

# **FARMERS' REGIONAL TRADE AGENDA:**

## **FARMERS' COLLECTIVE VOICE ON TRADE IN THE ASEAN REGION**



**ISSUE PAPER  
ANALYZE. ADVOCATE. ACT!**



**Asian Farmers' Association  
for Sustainable  
Rural Development**

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**T**he Association of Southeast Asian

Nations (ASEAN) has been trying hard to go into free trade agreements (FTAs) with different countries. It believes that this will increase trade and help members sell their export products to more markets in other countries. It also wants to make ASEAN the world's center of agricultural production. But in opening up markets and increasing trade, more imported goods from other countries can also come in.

These FTAs were supposed to be good for farmers, but actually, farmers have not been benefitting from these opportunities. From the experience of some countries, farmers benefit from FTAs only if they can compete in the international market and if they own land and other resources for production so that they can have the power to decide on what to plant on the land and how to use the resources.

Policies like FTAs have big impacts on farmers and agriculture, so it is important that farmers are able to voice their concerns and suggest ways to protect their sector and make sure that agriculture is developing.

This issue paper presents a regional trade agenda agreed on by several farmers' organizations from the ASEAN region. This trade agenda includes recommendations that will help make small farmers more competitive. It also suggests ways of ensuring that farmers and the agricultural sector are protected from the harmful effects of opening up markets to international trade.

The farmers proposed policies and programs that will make sure that poor families have food on their tables and have reliable sources of income. They also suggested ways of achieving rural development and helping solve poverty in their countries.

This paper also describes the situation of farmers and the agricultural sector in the region, focusing on five ASEAN countries -- Indonesia, Philippines, Thailand, Cambodia, and Vietnam.

## WHAT ARE THE FEATURES OF THE ASEAN AGRICULTURAL SECTOR?

Agriculture is still very important in the economy of ASEAN countries. It is an important source of jobs especially for Cambodia, Lao PDR, Myanmar and Vietnam. Figure 1 shows that most people in ASEAN live in rural areas where agriculture is the main source of livelihood. In Cambodia and Vietnam, for example, almost all people live in the rural areas (81% in Cambodia and 74% in Vietnam).

The proportion of the people employed in the agricultural sector also shows us how important agriculture is as a source of livelihood for the people. Figure 1 shows that a big portion of the population in many ASEAN countries depend on agriculture to earn income for their families. Cambodia has one of the highest percentages in the region, with 69% of its population employed in the agricultural sector. It is followed by Vietnam, with 66%. With the poorest people in ASEAN being those who live in the rural areas and depend on agriculture for income, the agricultural sector continues to play a very important role in securing poor families' access to food, as well as in addressing poverty.

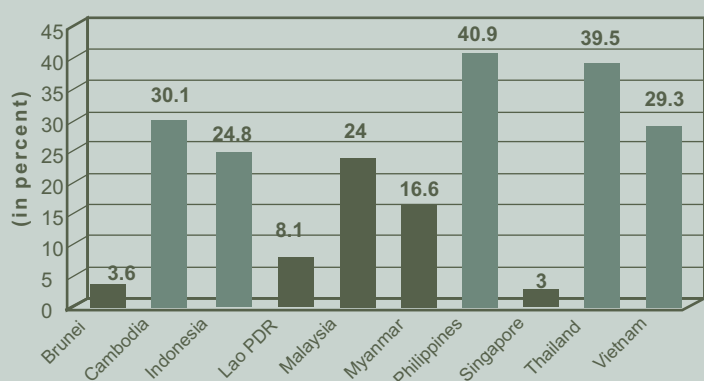
Figure 1. Share of agriculture in the total employment, and of the rural population in the total population, 2004



Source: ASEAN Database

Agriculture is also very important because a large portion of the land in many ASEAN countries is still used for agricultural production. Figure 2 shows that in the Philippines, almost half of the land (40.9%) is used for agriculture. This is the highest in the region. Thailand, Cambodia and Vietnam also have big portions of their lands used for agriculture. Of course, the proportion of agricultural lands is very small in Brunei and Singapore, which are not agricultural countries.

Figure 2. Share of agricultural lands in total lands, 2002



Source: ASEAN Database

Agriculture is also the single most important source of food for the people in the region. Rice, which is the region's staple food, is still the most dominant agricultural product in many ASEAN countries. The region's five major agricultural crops--paddy rice, corn, cassava, soybean and sugarcane--are also important part of the ASEAN peoples' diet.

