The ASEAN Economic Community 2015 and Regional Trade: Some Prospects for ASEAN Agriculture

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ABSTRACT

The establishment of the ASEAN Economic Community 2015 (AEC) is seen as a bold effort to promote regional cooperation among the ASEAN member states. It covers not only the usual trade policy prescriptions of lowering tariffs and other trade barriers, but other policy measures to create a single market for unhampered flow of goods, services, investments, labor, and capital. With the ASEAN countries' extensive intra- and extra-regional trade in agricultural products, the AEC can help further facilitate trade under its first pillar of economic integration. There also remains greater prospects for cooperation on technology transfer, facilitating regional investments in agricultural industries, strengthening agricultural cooperatives, trade in services allied with modern agricultural sectors, and food and nutrition security.

Keywords: ASEAN, trade, agriculture, ASEAN Economic Community, regional integration
JEL Classification: F13, Q17

INTRODUCTION

The Southeast Asian region is fast progressing toward the full establishment of the ASEAN Economic Community (AEC), with country commitments already made to fully implement the AEC by 2015. These commitments include reducing tariffs and other barriers to trade, but the AEC envisions multiple policy responses that go beyond the usual trade policy instruments. Examining how the forthcoming regional integration would affect sectors of the countries' economies, specifically agriculture, would be informative. With growing food security concerns in the region, international trade in agricultural products and multi-country cooperation to raise productivity remain among the top national issues in the region.

This paper aims to provide an overview of trends in economy and trade in Southeast Asia, with focus on changes in trade patterns and the underlying factors driving those. It then reviews the major features of the AEC in 2015, and the possible elements that are likely to change in that context. Prospects for agriculture and allied sectors are offered, and further questions are raised on the possible implications of the AEC on the ASEAN (Association of Southeast Asian Nations) Region.

A Brief Overview of the ASEAN Region

The 10-member ASEAN, encompassing 600 million people, is characterized by economies with varying economic profiles. The combined gross domestic product (GDP) of ASEAN reached USD 2.3 trillion (in current prices) in 2012, with Indonesia being the largest economy in the region (Table 1). Over the last five years, the region's real GDP growth posted quite impressive figures, even in the aftermath of the Asian financial crisis of 2007. In terms of contribution of agriculture to the national economy, transition economies in ASEAN still rely on agriculture as a main economic driver. Agricultural gross value added in Cambodia, Lao PDR, and Myanmar account for more than

Table 1. Key indicators for ASEAN

Countries	Population as of 2012 (million people)	Nominal GDP as of 2012 (billion USD)	Real GDP Growth, 2008–2012 (%, simple average)	Agriculture Value Added (% of 2012 GDP)	Exports as % of 2012 GDP	Imports as % of 2012 GDP
Brunei	0.41	16.95	0.65	0.72	81.37	31.18
Cambodia	14.86	14.06	5.41	36.68[c]	54.08[c]	59.50[c]
Indonesia	246.86	878.04	5.92	12.82	31.59	29.45
Lao PDR	6.65	9.30	8.01	30.80[c]	38.00[c]	44.27[c]
Malaysia	29.24	303.53	4.23	10.11	87.47	75.54
Myanmar	52.80	51.44[a]	4.89[b]	48.35[d]	0.18[d]	0.12[d]
Philippines	96.71	250.27	4.69	12.61	26.08	31.76
Singapore	5.31	274.70	4.44	0.03	200.66	178.49
Thailand	66.79	365.56	2.90	12.23	78.04	75.30
Vietnam	88.78	141.67	5.88	21.30	89.77	90.22

Source: World Bank (2013)

Notes: a = as of 2011 (IMF 2013); b = from 2008 to 2011 (IMF 2013)
c = 2011 data; d = 2004 data

30 percent of their respective GDPs. Singapore and Brunei have the smallest agriculture sector, while Vietnam, Indonesia, the Philippines, and Thailand have about 10–20 percent of their economies contributed by agriculture.

The region also shows indications of openness to trade. Total trade (exports plus imports) of Singapore, a world trading hub, accounted for around 380 percent of GDP. Brunei, Cambodia, Malaysia, Thailand, and Vietnam have total trade exceeding 100 percent of GDP.

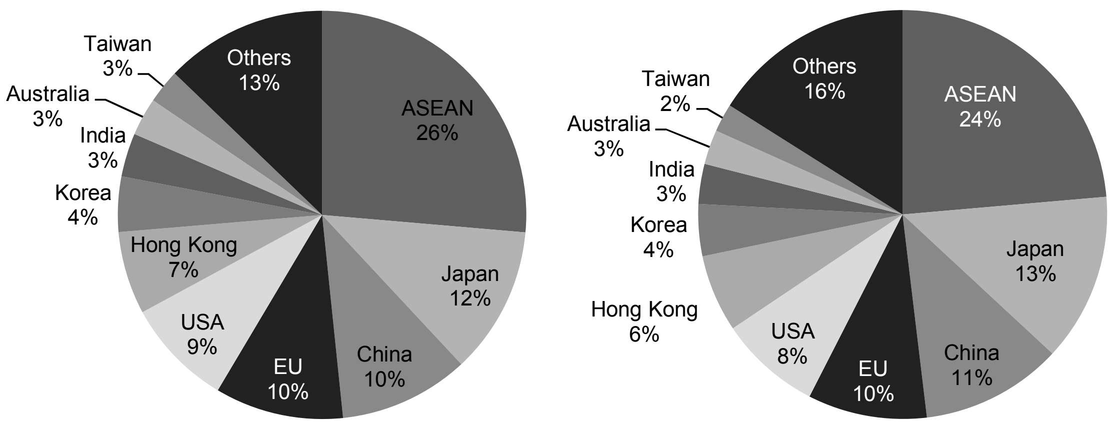
Still, a good portion of international trade by ASEAN economies is intra-regional in nature. In 2011, the destinations and origins of Southeast Asian exports and imports are mainly to and from the region itself (Figure 1). Other important trading partners are China, the European Union, and the United States of America (USA).

