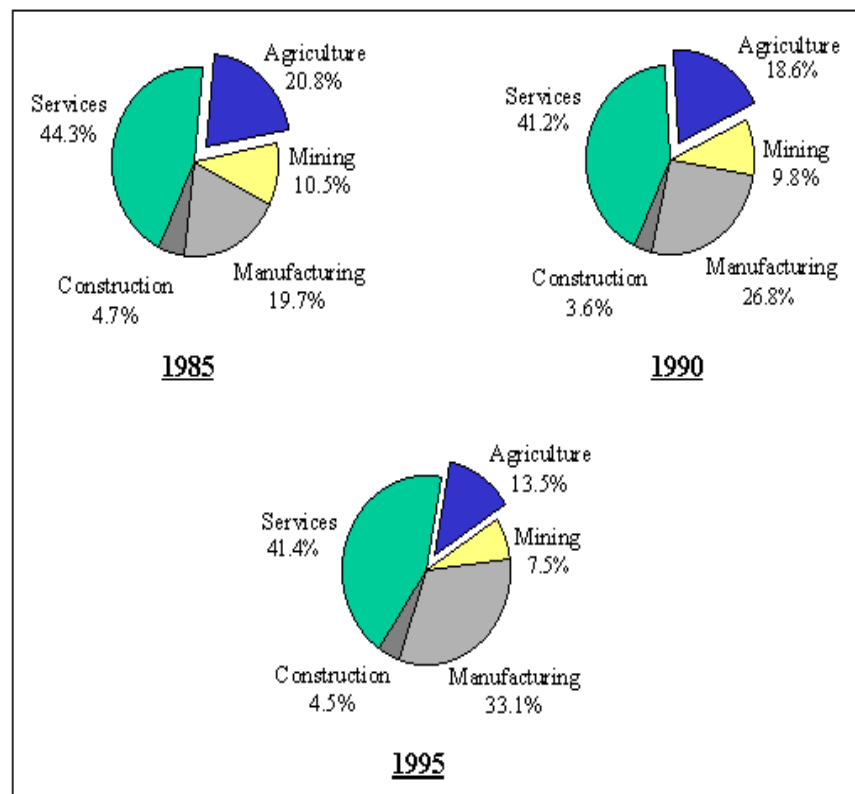
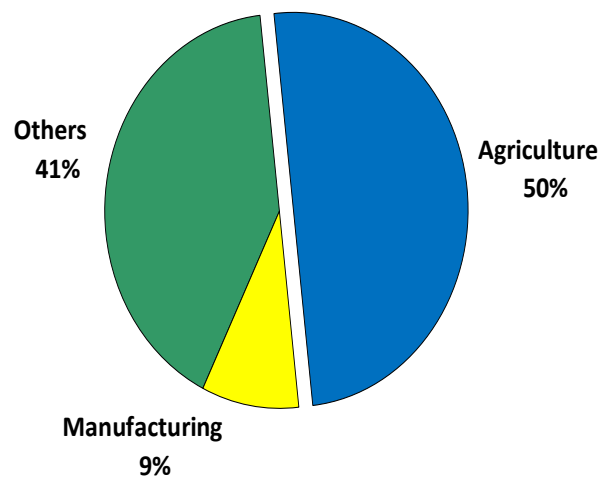
AEC Scorecard: structure





Background of Malaysian Agriculture

Agriculture in the GDP



Agriculture in GDP

Year/Industry	2000	2005	2010
Agriculture, Forestry and Fisheries	8.9	8.2	7.5
Manufacturing	31.9	31.4	26.7
Mining	7.3	5.9	7.5
Construction	3.3	2.7	3.3
Services	53.9	58.1	58.0

Growth in the agricultural sector, Malaysia

Period	Growth Rate %
1961 – 1970	7.0
1971 – 1980	5.0
1981 – 1990	4.1
1991 – 1995	1.8
1996 - 2000	1.2
2001 - 2005	3.0
2006 - 2010	3.0

