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Opportunities and Challenges in Achieving Food Sovereignity in Indonesia in the Era of ASEAN Economic Community

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Background

ASEAN is in the process of creating a single market and production base which allow the free flow of goods, services, investment, skilled labor, and capital across the region. This innitiative indicates a major step toward the greater cooperation and integration among 10 ASEAN member states. Many international agencies claimed that, if ASEAN were one economy, it would be considered as the seventh largest in the world. Furthermore, if the growth trends continue, it could be the fourth largest economy by 2050.

The implementation of ASEAN Economic Community (AEC) was officially launched in 1 January 2016. The AEC blue print mentions that economic integration covers 12 sector, namely food and beverage, fisheries, wood, rubber, furniture, automotive, logistics, shoes, textile, textile products, travel, and health industries. Currently Indonesia has fulfilled the agreement by applying zero tariff to most of our imported products from ASEAN, except rice (25% tariff) and sugar (5-10% tariff). On the other hand, one of the strategic goal on agricultural development in Indonesia is to achieve food sovereignity. The purpose of this note is to review opportunities, challenges, and strategies for Indonesia in achieving food sovereignity goals under AEC agreement.

Opportunities, Challenges, and Strategies

Based on 2012 trade data, ASEAN contributed to approximately 25% of Indonesia's export market. With the massive growth of middle income consumers, ASEAN is considered as potential market for our good and services. Indonesia should maximize the application of zero import tariff in the ASEAN-5 (Brunei Darussalam, Malaysia, Philippines, Singapore, and Thailand) for almost 99.1% of imported products. Meanwhile, the other potential trade opportunity is also found with CLMV (Cambodia, Lao, Myanmar, and Vietnam) with more than 180 million population and have applied zero tariff for more than 99% of their imported products.

The greatest challenges for Indonesia internally are as follow: the ability to increase competitiveness in good and services, provide a predictable and convenient business climate, trade facilitation, connectivity to input provider, and increase capacity of small and medium enterprises (SMEs). Whereas on the external sides, the greatest challenges are on how to maximize the AEC innitiatives for export destinations, production network, investment zone, market for services, and investment fund.

One of the strategy to increase competitiveness of agricultural products is to integrate both on-farm and off-farm segments of value chain to reliable infrastructures, efficient distribution and logistics system, enabling environments for business and investment, and financial services. In addition, research and development is also another strategic area, which should be focused to improve competitiveness of agricultural products.

The AEC blue print emphasizes the need of stronger collaboration across ASEAN member states on the area of agriculture and food security. More than 60% of agricultural land in Indonesia, Myanmar, and Thailand is planted to rice, whereas in Cambodia and Lao agricultural land planted to rice is about 90%. This figure indicates that rice sector is one of the strength of the AEC and should be the common area for further cooperation.

CONCLUSION

Implementation of the AEC offers opportunities and challenges for Indonesian agriciculture, particularly the food sector. To improve competitiveness of the agri-food sector inline with the AEC, it is necessary to formulate appropriate strategies, which include: (a) to design the AEC road map to increase productivity and competitiveness of strategic products; (b) to develop a pathway on standardization for agricultural products coupled with dissemination and promotion to apply the established standard to all stakeholders; (c) to accelerate infrastructures development nationwide; (d) to boost agricultural productivity through technology and innovation, involving both public and private sector; (e) strengthen collaboration among ASEAN member states on the areas of common interest, such as improving the rice sector covering on-farm and downstream segments of rice value chain.

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