ASEAN trade are mostly in manufactured products, with imports and exports of this product group growing substantially from 2000 to 2012 (Figure 2). Trade in fuels and mining products also saw a significant increase, while agricultural products continue to be key imports and exports in ASEAN.

Figure 3 shows the flow of agricultural trade with important economic partners to and from the region. The ASEAN region itself remains a key export destination, where about a fifth of the total agricultural exports of the region have gone from 2000 to 2012. The shares of agricultural exports to traditional partners such as Japan, North America, and the European Union have gone down, while that to China has grown considerably for the same period. In terms of imports, intra-ASEAN trade remains significant.

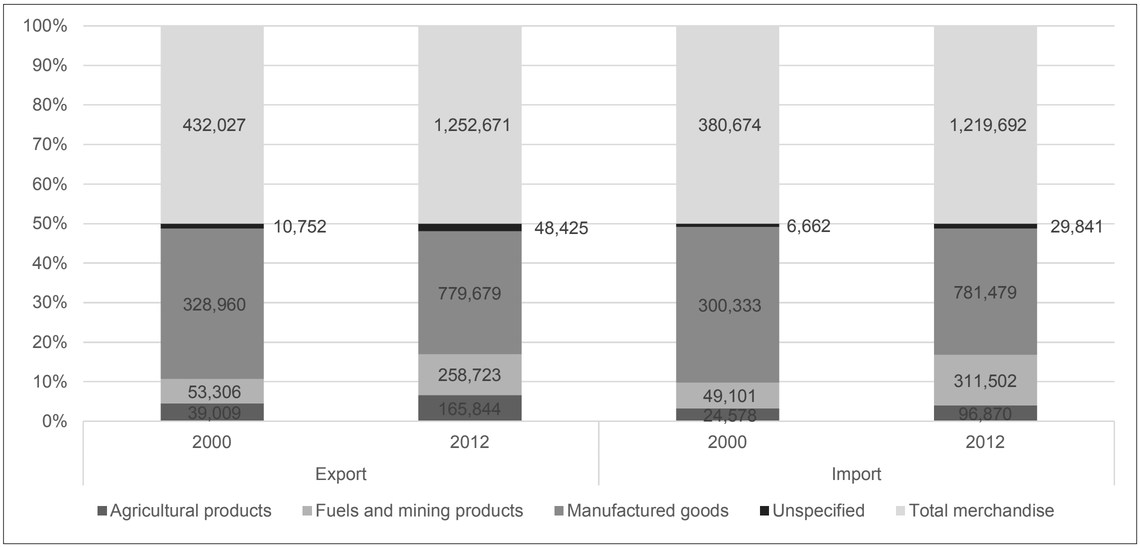
Table 2 shows the changes in country structure by product group from 1995 to 2011. In terms of exports, the percentage share of food and agricultural exports have gone down in countries such as Cambodia, Lao PDR, and Myanmar, favoring higher export shares for manufactured goods or ores, metals, and precious stones. Trade in manufactured goods has dominated the trade patterns of most of the ASEAN countries, especially in imports of these goods.

Figure 1. Destinations of exports (left) and origins of imports (right) of Southeast Asian trade, 2011



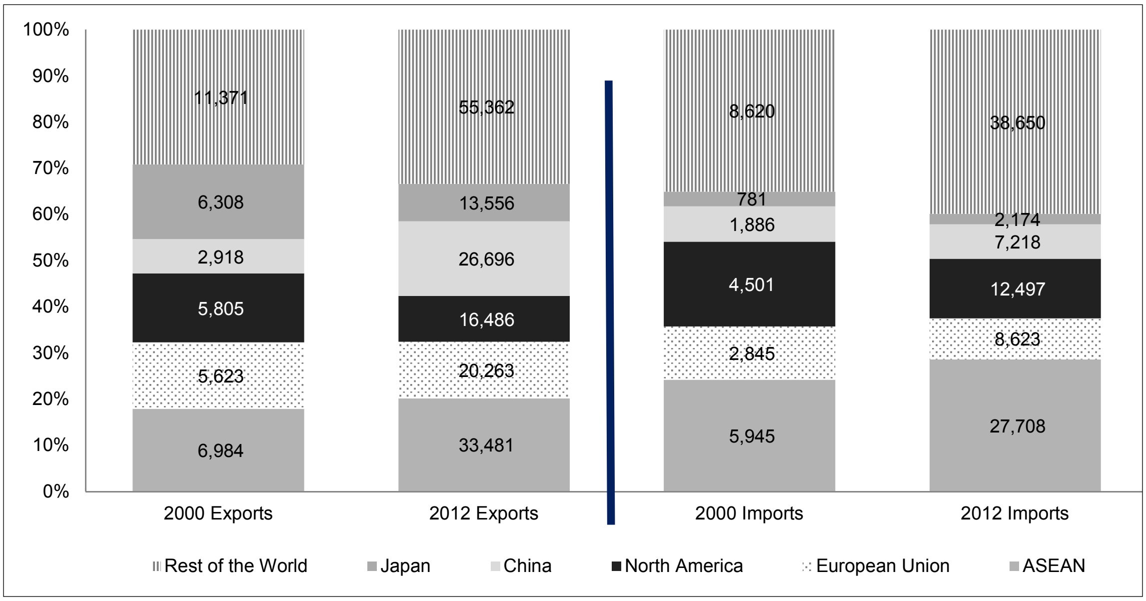
Source: ASEAN (2008)

Figure 2. Trade by product group, Southeast Asia, 2000 and 2012



Source: WTO (2013)

Figure 3. ASEAN trade of agricultural products with key partners, 2000 and 2012



Source: WTO (2013)