The Composition of Malaysian Agriculture, 1985-2010

Item	1985	1990	1995	2000	2005	2010
	Percentage					
Industrial Crops	72.1	73.5	71.0	59.1	60.6	56.4
Rubber	19.2	13.8	10.6	10.0	10.5	9.0
Oil Palm	30.5	35.8	42.1	31.4	36.7	36.6
Sawlogs	17.7	15.6	13.9	16.4	13.0	10.0
Cocoa	4.7	8.3	4.4	1.3	0.4	0.5
Food Commodities	25.3	24.1	26.2	40.9	39.4	43.6
Paddy	4.7	4.0	4.1	3.2	3.4	3.6
Fruits	2.5	2.7	2.9	-	-	-
Vegetables	3.2	2.9	3.1	-	-	-
Fisheries	11.1	10.4	11.2	13.4	12.6	14.1
Livestock	3.8	4.1	4.8	8.1	8.1	9.0
Other Agriculture	2.6	2.4	2.8	16.2 ¹	15.2'	16.9'
Total	100.0	100.0	100.0	100.0	100.0	100.0
Share of Agriculture to GDP (%)	20.8	18.7	13.5	8.9	8.2	7.8

Share of exports by sector, Malaysia, 1980-2010

Sector	1980	1990	1995	2000	2005	2010
Agriculture	48.5	22.3	13.1	6.1	7.0	6.8
Mining	26.4	18.3	5.8	7.2	9.8	12.3
Manufacturing	20.6	58.8	79.6	85.2	80.5	80.7
Others	9.3	0.6	1.5	1.5	2.7	0.7



Malaysia's Trade Policy

Malaysia's Trade Policy

- Fundamentally a trade oriented economy
- Consistently among the 25 trading nations in the world: top 21 exporter in 2011
- Exports and imports – 176.80 % of GDP

At the International Front:

- Malaysia a strong advocator of freer and fairer trade
- At the multilateral:
 - member of the Cairns group
 - call for more reforms in agric.
 - “leveling the playing field”

At the International Front:

- Actively involved in free trade arrangements

FTAs:

- MY-JP, MY-PK, MY-NZ, MY-IN,
- MY-CL, MY-AU, MY-CN,
- ASEAN-China, ASEAN-Japan,
- ASEAN-Korea, ASEAN-India
- ASEAN-Australia and New Zealand

At the International Front:

- Actively involved in free trade arrangements

FTA under negotiations:

- MY-TR, MY-EU
- Trade Preferential System-Organisation of Islamic Conference(TPS-OIC)
- Developing Eight (D-8) Preferential Tariff Agreement (PTA)

∴ in general

- **Malaysia believes and practices an open trading system**
- **external trade is highly important for Malaysia**
- **relatively low tariffs**

Composition of ASEAN Tariffs

Country	Number of Tariff Lines				Percentage			
	0%	>0%	Other (GE-Sch H)	Total	0%	>0%	Other (GE-Sch H)	Total
Brunei D.	8,223	-	77	8,300	99.07	-	0.93	100
Indonesia (AHTN 2007)	8,625	16	96	8,737	98.72	0.18	1.10	100
Malaysia	12,173	66	96	12,335	98.69	0.54	0.78	100
Philippines	8,857	95	28	8,980	98.63	1.06	0.31	100
Singapore	8,300	-	-	8,300	100.00	-	-	100
Thailand (AHTN 2007)	8,287	13	-	8,300	99.84	0.16	-	100
ASEAN-6	54,465	190	297	54,952	99.11	0.35	0.54	100
Cambodia	821	7,479	-	8,300	9.89	90.11	-	100
Lao PDR	5,890	2,324	86	8,300	70.96	28.00	1.04	100
Myanmar	5,029	3,212	59	8,300	60.59	38.70	0.71	100
Vietnam	4,618	3,492	190	8,300	55.64	42.07	2.29	100
CLMV	16,358	16,507	335	33,200	49.27	49.72	1.01	100
Total ASEAN	70,823	16,697	632	88,152	80.34	18.94	0.72	100

