



CENTRE FOR  
NON-TRADITIONAL  
SECURITY STUDIES

**NTS Working Paper Series No. 8**  
**March 2013**

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**The ASEAN Plus Three  
Emergency Rice Reserve (APTERR):  
Cooperation, commitment and contradictions**



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## Abstract

As countries in Southeast Asia grapple with the growing challenge of feeding their populations, they continue to prioritise rice in their national and regional food security strategies. In an effort to provide a means for emergency food aid and simultaneously address the issues faced by the rice sector – namely, a lack of confidence and transparency – the region has been involved in several regional emergency rice reserves since the 1970s. However, until recently, none of these reserves have been utilised in emergencies and trust issues remain prevalent in the rice sector.

This paper examines the prospects for the latest ‘improved’ model, the ASEAN Plus Three Emergency Rice Reserve (APTERR) launched in July 2012. It looks at whether the APTERR can overcome the limitations of past rice reserves, which include low stocks and inefficient supply processes, and thus contribute to improving the food security of ASEAN member states through a more stable rice sector. In particular, it highlights inconsistencies in the extent to which different countries are committed to the APTERR, a fundamental issue given that one of the scheme’s objectives is to promote regional cooperation in the rice sector. Beyond questions of feasibility, this paper discusses whether a rice reserve that is public-sector driven and rice-focused is the right tool to meet the challenges of the 21st century. The paper concludes by reviewing the APTERR’s prospects for achieving the ambitious but necessary goals of building confidence and stability in the international rice market.

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### Recommended citation

Sally Trethewie, *The ASEAN Plus Three Emergency Rice Reserve (APTERR): Cooperation, commitment and contradictions* (NTS Working Paper no. 8, Singapore: RSIS Centre for Non-Traditional Security (NTS) Studies, 2013).

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## 1. Introduction

Governments around the world face considerable challenges in developing policies on food production, distribution and trade environments to meet the needs of their people. In Asia, where 60 per cent of the world's hungry reside, the task is made particularly formidable by emerging food challenges associated with urbanisation, and growing pressures on agricultural production systems.

As countries in Southeast Asia grapple with these new realities, they continue to prioritise rice in their national and regional food security strategies. This reflects the historical importance of rice to Asian diets, economies and livelihoods. Despite a gradual relative decline of rice's importance as the region industrialises and urbanises, governments remain more focused on rice than any other aspect of food and agriculture.

Effective domestic policies can result in strong production of rice, greater consumer access to rice, and stable prices; but often at the cost of risk being transferred onto the international market. Countries in Southeast Asia will often strategise to meet their rice needs, then offload or purchase rice through the international market to create stability in domestic markets. As a result, rice is thinly and inconsistently traded, which in turn leads to a fair degree of volatility in terms of price and availability in the lean regional rice market. This perpetuates a lack of confidence in the sector regionally, particularly during periods of crisis.

The storage of rice is one method of self-reliance utilised to counter this lack of confidence. Since rice can be kept for year or so under the right conditions, the strategic storage of rice has long been practised in Asia. It occurs on a formal and an informal basis: rice is held and released not only by governments, but also by distributors, millers, farmers, retailers and families. Rice reserves are used as an emergency resource during shortages, and countries see them as a means of stabilising rice prices.<sup>1</sup>

The link between availability of supply and the price of rice causes governments to be relatively guarded about revealing the extent of their reserves. For the same reason, they are reticent on yields, production levels, and government-to-government and private-sector trade deals. However, during periods of supply uncertainty, the lack of transparency, including accurate and credible information on supply, could lead to panic. Governments start to institute protectionist trade measures and households hoard rice, driving up the price of rice (in the short term) and creating a lack of confidence in the sector.

In an effort to provide a means for emergency food aid and simultaneously deal with these issues, Southeast Asia has been involved in several regional emergency rice reserves since the 1970s. However, until recently none of these reserves have been utilised in emergencies. Nor have they been successful at developing trust in the rice sector, which would in theory encourage a more stable and consistent rice trade.

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<sup>1</sup> It should be noted that reserves could have negative as well as positive impacts. The strategic use of rice reserves by commercial actors (and even families) could increase price volatility, as demonstrated during the 2007–2008 food price crisis.

