



## Consequences of the Asean Economic Community (AEC) on Thailand Agricultural Situation and Food Security of Southern Thailand

Supaluk Sujatanond, Anisara Pensuk Tibkaew, and Paiboon Pramojane

**Abstract**— Under the Asean Economic Community (AEC), a single regional common market of Asean countries will be created by 2015. The regional integration's objective is to create a competitive market of over 600 million people in Asean countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. There will be free flow of goods, services, investment capital and skilled labor following the liberalization. These will include tariff reductions and streamlining of certain administrative procedures. In the process of working towards the AEC, the enhancement of competitiveness of food, agricultural and forestry products in international markets, and the empowerment of farmers through the promotion of agricultural cooperatives has become regional priorities. Emerging and cross-cutting related issues such as food security, mitigation and adaptation of climate change to the agriculture and forestry sector. This calls for an appropriate set of macro-economic policies; country's specific economic conditions; quality education for farmers; adoption of suitable technology; and communication and marketing arrangements to enable the access by farmers to information, capitals and inputs for efficient production at reduced cost. The increase agricultural and forest production, in terms of quantity and quality that are economically and environmentally sustainable would also need to be addressed.

Land use pattern of Thailand especially in southern region mostly occupied by agricultural land. Due to the economic reason e.g. high production cost and high labour required caused the reduction of paddy field, replaced by the orchards and rubber plantation. In the near future, Thai rice must still faced with the competitive pricing in Asian such as Vietnam and Cambodia and Myanmar due to the lower price. The market share of Thai rice exporting in Asian has decreased, cannot seize from Vietnam particularly low quality rice. Furthermore, because of the government policy is taking pawns more than world price's market which the cheaper rice from neighbor such as the Cambodia gushes out to our border and when compare production per unit area.

This study aimed to investigate and evaluate the consequences of activating AEC on the agricultural activities and situation in order to establish the possible policy recommendation to avoid the adverse impacts may occur and enhancing the sustainable agriculture for southern Thailand. The increasing demand of two major economic crops, i.e. para rubber and oil palm can cause expanding area of plantation. The projected area of oil palm plantation, especially Thailand can reach up to about 1,200 hectares in 2020 by the same increasing rate reported by FAO (8.49 percent). The expanding of oil palm and rubber plantation can resulting the reduction of other crops, especially rice which can cause food insecurity in the near future.

**Keywords**— Agricultural Situation, Asean Economic Community, food security, Southern Thailand.

### 1. INTRODUCTION

#### *Asean Economic Community (AEC)*

Under the Asean Economic Community (AEC), a single regional common market of Asean countries will be created by 2015. The regional integration's objective is to create a competitive market of over 600 million people in Asean countries: Brunei, Cambodia, Indonesia, Laos,

Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The ASEAN Economic Community (AEC) is one of the three pillars to achieve a cohesive ASEAN Community. The other two are political security and social cultural pillars [1].

#### *AEC Blueprint*

The AEC Blueprint is a single comprehensive document which identifies the characteristics and elements of the AEC with clear implementation targets and timelines for the various economic integration measures within ASEAN. The main objectives of AEC are to create a:

- a. single market and production base;
- b. highly competitive economic region;
- c. region of equitable economic development;
- d. region fully integrated into the global economy.

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working towards the AEC, the enhancement of competitiveness of food, agricultural and forestry products in international markets, and the empowerment of farmers through the promotion of agricultural cooperatives has become regional priorities. Emerging and cross-cutting related issues such as food security, mitigation and adaptation of climate change to the agriculture and forestry sector. This calls for an appropriate set of macro-economic policies; country's specific economic conditions; quality education for farmers; adoption of suitable technology; and communication and marketing arrangements to enable the access by farmers to information, capitals and inputs for efficient production at reduced cost. The increase agricultural and forest production, in terms of quantity and quality that are economically and environmentally sustainable would also need to be addressed.

### ***Benefits of the Asean Economic Community (AEC)***

It will open more regional cooperation and will improve the scale efficiencies, dynamism and competitiveness of Asean members. AEC will enable easier movement of goods, services, investment, capital and people. Ultimately, it will offer new ways of coordinating supply chains, or access to new markets for established products.