Table 2. Country trade structure (exports and imports) by product group

Country and Year	Percentage of Exports by Product Group (SITC Rev 3)					Percentage of Imports by Product Group (SITC Rev 3)				
	All food items	Agric. raw materials	Fuels	Ores, metals, precious stones, monetary gold	Manufactured goods	All food items	Agric. raw materials	Fuels	Ores, metals, precious stones, monetary gold	Manufactured goods
	(SITC 0+1+22 +4)	(SITC 2-22-27-28)	(SITC 3)	(SITC 27+28+ 68+667+971)	(SITC 5+6+7 +8-667-68)	(SITC 0+1+22 +4)	(SITC 2-22-27-28)	(SITC 3)	(SITC 27+28+ 68+667+971)	(SITC 5 + 6 +7 + 8 -667 - 68)
Brunei Darussalam										
1995[e]	0.1	0	91.1	0	8.2	13.6	0.6	0.2	3.3	81.8
2011[e]	0.1	0.1	96.3	0.2	1.8	19.6	0.3	2.1	1.5	76.2
Cambodia										
1995[e]	4	74.4	0	0.3	20.8	23.8	1.6	9	7.8	56.3
2011[e]	4.3	6.2	0	2.9	86.5	12.6	0.9	16.9	5.1	65.7
Indonesia**						8.5	5.3	6.4	3.6	75.2
1995	11.4	6.7	25.3	6.1	50.5	9.1	3	23.2	3.4	60
2011	16.2	7.5	33.9	8.9	33.6					
Lao PDR						17.6	0.2	7.7	3.8	69.1
1995	11.1	42.3	0.3	5.3	40.7	12.6	0.3	20.4	1.8	64.4
2011[e]	7.3	14.1	19.4	46.4	12.7	8.5	5.3	6.4	3.6	75.2
Malaysia										
1995	9.5	6.2	7	1.5	74.5	4.8	1.2	2.3	5.9	83.4
2011	14	3.2	17.7	2.7	62	8.8	2.5	11.8	7.3	69.2
Myanmar										
1995[e]	41.9	38.5	0.2	7.4	11.9	21.7	0.7	4	1.8	71
2011[e]	19.3	15.3	38.2	17.5	9.7	12	0.7	23.3	1.1	63
Philippines										
1995[a]	12.8	1.2	1.5	5.4	40.8	8.3	2.2	9.2	3.2	57.8
2011	10.2	1	2.9	6.7	57.9	10.3	0.7	20.1	3.6	49.9
Singapore										
1995	3.9	1.1	6.8	2.3	83.6	4.6	0.9	8.1	2.9	82.6
2011	2.1	0.3	19.8	1.8	68.1	3.4	0.4	32.6	2.6	59.9
Thailand										
1995	19.3	5.4	0.7	2.9	70.9	3.8	4.1	6.7	5.4	78.7
2011	13.8	7.1	5.6	4.9	68.6	4.7	1.9	19	12.7	61.6
Vietnam										
1995[e]	30.2	3.1	18	0.8	43.7	4.9	2.4	10.3	2.4	75.9
2011[e]	19.9	5.3	15.5	1.7	57.5	8.2	3.6	13.2	6.7	68.3

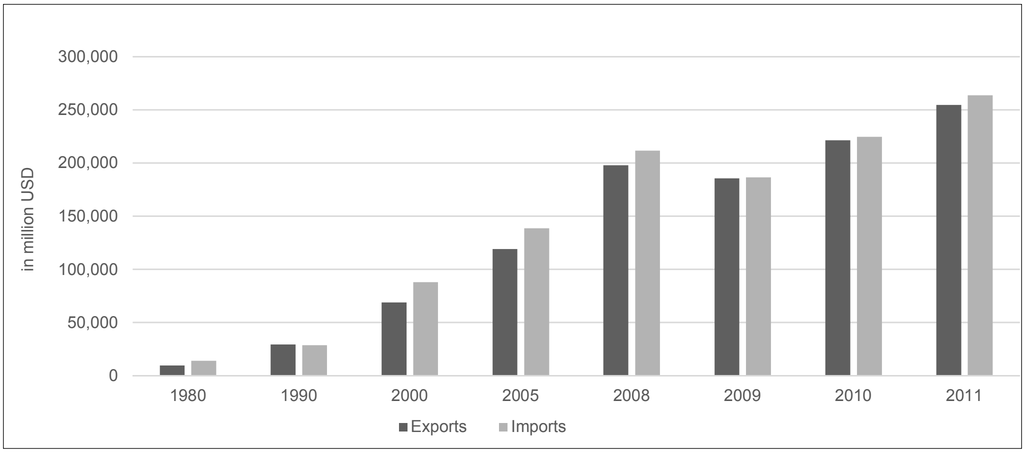
Source: UNCTAD (2012)

Notes: a = more than 30% of total trade under SITC Rev. 3 code 931 (Special transactions and commodities not classified); e= estimate;
** indicates that the statistical coverage of Indonesia, including Timor-Leste, was valid until 2002.

ASEAN trade in services have grown rapidly through the years. From about USD 24 billion in trade (imports plus exports) of services, the value stood at USD 518 billion in 2011 (Figure 4). The exports of commercial services of ASEAN are mostly on computers, information, communications, and other services (Figure 5). Travel services constitute about a third of commercial service exports. From 2005 to 2011, the total value of commercial service exports grew from USD 112 billion to USD 245 billion, representing 4 percent and 6 percent of world total in the respective years.