Over time, emergency rice reserves have endeavoured to include more explicit mechanisms to support the regional rice market.<sup>2</sup> This paper examines the prospects for the latest ‘improved’ model, the ASEAN Plus Three Emergency Rice Reserve (APTERR) launched in July 2012. The APTERR is examined in terms of its operational feasibility and its capacity to reduce the impact of an immediate food emergency and, ultimately, the likelihood of its presence leading to increased trust in the rice sector through enhanced regional cooperation.

This paper looks at whether the APTERR can overcome the limitations of past rice reserves, which include low stocks and inefficient supply processes, and thus contribute to improving the food security of ASEAN member states through a more stable rice sector. In particular, it highlights inconsistencies in the extent to which different countries are committed to the APTERR, a fundamental issue given that one of the scheme’s objectives is to promote regional cooperation in the rice sector. Beyond questions of feasibility, this paper discusses whether a rice reserve that is public-sector driven and rice-focused is the right tool to meet the challenges of the 21st century. The paper concludes by reviewing the APTERR’s prospects for achieving the ambitious but necessary goals of building confidence and stability in the international rice market.

## 2. What is the APTERR?

### 2.1 Overview

The APTERR was launched in July 2012 by ASEAN and its Plus Three members, namely, Japan, China and South Korea.<sup>3</sup> It has multiple objectives: making rice available during emergencies, stabilising the price of rice, and improving farmers’ income and welfare.<sup>4</sup> The scheme ultimately aims to improve food security without distorting the international rice market.

The driver to move beyond a pilot rice reserve scheme, and develop the APTERR, was the launch of the ASEAN Integrated Food Security (AIFS) Framework. The AIFS was adopted in 2009 following the 2007–2008 food price crisis, which caused great uncertainty in the regional rice market and led to export bans and extreme import orders. The crisis also led to international organisations broadening the definition of a food emergency beyond that induced by natural disasters and human-induced calamities (such as armed conflict) to

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<sup>2</sup> Elenita Dano and Elpidio Peria, ‘Emergency or expediency? A study of emergency rice reserve schemes in Asia’ (Asian Farmers Association for Sustainable Rural Development (AFA) and Asian Partnership for the Development of Human Resources in Rural Asia (AsiaDHRRA), 2008; Pro-Small Farmer Trade, 2006), citation refers to the 2008 edition,

<http://asiadhrra.org/wordpress/wpcontent/uploads/2008/05/rice%20reserve%20scheme.pdf>

<sup>3</sup> *ASEAN Plus Three Emergency Rice Reserve Agreement*, Jakarta, Indonesia, 7 October 2011, <http://www.scribd.com/doc/97411992/APTERR-Agreement>

<sup>4</sup> Apichart Jongskul, ‘Current operations of ASEAN Plus Three Emergency Rice Reserve (APTERR)’ (presentation delivered at the Asia-Pacific Economic Cooperation (APEC) Food Emergency Response Mechanism Working Meeting, Taipei, 10–11 April 2012), <http://apecfsf.tier.org.tw/docs.asp>

include price-related factors as triggers.<sup>5</sup> The official ASEAN definition of food emergency does not explicitly capture large and rapid price increases at present, but the development of the APTERR after the food price crisis indicates recognition of the potential of food prices to trigger an emergency.

## 2.2 Key features

The APTERR comprises earmarked pledges (commitments from national reserves) and physical pledges (rice exclusively allocated to the APTERR). Earmarked pledges form the major part of the commitments, a total of 787,000 tons. The Plus Three countries account for 700,000 tons; while the ASEAN member countries have pledged a total of 87,000 tons (see Table 1 for a breakdown by country). To put these commitments into perspective, Southeast Asia and East Asia combined consume 542,000 tons per day, meaning that the reserves total less than two days of regional consumption.<sup>6</sup> The contribution of each ASEAN country is roughly its domestic consumption of rice for one day. This is low considering that national rice reserve strategies likely endeavour to provide for at least one or two weeks of domestic consumption. Considering that some countries in Southeast Asia are among the world's largest rice producers and consumers, there is significant scope to increase ASEAN pledges (this is discussed further in section 3.3).

Under the APTERR, rice will be made available through a three-tier system involving: (1) special commercial contracts; (2) emergency grants and loans; and (3) delivery of donated rice in times of acute emergency.

Table 1: APTERR earmarked pledges, by country.