All Asean countries are more important to foreign investors if they are considered as one node in a larger regional market of nearly 600 million people - a single market. The Asean Free Trade Agreement will be expanded to zero tariffs on almost all goods by 2015. Asean plans to remain engaged with the global economy through regional-level free trade agreements - today, Asean has such agreements with China, Japan, Korea, India, Australia and New Zealand.

The AEC is coming at a time when it is recognized that investment in emerging markets is more desirable than in the US and Europe. There will be no shortage of funding coming from within Asean, the Asia Pacific or even the US and Europe. These investments can bring about badly needed capital for some countries, allowing them to leapfrog from the 20th century into the 21st in terms of competition in countries such as Thailand and Malaysia.

SMEs accounted for 96% of enterprises and between 50-85% of domestic employment across Asean. Integrating these SMEs and supporting them in the initial period will be a challenge throughout Asean but particularly in the lesser developed Asean countries. Recently the Singapore government fully realizes the challenge and the opportunity that the AEC will represent to SMEs and is putting both the planning talent and the resources to better support their SMEs. Vietnam and Thailand both countries are starting to verbalize and meet to develop more effective plans for SME integration and support, it is obvious that these plans are probably behind where they need to be. In countries, Cambodia, Laos and Myanmar plans are even further behind and more in need of support and resources.

Tourism opportunity. Asians travel more in the region and there are more travelers from other countries that have begun to reach out to Asia as new visitors. The

trends were evident at the recent Hub City Forum, held by the Pacific Asia Tourism Association (PATA), where more than 100 travel industry executives discussed the tourism potential, government's spending to upgrade facilities both for leisure attractions like museums; and also MICE facilities such as convention centers, reported the newspaper. MICE tourism opportunities are particularly large and hopefully countries that have the most experience in this area such as Thailand and Singapore will render their assistance to those with weak MICE experience - recent examples of Thailand and Vietnam will rendering assistance in Laos and possibly Cambodia.

Internationalization of health care under the AEC. Health care is one of the sectors to be internationalized. This is definitely a big challenge as it is more complicated than just the popularity of Singapore and Thailand's "medical tourism" that patients travel from one country to another seeking better care at lower cost. The legal and licensing frameworks are still needed to be worked out. However, it offers potentials for the free-flow of health services, etc. in the region. Recent examples here were noted in the Bangkok Post in mid-March which noted programs by Thailand's largest medical service BGH and other Thai hospital groups to step-up the pace of mergers and acquisitions and joint ventures in other AEC countries to help them a better platform to better take care of developing AEC opportunities.

### ***The Asean Economic Community (AEC) and agriculture***

The total population of AEC approximately 600 million people, or market investment will grow by 62 million people a year to 600 million after AEC activation. Hence, the need to the need of agricultural will be increasing in order to support the economic of the community and also the rising of the demand within the community.

Therefore, access to the community of ocean beach or trade liberalization of agricultural products and food will be transported through the transport mechanism freely which aims to increase trade volume and value of each country's economic growth from the agricultural and food will be sold in the markets of countries with a lower cost. The trade liberalization of agricultural products and food will be agreed to reduce trade barriers, tariff reduction and the eventual dissolution.

The liberalization of trade in agricultural products and food, farmers at all levels must be adjusted by tracking market information, consumption behavior of consumers, the production of farmers in the country to take into consideration administrative costs, optimization process in order to make a difference, important to adapt the accreditation process, standards and traceability systems. The liberalization of trade and Asean also launched a free investment will result in an investor can move financial capital or moving manufacturing base that is incurred Thailand can be invested to build processing plants for agricultural products in Asean countries such as investment business and agricultural products processed export markets (rice, tapioca plant) or

the agricultural investment and agricultural production phase.

Asean economies are adapting to the new equilibrium and the volume of trade increased. Country's economic growth will result in the need for agricultural labor and other skilled workers increased, skilled labor market with a growing demand in the country, wage labor within ASEAN to adapt to similar environments or have different minimum. Opportunities for agricultural workers who are foreign nationals who are in the country you are moving back to the original height.