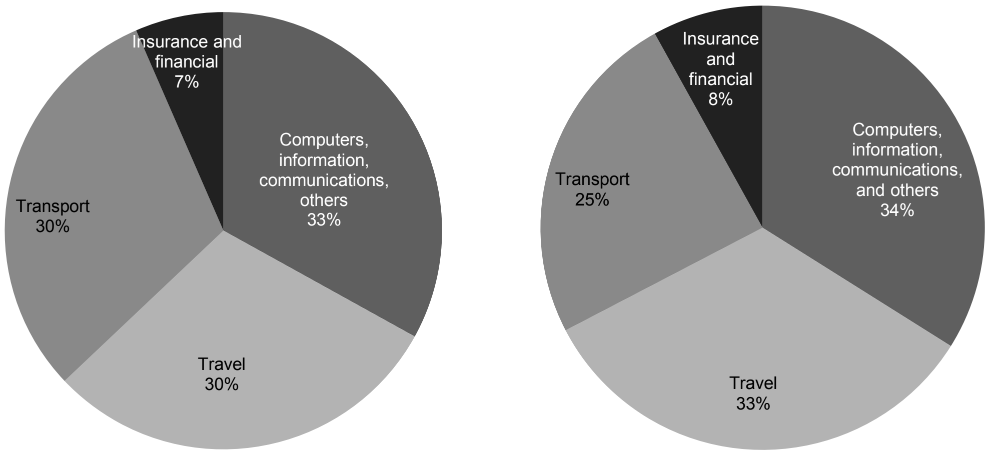
The ASEAN region saw net inflows of foreign direct investments (FDI) in the past thirty years (Table 3). In 2011, net inflows of FDIs for ASEAN stood at USD 57 billion, most of this accounted for by Singapore and

Figure 4. ASEAN trade in services, various years (1980–2011)



Source: UNCTAD (2012)

Figure 5. ASEAN commercial service exports, 2005 (left) and 2011 (right)



Source: World Bank (2013)

Table 3. Foreign direct investment: inward and outward flows in ASEAN

Country	Inward flows, in million dollars				Outward flows, in million dollars			
	1980	1990	2000	2011	1980	1990	2000	2011
Brunei Darussalam	–20	7,550	289	208	0	0	30	10
Cambodia	1	0	149	892	0	0	7	24
Indonesia*	180	1092	–4,495	_	6	–11	150	_
Indonesia	_	_	_	18,906	_	_	_	7,771
Lao PDR	0	6	34	450	0	0	10	7
Malaysia	934	2,611	3,788	11,966	201	129	2,026	15,258
Myanmar	0	225	208	850	0	0	0	0
Philippines	114	550	2,240	1,262	86	22	125	9
Singapore	1,236	5,575	15,515	64,003	98	2,034	6,650	25,227
Thailand	189	2,575	3,410	9,572	3	154	–20	10,634
Viet Nam	2	–7,363	1,558	8,430	0	0	0	950
ASEAN	2,636	12,821	22,696	116,559	394	2,328	8,978	59,890

Source: UNCTAD (2012)
Note: *indicates that the statistical coverage of Indonesia, including Timor-Leste, is valid until 2002.

Indonesia. Other major destinations of FDIs in 2011 were Malaysia, Thailand, and Vietnam.

The above profile shows the continued importance of trade and investment in the region, and the changing patterns in individual countries. Strengthening regional integration in ASEAN as envisioned by AEC could help further boost trade and investments, benefiting the different sectors of the member states.

ASEAN ECONOMIC COMMUNITY (AEC) BLUEPRINT: OVERVIEW AND KEY ACCOMPLISHMENTS[1]

As early as 2003, definitive steps were already undertaken to lay the groundwork for the institution of the AEC. In the 9th ASEAN Summit in Bali, Indonesia in 2003, the heads of ASEAN member states passed the Declaration of ASEAN Concord II (or the Bali Concord II) which pronounced the establishment of an ASEAN Community by the year 2020. The vision was to promote greater political, security, and economic cooperation in the region. One of the three overarching frameworks in this accord is the ASEAN Economic Community (AEC)[2] which envisions economic integration in the region through the freer flow of goods, services, investments, capital, and skilled labor. Subsequently, in the 12th ASEAN Summit in Cebu, Philippines in January 2007, the ASEAN leaders agreed to accelerate the establishment of the ASEAN Community to 2015, which included the AEC. In a subsequent summit in Singapore in November 2007, the leaders signed and adopted the AEC Blueprint which serves as the detailed master plan in establishing the AEC by 2015. The AEC Blueprint "will transform ASEAN into a single market and production base, a highly-competitive economic region, a region of equitable economic development,

1 This section is lifted heavily from Daite, Ramirez, and Staal (2013).

2 The others are the ASEAN Security Community (ASC) and the ASEAN Socio-Cultural Community (ASCC). For further details, visit www.asean.org/news/item/declaration-of-asean-concord-ii-bali-concord-ii.

and a region fully integrated into the global economy" (ASEAN 2008, 2).

The AEC's goal of regional economic integration rests on four pillars: (1) single market and production base; (2) competitive economic region; (3) equitable economic development; and (4) integration into the global economy. Under each pillar are core elements which require specific actions and strategic approaches to realize the intended outcomes (Box 1). Implementation follows a clear schedule done in four phases: 2008–2009, 2010–2011, 2012–2013, and 2014–2015. The blueprint also spells out an implementation mechanism that identifies responsibility centers and provides for regular monitoring and evaluation. In fact, ASEAN came up with the AEC Scorecard, which is a monitoring mechanism to track the progress of implementing the AEC measures. The latest scorecard (as of 2012) reports the accomplishment of the AEC implementation in the first two phases, from 2008 to 2011. Further, a report on the mid-term review (MTR) of the implementation of the AEC Blueprint was completed in October 2012 based on the AEC Scorecards and other review mechanisms.

The MTR reported substantial accomplishments in implementing the blueprint. The most noteworthy is the reduction and elimination of tariffs in the region, with the common effective preferential tariff (CEPT)[3] rates practically zero in the ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand) and an average of only 2.6 percent for the CLMV countries (Cambodia, Lao PDR, Myanmar, Vietnam) in 2010 (ERIA 2012). There was also an important headway on trade facilitation, with five ASEAN member states—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—having live implementation of National Single Windows. Two (Brunei and Vietnam) are well on their way to full development of their National Single Windows. Other key accomplishments were on investment liberalization, the Roadmap for Integration of Air Travel Sector (RIATS), the signing of the five ASEAN+1 free trade agreements that cover all of the ASEAN+6 partners, the signing of the Chiang Mai Initiative, and various regional cooperation initiatives in many areas (such as agriculture, competition policy, and intellectual property rights).