Some ASEAN countries both export and import goods in the world market. ASEAN countries export more or less the same products. The main agricultural exports are palm oil, crude rubber, rice, shrimp and other seafood, sugar and honey, tobacco and coconut oil. Twenty percent (20%) of exported products are still mainly sold within the region. The rest are exported to other markets like Japan, the European Union, China, the US, India, South Korea, Australia and other European countries.

ASEAN countries also import fertilizers, tobacco, soybean, insecticides and fungicide, and other agricultural products. Imported goods still come mainly from the region. The rest come from Australia, the European Union, the US, China, India, New Zealand, Argentina, Brazil and other European countries.

ASEAN is becoming an important market and a place where countries all over the world are putting their investments. Many countries are very interested in having trade agreements with ASEAN because of its big population (540 million people) and because the economy of member countries have been performing well in the last few years.

### WHAT ARE THE COMMON ISSUES AND CHALLENGES FACING THE AGRICULTURAL SECTOR IN MOST ASEAN COUNTRIES?

We have learned from experience that increasing agricultural trade does not necessarily mean that the income of small-scale farmers will also improve. If there is no support and if the conditions are not favorable, small-scale farmers will not really gain from trade liberalization.

Farmers' organizations from the five ASEAN countries who were consulted for the AFA research mentioned some difficulties and challenges they faced with trade liberalization. Some of these common challenges and issues they identified are as follows:

#### 1. Not enough government resources and support for the agricultural sector

Government officials are saying that agriculture is important to the economy, but in reality they are not giving agriculture any importance. The budget given to agriculture

is very small compared with the other sectors. Because of this, basic support services, such as credit programs, irrigation facilities, farm-to-market roads and agricultural technology and inputs, are not enough or not available at all.

Because there are not enough basic support services, farmers have to spend more for production, which means that they cannot afford to sell their products at lower prices. In effect, their products would not be able to compete with imported products, which are much cheaper.

## **2. Farmers lack access to and control over resources in the production and marketing of their products**

In many ASEAN countries, most farmers still do not own land. Because of this, they cannot claim their right to decide on what to plant, and what methods and technology to use on the land. This in turn makes it hard for them to develop the land and be more productive.

Farmers also cannot avail of loans with easy payment terms for production and marketing. Many of them have no choice but to borrow money at high interest rates, so that they end up drowning in debt, making them even poorer than they already are. Farmers also complain that they do not get any important information on market prices, accepted quality standards and other markets for their produce. Also, because prices are dictated by traders, farmers cannot influence the level of income that they can get from their products.

## **3. Making sure that opening markets to exports do not put the welfare of local small farmers at risk**

FTAs do not only create more markets for agricultural exports; they also let more

imported products enter the local market. Local farmers are then forced to compete with farmers from other countries. If local farmers are not able to compete, they will likely lose their income and sometimes even their livelihood.

The more developed countries are doing many things to support their farmers (for example, by giving subsidies). These help lessen the farmers' production costs, making their exports cheaper. They also protect their own industries and products through "trade barriers." These trade barriers make it difficult for the agricultural products of ASEAN countries to compete with the agricultural products from these developed countries.

In the Philippines, for example, local agricultural products are more expensive because farmers spend a lot to produce, transport and sell their products. But this is not the only reason. Agricultural products from developed countries are cheaper also because the government gives a lot of support and even takes on some of the costs of production. Because of this, the producers from these countries can export their products at a lower cost.

Other countries use other barriers (such as quotas, restrictions, standards and other requirements) to block exports from developing countries like Cambodia and Vietnam.

Farmers also cannot compete well because they cannot produce as many products, and at anytime. They also cannot keep the quality of their products the same all the time. Sometimes, the quality is good, other times it is poor.

## **4. Farmers' use of farm production technologies that are harmful to health and the environment to produce the quality and quantity of products required for export**

*(continue on page 7)*



## Farmers' Trade Agenda for the ASEAN Region

### 1. ASEAN must make sure that in trade agreements, Member Countries still have the power and ability to do the following:

*Not to include in trade liberalization products in the sensitive sectors.*

Government can do this in many ways, such as by:

- (1) Controlling the number and value of imported goods that can come into the country during a certain period of time. This is called "quantitative restrictions";
- (2) Excluding products from the sensitive sectors from the list of products for which taxes will be reduced; and
- (3) Not decreasing the taxes or tariffs for the sensitive sectors as much as those for non-sensitive sectors.