Country	Amount pledged
<b>ASEAN countries</b>	
Thailand	15,000
Myanmar	14,000
Vietnam	14,000
Philippines	12,000
Indonesia	12,000
Malaysia	6,000
Singapore	5,000
Cambodia	3,000
Brunei Darussalam	3,000
Lao PDR	3,000
	<b>87,000</b>
<b>Plus Three countries</b>	
China	300,000
South Korea	250,000
Japan	150,000
	<b>700,000</b>

Source: ASEAN Plus Three Emergency Rice Reserve Agreement, Jakarta, Indonesia, 7 October 2011, <http://www.scribd.com/doc/97411992/APTERR-Agreement>

<sup>5</sup> Roehlano M. Briones, 'Regional cooperation for food security: The case of emergency rice reserves in the ASEAN Plus Three' (ADB Sustainable Development Working Paper Series 18, Manila: Asian Development Bank (ADB), 2011), <http://www.adb.org/sites/default/files/adb-wp18-regional-cooperation-food-security.pdf>

<sup>6</sup> US Department of Agriculture, 'Grain: World markets and trade' (Foreign Agricultural Service Circular Series FG 01-13, January 2013), <http://usda01.library.cornell.edu/usda/fas/grain-market//2010s/2013/grain-market-01-11-2013.pdf>

Under Tier One, earmarked rice reserves are released to meet emergency demand using a process involving specialised commercial contracts between supplying and receiving countries. These contracts differ from government-to-government rice deals in that they feature multilateral decision-making, emergency triggers and the sourcing of stocks from emergency reserves.<sup>7</sup>

Tier Two provides for the release of earmarked emergency rice reserves in response to emergency demand based on long-term loan agreements or grants between supplying and receiving countries. It is similar to Tier One except that it does not involve a prearranged delivery scheme, which in effect means that it is voluntary. Both tiers will use market-based pricing on a cash basis but the process of determining a price has yet to be decided. While developing a multilateral collective arrangement through Tiers One and Two is a more involved process than bilateral deals, the option provides structure and security for recipient countries in emergency situations.

Tier Three allows for the release of physical stockpiles and cash donations for the procurement of rice to meet acute and emergency demand for food aid. A release can be triggered by a request from a recipient country or via an automatic system managed by the APTERR Secretariat. Recipient countries will be responsible for the distribution of rice under this tier, but they could do this with the assistance of relief organisations (if such help is required).

Member countries will be responsible for maintaining the reserves, and in many cases, the commitment will come from existing national stocks. They will also be responsible for funding costs of procurement, storage management and, if they are a recipient of rice under Tier One or Tier Two, distribution. Countries with rice production surplus as well as those in deficit will be involved; and commitments of physical stocks to Tier Three will be on a voluntary basis.

The Thailand-based APTERR Secretariat will undertake a number of support roles, including analysis of supply and demand data from member countries; review and assessment of the severity of an emergency; and matching of two member countries for the sale of earmarked reserves. The APTERR Secretariat has worked with the Asian Development Bank (ADB) to develop guidelines and standard operating procedures for stakeholders, but these have not yet been made public. There are several issues which challenge the operational feasibility of the APTERR, and these are discussed further in sections 3.1 and 3.2.

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<sup>7</sup> Roehlano M. Briones et al., 'Climate change and price volatility: Can we count on the ASEAN Plus Three Emergency Rice Reserve?' (ADB Sustainable Development Working Paper Series 24, Manila: Asian Development Bank (ADB), 2012), <http://www.adb.org/publications/climate-change-and-price-volatility-can-we-count-asean-plus-three-emergency-rice-reserve>



## 2.3 The road to the APTERR

### 2.3.1 The AERR and its shortcomings

As mentioned previously, the APTERR is not the first emergency rice reserve to be established by ASEAN. In recognition of the need for regional solutions to food insecurity, the ASEAN Emergency Rice Reserve (AERR) was launched in 1979 as part of the ASEAN Food Security Reserve (AFSR) agreement. Under the AERR, member countries voluntarily contributed stocks to a regional stockpile.

However, after 25 years of operation, AERR commitments totalled only 87,000 tons – just half a day's supply for the whole of ASEAN. Also, even though food emergencies occurred in the region, AERR stocks had never been utilised. The AERR's lack of success could be attributed at least in part to several restrictive stipulations: the reserve was to be made available only during declared emergencies (as opposed to the current trigger system which is more nuanced), all stocks for the AERR were to be earmarked from national reserves only, and there were to be no physical rice reserves.<sup>8</sup> These conditions were designed into the AERR because of concern over potential price distortions in the regular rice trade. Officials were worried that countries would attempt to make up a shortfall in supply through accessing the reserve rather than through normal import processes.