There are, however, implementation areas that need further marked improvement. The issues on non-tariff measures need to be further addressed, especially on the non-tariff barrier[4] effects of non-tariff measures that continue to be imposed for legitimate reasons. The determination of non-tariff barrier effects is difficult, and data on non-tariff barriers are hard to obtain, thus, the restrictiveness of non-tariff measures that are continually in place cannot be ascertained. In terms of trade facilitation, full implementation of the ASEAN Single Window rests on well-functioning National Single Windows in all member states, which are difficult to come by due to the varying levels of customs performance among the individual countries in the region. In terms of liberalizing investment, liberalization in the agricultural sector and the oil/gas sector remains tricky due to political economy concerns in a number of ASEAN member states (ERIA 2012).

3 The common effective preferential tariff (CEPT) is an effective tariff applied to goods originating from ASEAN, agreed upon among and between all ASEAN member states. This was covered by the Agreement on CEPT Scheme for the ASEAN Free Trade Area (AFTA) signed by authorized ASEAN ministers in Singapore in January 1992.

4 Conceptually, non-tariff barriers are those that restrict trade without the use of tariffs. They include import quotas and other less-defined barriers such as licensing requirements, restrictive product standards, and anti-dumping protection. For its purpose, ASEAN has identified the following measures as major non-tariff barriers affecting intra-regional trade: customs surcharges, technical measures and product characteristic requirements, and monopolistic measures.

Box 1. Pillars and core elements of the ASEAN Economic Community Blueprint

Core Elements	Key Strategic Areas of Action
Pillar A. Single Market and Production Base	
Free flows of goods (A1)	Tariffs reduction/elimination
	Elimination of non-tariff barriers
	Rules of origin
	Trade facilitation
	Customs integration (customs development, ASEAN Single Window, standards and conformance)
Free flows of services (A2)	Services liberalization under ASEAN Framework Agreement on Services (AFAS)
	Mutual recognition arrangements (MRAs)
	Financial services sector
Free flows of investment (A3)	ASEAN Investment Agreement (AIA)
	Liberalization / facilitation / promotion / protection
Freer flows of capital (A4)	ASEAN capital market development and integration
	Capital mobility
	Foreign direct investment / portfolio investment
	Current account transactions
	Facilitation
Free flows of skilled labor (A5)	Mutual recognition arrangements (MRAs)
	Core competency development
Priority integration sectors (A6)	M&E of priority integration sector (PIS) roadmaps
	Sector-specific projects or initiatives
Food, agriculture, forestry (A7)	Harmonization and application of quality standards for food safety
	Cooperation and technology transfer with international organizations and the private sector
	Market access through ASEAN agricultural cooperatives
Pillar B. Highly Competitive Economic Region	
Competition policy (B1)	Capacity building and adoption of best practices
Consumer protection (B2)	Establishment of the ASEAN Coordinating Committee on Consumer Protection (ACCCP)
Intellectual property rights (B3)	Intellectual property rights action plan
Infrastructure development (B4)	Transport action plan
	ASEAN Framework Agreement on Multimodal Transport
	ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)
	ASEAN Framework Agreement on the Facilitation of Inter-State Transport (FAIST)
	Roadmaps for integration of air travel sector (RIATS)
	Roadmap towards an integrated and competitive maritime transport in ASEAN
	ASEAN power grid
	Trans-ASEAN gas pipeline
Taxation (B5)	Bilateral agreements on avoidance of double taxation
E-Commerce (B6)	E-commerce laws / capacity building
Pillar C. Equitable Economic Development	
SME Development (C1)	ASEAN Policy Blueprint for SME Development
Initiatives for ASEAN Integration (C2)	M&E / capacity building
Pillar D. Full Integration into the Global Economy	
Coherent approach towards external economic relations (D1)	"ASEAN Centrality" in negotiations for free trade (FTAs) and comprehensive economic partnership (CEPs) agreements
Enhanced participation in global supply networks (D2)	International best practices and standards in production and distribution

GENERAL IMPLICATIONS ON AGRICULTURAL TRADE IN THE REGION

Under the single market and production base pillar of the AEC, food, agriculture, and forestry are considered priority sectors. In fact, the AEC renews calls for the further lowering and removal of tariffs to boost intra- and extra-ASEAN agricultural trade and the adoption and harmonization of quality management systems for food safety. But even prior to the AEC, tariff elimination in many product lines has been steady, including in the agriculture sector. As of the latest figures, the applied most favored nation tariff rates of ASEAN countries ranged from 0 percent to 11 percent in all products, with tariffs for agricultural products averaging from 0.1 percent to 22 percent (Table 4).

Intra-ASEAN commitments via the CEPT-ASEAN Free Trade Agreement (AFTA) scheme and the ASEAN Trade in Goods Agreement (ATIGA) are even lower. Under the ATIGA, import duties on all products traded within ASEAN shall be eliminated by 2010 in the ASEAN 6 and by 2018 in the CLMV countries. Exceptions are given for products in the negative list under the priority integration sectors, and for unprocessed agricultural products under Schedule E.[5]

ASEAN, as a group, has also forged FTAs with other non-ASEAN countries in the Asia-Pacific region. Specifically, ASEAN has existing individual FTAs with China, Japan, South Korea, India, and Australia and New Zealand which all called for freer trade with these countries mainly through tariffs reduction and trade facilitation. In terms of agricultural trade, the lowering of tariffs with these partners bodes well for the region, which is a net importer of some agricultural product lines. The further expansion of FTAs to other regional and economic blocs that serve as ASEAN's important trading partners in agricultural products, such as Europe and North America, can help further boost the flow of these goods in the region.