Tariff lines in agriculture:

Products	Number of Tariff Lines			
	Duty Free	5 percent	20 percent	Exclusion
Rice and Rice Products			12	
Tropical fruits		7		
Tobacco and tobacco products		32		
Alcoholic				56
Others	1200			

→→→→ about 92 percent duty free

The protected sub-sectors

- rice
- tobacco
- selected livestock
- tropical fruits
- cabbages

- rice
 - monopoly imports
 - GMP
 - control prices at milling, wholesale and retail
 - fertilizer subsidy
 - price support



- tobacco
 - licensing of curers and manufacturers
 - registering of growers
 - production quotas
 - GMP
 - price control
 - high tariffs



- tropical fruits
 - high tariffs
- cabbages
 - import quotas
- selected livestock
 - administered imports



EFFECTS of AEC

Intra ASEAN-6 trade (exports) in agricultural products, 1993 -1999 (million US\$)

Product type	1993	1994	1995	1996	1997	1998	1999
Live and animal products	607.5	666.8	872.2	1,080.5	981.1	860.0	883.1
Vegetable products	758.2	960.1	1,316.4	1,450.9	1,432.1	1,339.6	1,254.7
Animal, vegetable fats and oils	742.5	844.7	1,048.4	702.5	908.4	906.9	808.6
Prepared foodstuffs, beverages, spirits, vinegar and tobacco	1,167.3	1,487.2	1,990.2	2,681.7	3,034.7	1,838.7	1,969.2
Total Exports	3,275.5	3,958.7	5,227.2	5,915.6	6,356.2	4,945.2	4,915.6
Average	4,153.8			5,533.2			
% increase between periods	33.2						

Intra ASEAN-6 trade (imports) in agricultural products, 1993 -1999 (million US\$)

Product type	1993	1994	1995	1996	1997	1998	1999
Live and animal products	716.4	693.9	792.8	942.2	934.4	793.5	917.1
Vegetable products	803.1	1,141.3	1,460.3	1,828.2	1,513.2	1,945.0	1,973.4
Animal, vegetable fats and oils	715.9	641.6	667.1	528.5	487.9	555.5	520.2
Prepared foodstuffs, beverages, spirits, vinegar and tobacco	745.1	861.2	1,533.5	1140.4 ¹	1,414.3	1,036.0	1,252.0
Total Imports	2,980.5	3,338.0	4,439.3	4,439.3	4,349.8	4,330.0	4,662.6
Average	3,590.7			4,445.4			
% increase between periods	23.8						

Note: ¹Data adjusted based on mean value

Total ASEAN-6 trade in agricultural products, 1993 - 1999 (million US\$)

Year	Total	Average	Percentage increase between periods
1993	6,256.0	7,444.5	28.85
1994	7,296.7		
1995	9,578.2		
1996	10,354.9	9,978.6	28.85
1997	10,706.0		
1998	9,275.2		
1999	9,578.2		

Source: ASEAN Secretariat (2001)

Malaysia's share of intra-ASEAN-6 agricultural trade, 1993 - 1999 (million US\$)

Trade	1993	1994	1995	1996	1997	1998	1999
Exports	907.5	1,004.0	1,166.6	1,303.9	1,442.4	1,346.4	1,421.3
Imports	420.8	559.5	770.5	900.4	880.9	948.0	1,039.0
Total Malaysia	1,328.3	1,563.5	1,937.1	2,201.3	2,323.3	2,294.4	2,460.3
% share of exports	27.7	25.4	22.3	22.0	22.0	22.7	28.9
% share of import	14.2	16.8	17.3	20.3	20.3	21.9	22.3
% share of ASEAN-6	21.2	21.4	20.0	21.2	21.7	24.7	25.7
Net Exports	486.7	444.5	396.1	403.5	561.5	398.4	382.3
Average	442.4			436.4			
% increase/decrease between periods					-1.37		