This means that trade agreements must not take away the right of government to make and implement trade policies that will protect the livelihood of small producers in the sensitive sectors.

Under the ASEAN Free Trade Area - Common Effective Preferential Tariff (AFTA-CEPT) scheme, member countries are allowed to have a "sensitive" and "highly sensitive list" of products. These lists include unprocessed agricultural products. But these products are not considered "sensitive" forever. Later on, taxes or tariffs should also be lowered for these products based on an agreed schedule.

The farmers also suggest doing a research to study the impact of the AFTA-CEPT on small-scale farmers. They believe that this kind of study will tell ASEAN which sectors need to be protected the most, based on the important role of these sectors in making sure that there is food, livelihood and rural development, and that poverty is reduced.

*Provide sufficient safeguard measures and remedies*

Safeguard measures are things that countries do to protect and help their local industries and producers that have been threatened or seriously harmed by certain imports.

Under the AFTA-CEPT, a country can use safeguard measures only if it can prove that because of AFTA-CEPT, imports increased and this seriously affected sectors that are producing the product or similar products. Many developing countries find it hard to prove that its producers have been seriously affected because it is difficult to get data and trace the effects.

Farmers believe that developing countries should be able to automatically use safeguard measures when imported goods suddenly flood their markets and when prices suddenly drop, and they should not have to prove that the agricultural sector is badly affected. Safeguard measures should include (1) putting quantitative restrictions and (2) increasing tariff rates.

*Work hard to create an environment where developing countries can enjoy equal opportunities and advantages, and compete equally with developed countries*

Governments of developed countries usually give subsidy or money to farmers to protect them and help them compete better in the market place. This means that farmers from developed countries have lower cost of production because the government is taking care of some of these costs. This also means that they can lower the price of their products. But in developing countries, the government just opens up the markets and does not give similar subsidies to the farmers. It will then be more difficult for these farmers to compete with the low prices of products from the developed countries. This is not fair because in this situation, farmers from developed countries have more to gain while farmers from developing countries are at a disadvantage.

The trade agreements entered into by ASEAN should do something about lessening unfair agricultural subsidies.

## **2. ASEAN must adopt a Regional Agricultural Policy and create a Common Agricultural Development Fund**

ASEAN must formulate and implement a Regional Agricultural Policy that will look after agricultural growth within the region. Small-scale farmers can gain more from trade if they are competitive and if they can decide on how to use resources starting from the production stage, through the processing stage, and up to the marketing and distribution stages. This Regional Agricultural Policy can be a good tool that ASEAN can use to help make farmers more competitive and improve their income.

This regional agricultural policy should include:

- A comprehensive program that will support and improve competitiveness of the agricultural sectors in the region;
- A Common Agricultural Development Fund for programs that will benefit small farmers and other small agricultural producers; and,
- Opportunities for groups of agricultural producers, across the region, including small farmers' organizations, to work together especially on sustainable farming, agricultural processing, marketing and distribution, cooperative formation, development and management, and many others.

## **3. ASEAN must develop and push for alternative “Standards for Sanitary and Phytosanitary (SPS) Measures”**

Countries who are involved in FTAs are usually required to follow international standards, including sanitary and phytosanitary or SPS measures. The SPS measures deal with food safety and animal and plant health regulations. If your product does not meet these standards, it cannot be allowed to enter the international market.

Instead of just adopting international standards, ASEAN should begin to develop its own SPS measures. This is also important in safeguarding the health and safety of people in the region, the majority of whom are poor and have very limited access to health services. Thus, it is important that ASEAN develop SPS measures that will deal with the health and safety concerns of its population.

## **4. ASEAN must set up a Rice Reserve**

ASEAN must pass and adopt an agreement that will make sure that ASEAN members are the first ones to get access to rice produced within the region, at fair prices. It should also set up a Rice Reserve that will make sure that rice is always available in the region and that there are no big changes in its price. This is a big step in securing access to rice and other food items in the region, and in helping the region become more self-sufficient instead of depending on the supply of food from outside.