Given the steady decline in tariffs on agricultural products in the region, perhaps a more important trade issue is the imposition of non-tariff measures. While the AEC Blueprint MTR recognizes the efforts to eliminate non-tariff barriers and reduce the non-tariff barrier effects of non-tariff measures, the quantification of these effects is difficult. The MTR noted four major groups of non-tariff measures that are of interest: (1) technical barriers to trade, (2) sanitary and phyto-sanitary standards, (3) customs-related measures, and (4) the so-called "core non-tariff measures." Core non-tariff measures, as defined in the MTR, are those pertaining to non-automatic licensing; quantitative restrictions; prohibitions; enterprise-specific, single channel for imports; and foreign exchange market restrictions. In terms of agricultural trade in the region, most of these non-tariff measures were on technical regulations (labeling, quality standards, sanitary and phyto-sanitary standards, testing, inspection, and quarantine measures;) and import licensing (import permit, certificate of approval) chiefly for sanitary and phyto-sanitary standards, health, and food safety reasons. How these non-tariff measures serve as significant barriers to trade have yet to be quantified, even though varying legitimate reasons are cited by imposing countries (e.g., for religious and cultural purposes, health reasons, and public safety concerns).

5 Listed under Schedule E are unprocessed agricultural products that each member state places of its own accord, which shall have their respective applied most favored nation import duties reduced in accordance with the schedule set out therein.

Table 4. Applied most favored nation tariff rates of ASEAN countries

Country (year w/ latest data)	Applied most favored nation tariff rate* (%)		
	All Products	Agricultural	Non-Agricultural
Brunei (2011)	2.5	0.1	2.9
Cambodia (2011)	10.9	15.2	10.3
Indonesia (2011)	7.0	8.1	6.9
Lao PDR (2008)	9.7	19.5	8.2
Malaysia (2010)	6.5	10.8	5.8
Myanmar (2008)	5.6	8.7	5.1
Philippines (2011)	6.1	8.7	5.7
Singapore (2011)	0	0.2	0
Thailand (2011)	9.8	22	8
Vietnam (2010)	9.8	17	8.7

Source: WTO (2013)

Note: *Simple mean

On another related issue, the MTR reports notable progress in standardizing practices and quality systems such as adoption of good agriculture practices (GAP), good aquaculture practices (GAqP), good animal husbandry practices (GAHP), good hygiene practices (GHP), good manufacturing practices (GMP), and hazard analysis critical control points (HACCP)-based systems. The harmonization of agricultural products would help ensure the free flow of safe and qualified products and raise competitiveness in international markets. However, regional cooperation on these systems may also have an effect on addressing sanitary and phyto-sanitary standards-related issues embodied in the non-tariff measures. Technical regulations from sanitary and phyto-sanitary standards and food safety-related non-tariff measures can be better hurdled through the continued improvement in standards and certifications of good quality. As mentioned earlier, non-tariff measures related to agricultural products in the ASEAN region are dominated by technical regulations and import licenses chiefly for sanitary and phyto-sanitary standards, health, and food safety reasons.

Still a priority initiative of the AEC Blueprint is the enhancement of its third pillar (equitable economic development). Under this is the recognition of the strategic importance of small- and medium-sized enterprises (SME) for equitable growth in the region. The Blueprint has proposed measures for continued SME development in the region through facilitating access to finance, information, markets, and technology. The small- and medium-sized agricultural industries in the region may stand to gain from the AEC's quest for SME development, as well as the promotion of ASEAN agricultural cooperatives to enhance market access of agricultural products.

Regional cooperation in services may be more progressive compared with other sectors (e.g., goods and investments). Given the priority given by AEC, this suggests a huge potential for growth and cooperation in the services sectors, which currently dominate the economic profile of many countries in the region.

The AEC efforts in liberalizing investments and facilitation of trade may augur well to the agricultural industry. The continued quest for modernizing agricultural enterprises comes with the requirement of more capital, better input use, and technology packages. Furthermore, adequate support systems should also be in place to ensure their development. For example, poor roads and logistics often hamper the efficient functioning of agricultural markets in the region. In this light, the free flow of investments and capital in the region can help ASEAN countries prop up their agricultural industries. Also, as emphasized above, modernizing agricultural industries requires adequate facilities, highly-trained personnel, advanced technology, and efficient transportation systems, especially with the high perishability characteristic of food and agriculture products. Thus, the AEC Blueprint's focus on improved logistics and transport systems, better trade facilitation, and free movement of skilled labor would be welcome developments to the ASEAN agriculture industry, in this regard.

The Case of the Philippines

The Philippines is one of the pioneer ASEAN member states. It is traditionally a net importer of internationally-traded products, with a trade balance deficit reaching USD 13 billion in 2012 (UN Comtrade 2013). Its top exports are electronic products, accounting for 39 percent of export revenues in July 2013 (Figure 6), which are mostly shipments of semiconductor components and devices. The country's major export destinations are Japan, China, the USA, Hong Kong, and Singapore (Figure 7).

In terms of imports, electronic products still top the list (as of June 2013), followed by mineral fuels, lubricants, and related materials (Figure 6). Its top trading partners in terms of imports are China, Japan, the USA, Singapore, and Taiwan (Figure 7).

The Philippines treats ASEAN as an important economic trading bloc. In 2000, around 16 percent of its total imports and 16 percent of its total exports were with ASEAN nations, rising to 23 percent and 19 percent, respectively by 2012 (Table 5). Among the major product groups, the products mostly traded by the Philippines with ASEAN include imports of machinery and transport equipment and mineral fuels, lubricants, and related materials; and exports of machinery and transport equipment.