In addition to such factors, the utilisation of the AERR was also hampered by the inefficiency of the scheme's request and delivery process. It was also likely that countries were unwilling to admit to an emergency situation because they were anxious to avoid panic and they wanted to prevent embarrassment.

### 2.3.2 The EAERR pilot programme

The plan to revive the AERR and broaden membership to the Plus Three countries came about in 2001. A team supported by Japan proposed and then implemented a three-year pilot project – the East Asia Emergency Rice Reserve (EAERR). The EAERR was subsequently extended and adopted under the broader Strategic Plan of Action on ASEAN Cooperation in Food, Agriculture and Forestry (2004–2010), with Japan contributing USD4.5 million as the sole funder.

Analysts suggest that without Japan's involvement, ASEAN 'would not have bothered to look at how the original emergency rice reserve scheme had performed nor would the ASEAN have recognised its potentials in the current context'.<sup>9</sup> Thailand was evidently enthusiastic about the EAERR. However, according to information provided to authors Dano and Peria, most ASEAN countries had participated in the pilot project for the sake of diplomacy, to take advantage of the financial resources made available by Japan, and to gain the security of having access to the rice earmarked by the Plus Three countries.<sup>10</sup>

The EAERR sought to review the AERR and learn from the problems it faced. Also, a shift in mindset seemed to have occurred between the AERR and the EAERR. The earlier scheme

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<sup>8</sup> Dano and Peria, 'Emergency or expediency?'

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

had focused on food security as the key to political stability. The latter, however, gave priority to the liberalisation of agricultural trade in line with regional trade regimes and international trade rules.<sup>11</sup> The EAERR was also a more truly regional mechanism. Whereas AERR negotiations were conducted on a bilateral basis, the EAERR featured regional-level discussions. The management of stockpiles and monitoring of releases were also handled at the regional level.

The EAERR operated a three-tier system that carried over into the APTERR. In addition, it had a fourth programme, Poverty Alleviation and Malnourishment Eradication (PAME), designed to release stockpiled rice reserves if they were not used within 12 months.<sup>12</sup> The interpretation of an emergency was somewhat broadened and some physical stocks were allocated to the scheme. However, despite these changes, the EAERR pilot did not fare much better than the AERR in terms of its utilisation. The scheme experienced several key constraints, in particular, difficulties in coordinating between member states' often opaque stockpiling programmes and also in deciding how costs should be distributed among countries at varying levels of economic development.<sup>13</sup>

### 2.3.2 The 2007–2008 food crisis

Several years after the launch of the EAERR, ASEAN was hit by a global food price crisis. The 2007–2008 crisis led to renewed momentum within the region to address food security. The AIFS was established (section 2.1). At the same time, the earlier-mentioned plan of action for 2004–2010 was replaced with a new Strategic Plan of Action for Food Security in the ASEAN Region (SPA-FS) for 2009–2013.<sup>14</sup> Emergency food reserves had been one of the four components of the AIFS, and under the SPA-FS, were once again a key feature. It is therefore likely that there would have been sufficient momentum to develop some form of rice reserve again under the auspices of ASEAN even without Plus Three involvement, albeit one with significantly fewer resources.

A proposal to develop a programme to follow this pilot phase gave rise to several pre-APTERR studies and working groups. The experiences of the AERR and the EAERR were analysed in order to shape the new scheme. Japan was once again a key supporter, and together with Thailand helped to drive momentum in the design stages. Following a development period in 2010, the APTERR was agreed to by ASEAN Plus Three member countries in late 2011 and came into force in 2012. There is little significant difference between the EAERR pilot project and the subsequent APTERR, given that the tier system

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<sup>11</sup> Ibid.

<sup>12</sup> Takashi Toyoda and Opal Suwunnamek, 'Regional cooperation for food security in East Asia: From rice reserve APTERR and information system AFSIS to common agricultural policy' (presentation at the 7th Asian Society of Agricultural Economists (ASAE) Conference, Hanoi, 13–15 October 2011), [http://7thasae.ipsard.gov.vn/ppt/presentation/A4/A4\\_ASAE\\_Takeshi%20Toyoda.pdf](http://7thasae.ipsard.gov.vn/ppt/presentation/A4/A4_ASAE_Takeshi%20Toyoda.pdf)