Impacts on protected sub-sector

- tobacco – cultivation drastically reduced
- poultry – expected to survive
- rice – government still continue to support ;
 - also capped at 20% tariff
- fruits – reduce Π s but still likely to remain competitive
- palm oil : only commodity expected to be sure winner

Total Intra ASEAN Trade

Country/Year/ Total trade	1995		2000		2005		2011	
	9,593.1	100.0	9,876.9	100.0	16,717.0	100.0	44,321.1	100.0
Brunei Darussalam								
Cambodia	-	0.00	96.7	1.0	160.8	1.0	363.6	1.0
Indonesia	1,655.8	17.3	1,600.3	16.20	2,685.8	16.1	11,123.9	25.10
Malaysia	2,513.5	26.2	2,232.4	22.6	4,002.	23.9	12,775.7	28.8
Myanmar		0.00		0.00		0.00		0.00
Philippines	-	0.00	603.84	6.11	1,472.45	8.81	2,590.06	5.84
Singapore	3,679.37	38.35	2,692.39	27.26	3,763.41	22.51	8,570.10	19.34
Thailand	1,744.50	18.18	1,847.13	18.70	3,014.49	18.03	8,897.87	20.08
Viet Nam	-	0.00	804.12	8.14	1,617.44	9.68	1,947.2 ¹	5.3 ¹

¹Based on 2010 data

Intra-ASEAN Exports (USD million)								
Country/Year	1995	% share	2000	% share	2005	%share	2011	% share
Total Export	5,632.0	100	5,716.5	100	8,972.0	100	24,401.2	100
Brunei	-	-	-	-	-	-	-	-
Cambodia	-	-	7.5	0.13	16.4	0.18	50.0	0.20
Indonesia	857.0	15.22	946.90	16.56	1,742.25	19.42	7,011.21	28.73
Malaysia	1,615.1	28.68	1,369.5	23.96	2,091.3	23.31	5,962.2	24.43
Philippines	-	0.00	165.8	2.90	370.0	4.12	598.1	2.45
Singapore	1,688.4	29.98	1,218.7	21.32	1,654.0	18.44	3,946.3	16.17
Thailand	1,471.5	26.13	1,486.2	26.00	2,149.0	23.95	6,833.5	28.00
Viet Nam	-	0.00	522.1	9.13	949.1	10.58	2,097.5 ¹	13.00 ¹



Intra ASEAN Imports

Country/Year	1995		2000		2005		2011	
Import	3,961.01	100	4,160.4	100	7,745.0	100	19,920.0	100
Brunei Darussalam		0.00		0.00		0.00		0.00
Cambodia		0.00	89.3	2.15	144.5	1.87	313.6	1.57
Indonesia	798.8	20.17	653.4	15.70	943.6	12.18	4,112.6	20.65
Malaysia	898.4	22.68	863.0	20.74	1,911.3	24.68	6,813.5	34.20
Myanmar		0.00		0.00		0.00		0.00
Philippines		0.00	438.1	10.53	1,102.5	14.23	1,992.0	10.00
Singapore	1,991.0	50.26	1,473.7	35.42	2,109.4	27.24	4,623.8	23.21
Thailand	273.0	6.89	360.9	8.68	865.5	11.17	2,064.3	10.36
Viet Nam		0.00	282.1	6.78	668.3	8.63	1947.1#	11.071#

#Year 2010

Overall Effects of AEC

- studies showed economic welfare expected to increase
- FDIs also expected to increase
- should be able to help CLMV countries to faster intergrate

Overall Effects of AEC

- On agricultural development and trade – not much more than that has already been taking place
 - tariff reduction completed for ASEAN 6
 - still protection through NTBs and administrative procedures

EFFECTS of AEC

Further Discussions



**THANK
YOU**