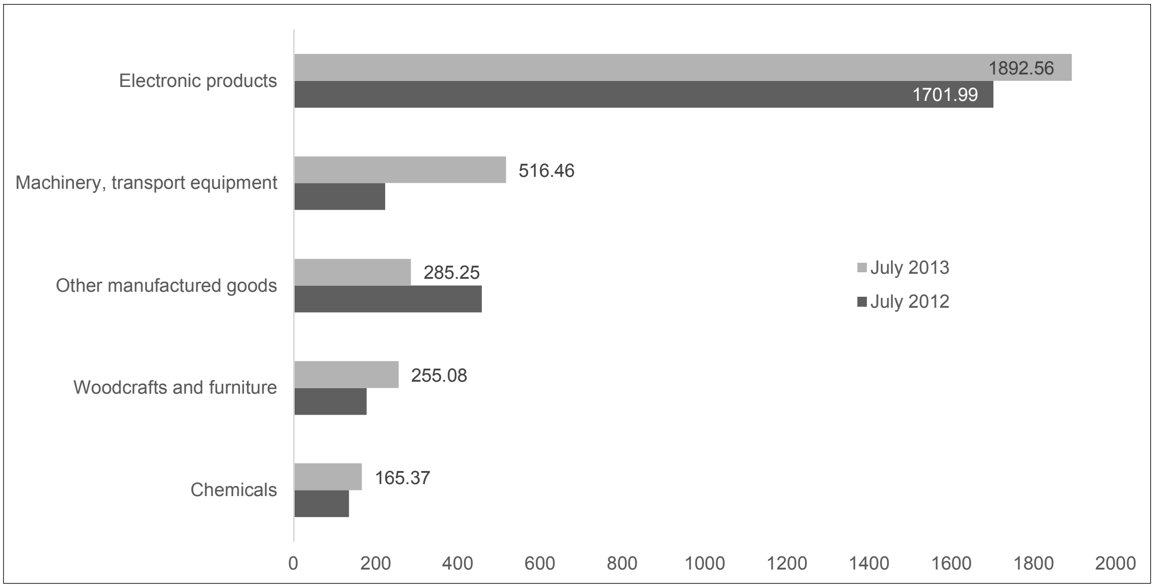
In terms of agricultural products, the top exports (and top two major markets) of the Philippines are coconut oil (USA and the Netherlands), fresh banana (Japan and China), tuna (USA and Germany), and pineapple and its products (USA and Japan). Top agricultural imports (and top two major sources) are wheat and meslin (USA and Australia), soybean oil/cake meal (USA and Argentina), milk/cream and their products (New Zealand and USA), and rice (Vietnam and India) (Bureau of Agricultural Statistics 2013).

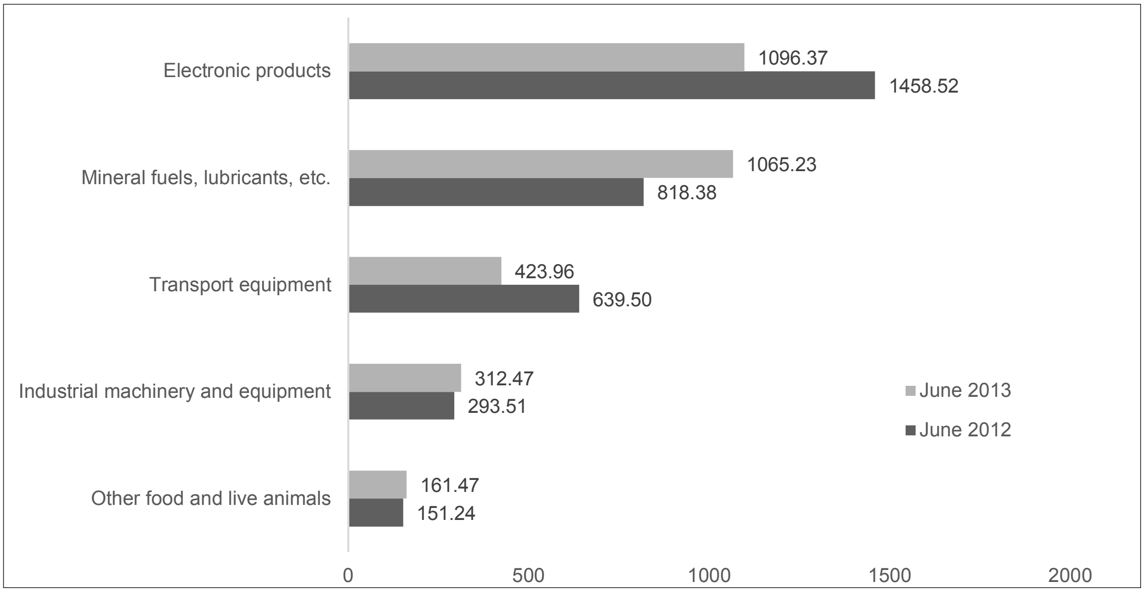
With the AEC 2015, the Philippines hopes to further boost trade with its current trading partners, especially with ASEAN member states, for it to reap the benefits of a free-trade scenario. It has also been keen in further advancing cooperation not only within ASEAN, but with its extra-ASEAN partners as well.

CONCLUDING REMARKS

The ASEAN countries have traditionally engaged in extensive intra- and extra-regional trade in agricultural products. With the AEC, trade can be further facilitated under the first pillar, particularly the core element on free flows of goods. As mentioned earlier, tariffs reduction in the region has been steady even under previous ASEAN-wide agreements and FTAs with non-ASEAN countries and regions. However, the dismantling of non-tariff barriers remains an issue. The recent evidence shows, however, that intra-regional trade in agricultural products has been growing as a proportion, suggesting some progress. How the elimination