<sup>13</sup> Jo Cadilhon, 'The East Asia Emergency Rice Reserve: Gradually building a tool to regulate the rice market in East Asia', *momagri (movement for a world agricultural organization)*, 10 October 2011, [http://www.momagri.org/UK/focus-on-issues/The-East-Asia-Emergency-Rice-Reserve-Gradually-building-a-tool-to-regulate-the-rice-market-in-East-Asia\\_990.html](http://www.momagri.org/UK/focus-on-issues/The-East-Asia-Emergency-Rice-Reserve-Gradually-building-a-tool-to-regulate-the-rice-market-in-East-Asia_990.html)

<sup>14</sup> ASEAN, *ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS) 2009–2013* (ASEAN, 2009), [http://www.gafspfund.org/sites/gafspfund.org/files/Documents/Cambodia\\_11\\_of\\_16\\_REGIONAL\\_STRATEGY\\_ASEAN\\_Integrated\\_Food\\_Security\\_Framework.pdf](http://www.gafspfund.org/sites/gafspfund.org/files/Documents/Cambodia_11_of_16_REGIONAL_STRATEGY_ASEAN_Integrated_Food_Security_Framework.pdf)

and pledge amounts remain largely the same. The fundamental change is the addition of a secretariat to support the mechanism.

### 2.3.3 Utilisation of the APTERR

Two releases of stockpiled rice took place under Tier Three after the soft implementation of the APTERR in 2010. Thailand donated 520 metric tons of rice to the Philippines through the APTERR Secretariat for those affected by Typhoon Ketsana, Typhoon Megi, La Nina and flash floods; Japan donated 347 metric tons to Lao PDR for the victims of Typhoon Ketsana.<sup>15</sup> One utilisation of Tier One also took place in 2010, with 10,000 tons released from Vietnam to the Philippines.<sup>16</sup>

There have been two utilisations of Tier Three since the APTERR came into force in 2012. In December 2012, a donation of 50 tons of rice was made to six drought-affected villages in Bojonegoro, Indonesia,<sup>17</sup> and Japan contributed USD200,000 to the Philippines in February 2013 for the procurement of rice to assist the victims of super-typhoon Bopha.<sup>18</sup>

The preference for utilisation of Tier Three suggests that some countries are comfortable shifting the facilitation of emergency rice donations from bilateral to regional arrangements under the APTERR. However, given that there has been one use of Tier One and no use of Tier Two, the same level of comfort likely does not exist with regard to longer-term, commercial contracts.

## 3. Is the APTERR feasible?

The APTERR has been criticised as being ‘strong on the principles of cooperation, but short on specifics’.<sup>19</sup> This section assesses the feasibility of the APTERR by examining progress on three key features of the APTERR: its contracts, its operating procedures and the pledges to the scheme.

### 3.1 Contracts

The APTERR agreement has been signed but a number of issues relating to contracts are being developed and details have not been made public. The establishment of terms, prices and conditions for releases – which have potentially significant implications – has been tasked to the APTERR Secretariat to resolve with minimal top-down guidance. The pricing arrangements will be particularly important given the need of most ASEAN countries to abide

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<sup>15</sup> Jongskul, ‘Current operations of ASEAN Plus Three Emergency Rice Reserve (APTERR)’.

<sup>16</sup> Briones, ‘Regional cooperation for food security’.

<sup>17</sup> ‘APTERR kucurkan bantuan 50 ton beras di Bojonegoro’ (APTERR releases 50 tons of rice in Bojonegoro), *Lensa Indonesia*, 3 December 2012, <http://www.lensaIndonesia.com/2012/12/03/apterr-kucurkan-bantuan-50-ton-beras-di-bojonegoro.html>

<sup>18</sup> ‘Support to the sufferers from the typhoon in the Philippines by APTERR’, *Mission of Japan to ASEAN*, 1 February 2013, [http://www.asean.emb-japan.go.jp/release13\\_01.html](http://www.asean.emb-japan.go.jp/release13_01.html)

<sup>19</sup> Briones, ‘Regional cooperation for food security’.

by international trade rules set out by the World Trade Organization (WTO).<sup>20</sup> These stipulate that although special preferences can be arranged, for example, through free trade agreements, countries cannot distort prices on the international market through a mechanism.