## **5. ASEAN must create a Small Agricultural Producers' Advisory Council**

The agricultural sector serves as the main source of income and livelihood for a large segment of the population of ASEAN countries. The poor in these countries also depend on this sector for survival. Because of this, the agricultural sector has been at the center of poverty alleviation efforts in the region.

ASEAN should always assess the impact of its policies and programs on small-scale farmers. This is important because the small-scale farmers and producers are the worst affected by trade liberalization. They do not get enough support from government, and they also have very few resources to cope with increased competition resulting from the opening up of agricultural markets.

Because trade policies and agreements have a big impact on agricultural producers, ASEAN should consult and consider the views of small-scale farmers and producers about policies and programs that directly affect them. Farmers recommend that ASEAN set up an advisory council composed of representatives of small-scale agricultural producers all over the Southeast Asian region. ASEAN should regularly consult this body on policies and programs that affect or have a possible negative impact on agriculture.



(continued from page 4)

Farmers have to produce more and better products for the international market. To do this, they often have to use technology and methods that are harmful to the environment. For example, to deliver the required volume of products, farmers are forced to plant only one kind of crop all year round, every year, on the same land. When you do this, you use up the nutrients of the soil and make the soil less and less fertile.

Another example is in the Philippines, where farmers have to produce bananas for export that are smooth and without any black spots. To make sure that the bananas come out nice-looking, the farmers have to spray a lot of pesticides and insecticides over the banana plantation using small airplanes. When they spray the bananas, they also spray over the waterways so that poison gets into the water system. Nearby houses and the farmers themselves are also exposed to the harmful chemicals, so that their health are also endangered. So, it is important that trade policies and agreements also consider the safety of the environment and the people.

### **5. There are less buyers of exported products because of the global financial crisis**

The financial crisis in 2008 affected countries all over the world. In developed countries, many companies had to close down and many people lost their jobs. Because of this, people in these countries have less money to spend. So they also buy exported products less. The lower demand for these exported products cause their prices to go down.

The situation directly affects ASEAN countries that depend on export. It shows that there is a lot of risk in depending on exports as a main strategy for development. If we are dependent on export, any small change in the world demand and prices will affect us a lot.

### **6. Farmers are not able to participate in the making of agriculture and trade policy, including trade agreements**

Many farmers say that there are no opportunities for them to participate in developing their countries' trade policies. They also say that they do not know much about the World Trade Organization, the ASEAN and trade agreements. But because these policies directly affect their lives, farmers should have a voice in their creation.

It is important that governments make sure that farmers can participate in policy making for trade and agriculture, as well as in implementing these policies. Farmers should also be involved and consulted when their countries form their agenda and position in regional or international trade agreements.

### **HOW DID AFA DEVELOP ITS AGENDA ON TRADE IN ASEAN?**

To help small-scale farmers form a common trade agenda, the Asian Farmers Association for Sustainable Development (AFA) consulted farmers in five countries-- Indonesia, the Philippines, Thailand, Cambodia and Vietnam—and put together their ideas and suggestions as a regional trade agenda.

At first, it seems that it will be difficult to develop a common agenda since the situation of the farmers in these five countries are very different. Cambodia and the Philippines are both net importers. They buy more than they sell in the export market. Indonesia, Thailand, and Vietnam are net exporters. They sell more in the export market.

But, when we look at the results of the consultations, we can see that the issues and concerns that the farmers raised are very similar. In all the consultations, farmers are concerned about the low budget allotted by

government to the agricultural sector, and their ability to compete in the face of trade liberalization.

### **WHY WAS THE AGENDA FORMULATED?**

The national and regional trade agenda will help guide small farmers in pushing their national governments and ASEAN to address their concerns related to trade and agriculture. Hopefully, it will also help farmers check if the trade policies can support their livelihood and the development of their sector.

### **WHAT WERE THE THEMES THAT BECAME THE BASIS AND FRAMEWORK FOR THE FARMERS' REGIONAL TRADE AGENDA?**

#### **Sound national policy as a foundation for sound trade policy**

Many farmers are concerned about how they can compete in a market that has been opened up to agricultural products from other countries. They are saying that the government should help farmers not only to improve their capability to produce more but also to make sure that farmers truly gain something from trade. The farmers believe that national policy should help farmers improve their productivity and be more competitive. They recommend that government:

1. Increase budget for programs in agriculture, especially those that will help improve productivity and competitiveness (such as irrigation, extension and research), and help farmers market and distribute their products (such as access to credit and price support);
2. Make sure that different government agencies concerned with agriculture support services are coordinating well with each other; and,

3. Involve farmers in making agricultural and trade policies.

Farmers also recommend that before opening up the country's market, the government should make sure that there are already policies to help farmers become more competitive.