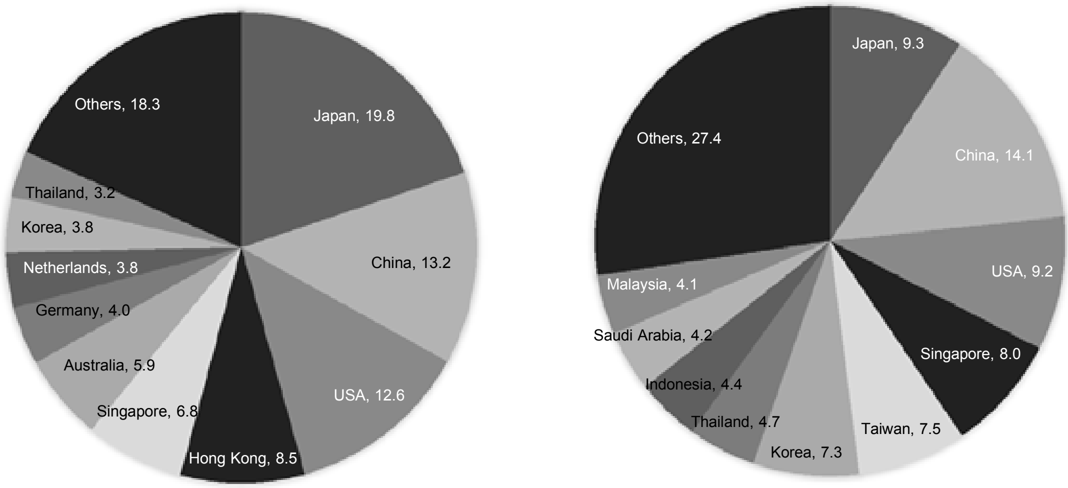
Figure 6. Top five exports (top) and top five imports (bottom) (FOB value in million USD), Philippines





Source: Philippine Statistics Authority (2013)

Figure 7. Top ten export destinations of Philippine products (%), July 2013 (left); top ten sources of Philippine imports (%), June 2013



Source: Philippine Statistics Authority (2013)

of non-tariff measures as envisioned in the AEC could affect intra- and extra-ASEAN trade flows in agriculture, however, remains to be seen. As emphasized, the quantification of the non-tariff barrier effects of non-tariff measures is not always straightforward. A cursory review of non-tariff measures shows the country positions invoking mostly health reasons, sanitary and phyto-sanitary standards requirements, and food safety. Furthermore, enhanced regional cooperation on trade-related harmonization of production systems through the GAP, GAHP, GHP, GMP, and HACCP would address the potential non-tariff barrier effects of sanitary and phyto-sanitary standards.

How greater technology transfer through the AEC can boost agricultural production and trade in the region is also worth looking into. As previously mentioned, modern agricultural farms make use of the latest technology and knowledge in their production and processing systems. While ASEAN can aggressively pursue collaborative researches and technology transfer among its member states, the region can stand to benefit from pursuing a wider range of global networks in agricultural science and technology. The AEC can invite cooperation in research and development, technology transfer, and capacity building from countries with advanced knowledge in to benefit its member states.

Still another viable area is on facilitating regional investments in agricultural industries. Freer flow of capital and investments as envisioned in AEC should make the private sector exploit the opportunities presented by the perennial inadequacy of domestic supply to meet overall demand in many agricultural products. The benefits of expanding production and taking advantage of potential economies of scale would help attract new investments which the AEC can facilitate.

Table 5. Imports and exports by product group (in million USD), 2000 and 2012, Philippines

Product Group	Imports						Exports					
	2000			2012			2000			2012		
	PH Imports from ASEAN	% of PH ASEAN Imports to Total	PH Total World Exports	PH Imports from ASEAN	% of PH ASEAN Imports to Total	PH Total World Imports	PH Imports from ASEAN	% of PH ASEAN Imports to Total	PH Total World Exports	PH Imports from ASEAN	% of PH ASEAN Imports to Total	PH Total World Imports
Food and live animals	340	15.1	2,253	1,429	23.5	6,077	96	7.5	1,286	441	13.9	3,176
Beverages and tobacco	29	15.1	193	62	26.3	237	14	28.1	51	156	53.0	294
Crude materials, inedible, except fuels	197	18.1	1,089	490	25.6	1,910	26	5.1	503	141	7.8	1,808
Mineral fuels, lubricants and related materials	628	15.3	4,095	2,625	18.6	14,093	227	44.9	505	370	29.3	1,263
Animal and vegetable oils, fats and waxes	51	68.5	74	341	84.2	405	52	10.9	477	84	7.2	1,167
Chemicals and related products, n.e.s.	773	26.0	2,977	2,064	30.8	6,712	106	31.1	340	464	24.1	1,927
Manufactured goods	565	14.3	3,947	1,091	19.3	5,663	179	12.7	1,407	568	11.6	4,913
Machinery and transport equipment	3,076	14.7	20,921	6,284	22.8	27,553	5,185	17.9	28,990	7,125	23.0	31,013
Miscellaneous manufactured articles	192	13.7	1,398	470	19.3	2,430	98	2.2	4,366	450	7.6	5,945
Commodities and transactions, n.e.s.	42	69.3	61	99	36.6	270	1	0.5	153	5	1.0	490
Total	5,892	15.9	37,007	14,954	22.9	65,350	5,983	15.7	38,078	9,804	18.9	51,995

Source: UNCTAD (2012)

Note: n.e.s. = not elsewhere specified

The AEC also envisions greater market access through the strengthening of ASEAN agricultural cooperatives. It would then be useful to understand the role of cooperatives especially in processing and marketing agricultural produce owing to their perishable nature. Cooperatives can establish their own facilities in order to preserve quality for marketing purposes. The need for an assured market can be met by agricultural cooperatives by facilitating supply contracts that often require strict volume and quality requirements. However, how the AEC can enhance bilateral, regional, and multilateral linkages among agricultural cooperatives, remains to be seen.

Trade in services, which are allied with modern agricultural sectors is also a viable area for cooperation in the AEC. Information and transport services are important ancillaries to modernizing agricultural farms, and a freer flow of these services can promote efficiency and competitiveness. Furthermore, agricultural trade in the region stands to benefit from better trade facilitation, which the AEC also highlights.

Finally, the issue of food and nutrition security has been top on the policy agenda of most economies. While some countries remain entirely dependent on agricultural imports, others are partially self-sufficient. Regional cooperation on ensuring food security can use the AEC platform for furthering this regional agenda.

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