In summary liberalization of agricultural products within the framework of the AEC for the country to benefit from a tax reduction, the broader market, raw materials to be imported, inputs cheaper, reduce the cost of production for export, create investment opportunities to expand its manufacturing base, development and innovation in products and services Vietnam and Indonesia). The impact of the agreement. Improve the quality of human labor gap in economic development, increase the purchasing power of the impact. Farmers in Thailand will affect the price could be lower when importing cheap products from other nine countries agricultural industries with low productivity may not match. Non-tariff measures will be increasingly used. ASEAN investors will invest in Thailand. Households faced with increasing competition. Thailand's skilled labor market has moved to a higher compensation.

ASEAN mostly exports of agricultural products to worldwide and between ASEAN countries themselves. The products that ASEAN exports are rice, cassava, rubber, sugar (Thailand), palm oil (Malaysia and Indonesia) and shrimp (Thailand, AEC particles found in the Mekong River Basin). The ASEAN trade increases with higher income per capita that cause to the demand for processed foods, meat, vegetables and fruit produced in ASEAN [2].

## 2. THE STUDY ON RUBBER AND OIL PALM MARKET

### *The demand of rubber products*

The world production of natural rubber in recent 5 years (2005-2009) showed an increasing trend with the average the growth rate of 1.67 percent per year. On the other hands, the requirement has been also increasing with the average rate of 1.44 percent per year. According to the 5-year information of IRSG, the remaining stock has been decreasing over year with the average rate as 14.90 percent per year due to the increasing of demand (Table 1).

Natural rubber products still plays an important role for SEA countries and they are recognized as the no.1 of natural rubber producer of the world, therefore it will be considered as one of the major exported goods with high capability to stimulate the economic especially after AEC.

**Table 1. Rubber product consumption and stock of the world year 2005-2009**

Unit: million tons

Year	Product	Requirements	Stock outstanding
2005	8.906	9.184	1.844
2006	9.698	9.709	1.833
2007	9.687	10.230	1.290
2008	9.877	10.088	1.079
2009	9.588	9.678	1.073
Growth Rate	1.67	1.44	-14.90

Source: [3]

### *The demand of oil palm products*

From Table2, it can be understood that the important importers of palm oil of the world during 2004 and 2008 include China, India, USA, EU countries and the import volume has increased steadily. The import volume of palm oil of this group countries are about 4-6 thousand tons per year. Similarly, the second importer group include Pakistan; Japan, Kenya, Myanmar, South Africa, Turkey, South Korea and Saudi Arabia, the import volume is about 2-10 thousand tons per year.

The major palm oil producer countries are all in Asean countries, i.e. Indonesia, Malaysia and Thailand (Table 3). Currently, Malaysia is recognized as no.1 of the world's palm oil exporter (reported 15,413 thousand tons in 2008), the second place was Indonesia (14,470 thousand tons in 2008) and the third place was Thailand (507 thousand tons in 2008). Due to the report of Oil World Annual (1999-2008) & Oil World Weekly, about 90% of the world palm oil use was produced from the ASEAN countries. Therefore, oil palm industries are having very bright future in the world market.

**Table 2. The import of palm oil in the world during 2004-2008**

Unit: Thousand tons

Countries	2004	2005	2006	2007	2008
EU	4,018	4,489	4,674	4,623	4,867
China	3,851	4,320	5,462	5,499	5,720
India	3,453	3,315	3,198	3,688	5,308
Pakistan	1,432	1,646	1,736	1,711	1,788
CIS	594	855	764	993	1,263
Egypt	702	774	770	720	696
Malaysia	713	555	602	268	538
Bangladesh	644	931	887	7,009	973
Japan	466	479	499	532	548
Turkey	347	457	527	366	471
South Korea	217	235	224	188	211
Myanmar	268	300	342	358	372
Kenya	289	362	350	416	524
America	271	420	629	788	1,002
South Africa	266	274	292	298	312
Saudi Arabia	172	219	287	275	292
Indonesia	13	22	31	25	20
Others	6,255	6,949	7,898	7,988	8,789
<b>Total</b>	<b>23,971</b>	<b>26,602</b>	<b>29,172</b>	<b>29,445</b>	<b>33,695</b>

Source: [3]

**Table 3. Producer and exporter of palm oil in the world 2008**

Countries	Export volume	
	Thousand tons	%
Indonesia	14,470	43
Malaysia	15,413	45.8
Thailand	507	1.5
Columbia	328	1.0
Papua New Guinea	395	1.2
Others	2,507	7.5
Total (world)	33,620	100.0