### **Recognizing that the agriculture sector of many developing countries have two different characteristics**

Many ASEAN countries think that when they go into FTAs, they are just opening up market opportunities for the local farmers. They do not see that in many developing countries, there are a few large commercial exporting firms and many small-scale farmers. These large export-oriented firms are mostly owned and managed by big commercial corporations. They are the ones that are actually gaining from FTAs. The small-scale farmers, which make up a bigger segment of the agriculture sector, are still more concerned about how to put food on their tables, and about being able to continue to sell their products at a fair price as government opens the market to cheaper agricultural imports.

So it is important that, in making trade policies and in going into international trade agreements, national governments and ASEAN consider that there are large agricultural firms as well as small-scale farmers in the agricultural sector. In maximizing export opportunities, ASEAN and governments should also protect local producers and industries.

### **Recognizing agriculture's role in meeting important socioeconomic objectives**

Farmers know that the agricultural sector has an important role in making sure that there is enough food and livelihood for their families,



hastening rural development, lessening poverty and protecting natural resources. They do not see agriculture simply as a business or an income-earning activity.

Many farmers believe that trade policies, and trade itself, should create jobs and not take away livelihoods. These should help improve farmers' income from farming and agricultural production, and not take their jobs away. Finally, they believe that even if we are hoping to increase our income through progress brought about by trade, this should not force us to use production and processing technologies that harm the soil, pollute the waters or threaten the health of the people who produce and consume agricultural products.

### **Maintaining the country's capability to support small-scale farmers and develop the agricultural sector**

When producers sell their products to other countries, they are required to pay taxes or tariffs. These tariffs are meant to discourage imports and protect the local products.

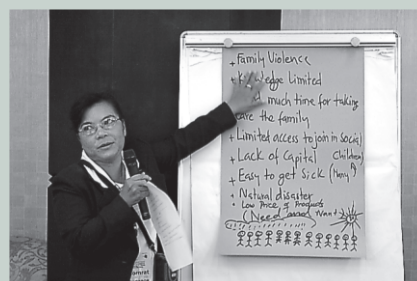
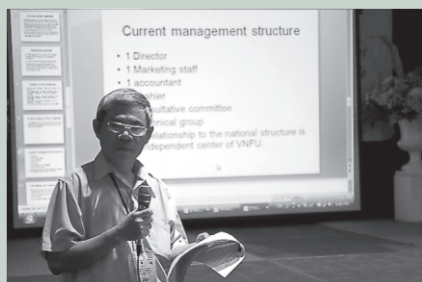
When a country enters into a trade agreement, that country agrees to let imported products enter its local market freely by taking away or lessening the taxes. There are some products, such as agricultural products, that are called "sensitive" products because they are very important to the economy and to food security and livelihood in the country. So the government asks for higher taxes for these products so that they cannot come in very easily into the country and compete with the local products. This way, the local agricultural products are protected.

In FTAs, a country also tells its partners how much taxes will be imposed on specific products, and also promises that there will be no big increase in taxes for certain products.

However, the government still needs to make sure that these agreements will not affect the survival of small farmers and the development of the agricultural sector. This should always be considered because agriculture plays an important role in meeting important development objectives, and not just the sector's contribution to the country's economy.

According to the farmers, the government has an important role in agricultural development. They argue that agricultural development should never be sacrificed even as the country commits to FTAs. In any trade agreement that ASEAN has with other countries, the government should still be able to support and protect its small-scale farmers. This means that the government should still be able to require high tariffs or taxes for sensitive sectors or to use other ways to protect the local agricultural sector in case many imported products suddenly come in or if prices of goods suddenly drop.





## CREDITS

(This issue paper is a simplified, popular version of the research entitled: "Farmers' Trade Agenda in ASEAN", undertaken by AFA, in 2008. For the full research paper, please go to <http://www.asianfarmers.org>)

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