Source: [3]

The information indicated the ASEAN countries are the most important palm oil exported (Table 3) and due to the rising of palm oil demand over time, therefore the area of oil palm plantation has been increasing since 1997 among SEA countries (Table 4). Average percent of increasing in area of oil palm plantation during 1997-2004 of Indonesia was the highest (11.32 percent), followed by Thailand (8.49 percent), while the increasing area of oil palm plantation no.1 palm oil exporter (Malaysia) was showed quite low (3.98 percent).

**Table 4. Planted areas for the palm oil producing countries of the world year 1997-2008**

Unit: Thousand Hectares

Year	Indonesia	Malaysia	Thailand
1997	1,622.56	2,455.04	177.44
1998	1,795.04	2,586.08	205.44
1999	1,847.04	2,775.04	215.20
2000	2,014.08	3,075.04	230.08
2001	2,200.00	3,310.08	242.88
2002	2,790.08	3,375.04	263.04
2003	3,040.00	3,260.00	287.40
2004	3,320.00	3,402.08	309.60
2005	3,690.08	3,552.00	324.16
2006	4,110.08	3,678.08	379.84
2007	4,540.00	3,740.96	426.08
2008	5,000.00	3,900.00	450.08
Percent increase	11.32	3.98	8.49

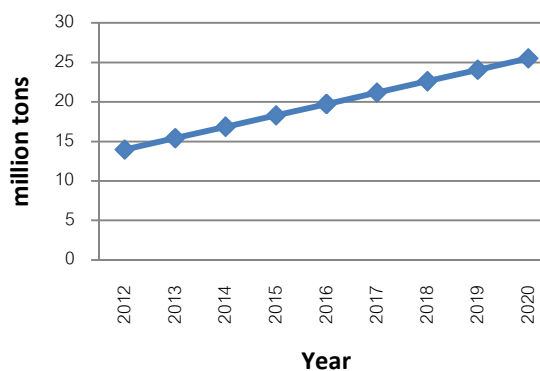
Source: [3]

### 3. THE FUTURE DEMAND ON RUBBER AND OIL PALM

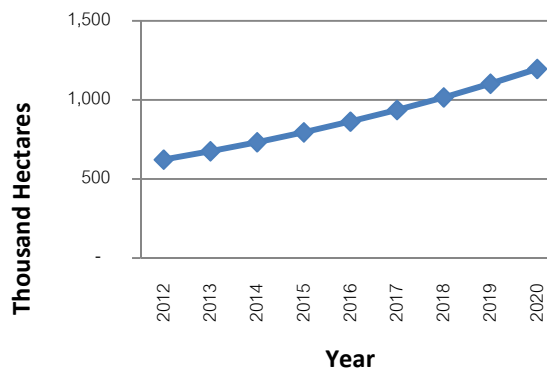
According to the information from various trustful

economic organizations. The future demand on rubber products of the world can be projected. The result (Fig.1) showed continuously increasing. In the year 2012 the requirements of natural rubber products will be 13.998 million tons and will be 25.518 million tons in 2020.

Similarly, the future demand on palm oil is increasing, therefore, the plantation area of oil palm will be also expanding rapidly and continuously in some ASEAN countries, especially Indonesia, Malaysia and Thailand. Fig 2 showed the projected area of oil palm plantation of Thailand 2012-2020, the result showed increasing of the plantation of oil palm in Thailand which can reached to 1,197 thousand hectares in 2020.



**Fig.1. The projected demand of rubber products during 2012-2020**



**Fig.2. The projected area for oil palm plantation of Thailand during 2012-2020**

### 4. CONCLUSION

Land use pattern of Thailand especially in southern region mostly occupied by agricultural land. Due to the economic reasons, paddy field can be easily replaced by the rubber or oil palm plantation. The increasing demand of natural rubber and oil palm product can result to the decreasing of paddy field. The reduction of paddy field can be implied the reduction of rice yield and food insecurity for Thailand and AEC countries. Therefore, the national policy makers should take the issue of rice farming area reduction into consideration in order to avoid the food shortage in the future.

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