The APTERR will design its contracts on the principle of international market pricing, and this will need to be carefully implemented into Tier One and Tier Two processes. In doing so, it will need to learn from the experience of past reserves. Transparency in this process will be essential for the APTERR to ensure regional and international credibility. In section 2.3, it had been noted that the AERR was particularly concerned about the price impact of any release of stocks from the reserve, a concern which extended to the EAERR. Under the AERR, rice sending and receiving countries had been encouraged to deal directly with each other through bilateral arrangements. While this would have side-stepped the problem of price distortion at the regional level, the process of having the two countries involved come to an agreement may have deterred some countries from applying for assistance. The potential recipient country would have seen little advantage in drawing on the reserve compared to trading on the open market. The APTERR will thus have to be able to address the issue of potential price distortion from release of reserves while improving processes so as to encourage countries to apply for the scheme when the situation warrants it.

### **3.2 Operating procedures**

A set of operating procedures is being developed at the APTERR Secretariat in Bangkok. Given that inefficient request and delivery processes were a key factor behind the non-utilisation of past reserves, the APTERR must implement a straightforward, practical system for emergency releases of rice.

The development of processes and other institutional issues could be the most cumbersome of the challenges faced by the APTERR. Developing complementary laws and policies on rice reserves and the trade of rice will not be easy. Countries in the region also vary in their capacity to implement their APTERR responsibilities. Information on the quantity of rice in national reserves is also scarce and few Asian countries have formalised their national policies on rice reserves. All these factors could undermine the effectiveness of the scheme.

Other key issues include financial sustainability and the challenge of balancing the goal of food security with the cost of storage. Member countries will need to provide strong financial support for the operation of the scheme. The depth of the commitment of the ASEAN Plus Three members to the scheme, both in terms of financial support and earmarked rice pledges, will be vital.

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<sup>20</sup> Dano and Peria, 'Emergency or expediency?'

### 3.3 Pledges

Perhaps most critical to the feasibility of the APTERR is the degree to which member countries are committed to the scheme. While there appears to be broad support for the mechanism, several signs point to uncertainty over the level of commitment of various countries. First, pledges by ASEAN countries are small relative to their production and reserve rates, and in comparison to the amounts committed by the Plus Three countries. Second, as mentioned earlier, some ASEAN countries had supported past regional rice reserves for the sake of diplomacy. This attitude, if it persists, does not bode well for the long-term growth of the APTERR. Third, the lack of increase in commitment in the transition from the EAERR to the APTERR does not reflect what would be expected of a multilateral agreement that had moved from a 'pilot' project to a concrete mechanism. Fourth, some exporting countries have actively supported the development of a cartel that would divide the region and go against the APTERR's principles of cooperation (discussed further in section 4.1).

While there was a significant increase in the overall amount of rice pledged with the entry of the Plus Three countries (from 87,000 tons under the AERR to an eventual total of 787,000 tons under the EAERR, an amount which has carried through to the APTERR<sup>21</sup>), worryingly, present APTERR commitments would be insufficient to contain a domestic crisis in larger countries. According to a study by the ADB, the current volume of earmarked rice reserves at 787,000 tons would have limited success in mitigating the price impact of two calamity scenarios – one in China, the other in Indonesia.<sup>22</sup> In China, offloading the entire Plus Three reserves of 700,000 tons would offset rising monthly domestic rice prices by just 7 per cent. In Indonesia, the release of the reserves would offset domestic rice prices by 10.5 per cent per month, minimal given that the price of rice is projected to increase by 31.5 per cent annually.

Lack of volume was a significant issue in the AERR; it could be argued that countries did not find it worth their while to apply for assistance because of the low level of rice available under the scheme. Under the AERR, countries typically took a conservative and cautious approach to pledging, meeting minimum requirements. Although they left the door open to potentially increase their earmarked pledges, they never did so. This could perhaps be due to a self-reinforcing negative feedback loop: low volumes meant that it was not efficient to make use of AERR rice reserves, while lack of utilisation discouraged countries from increasing their commitment to the mechanism.

One or a combination of the following factors may also explain the low amounts committed by ASEAN countries. Some countries may be supporting the APTERR at the minimum level required for diplomatic cooperation, and they may be cautious of over-committing in the event that a crisis emerges. In the case of less-developed or lower-producing nations, they may lack the capacity to increase the volume pledged. The caution of countries in protecting their stock given the pressures of world food markets is understandable, but continued low tonnage in earmarked reserves will render the APTERR as ineffective as its predecessors.

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<sup>21</sup> Amy R. Remo, 'Permanent emergency grain store eyed', *Philippine Daily Inquirer*, 22 December 2008, <http://www.inquirer.net/specialreports/riceproblem/view.php?db=1&article=20081222-179293>

<sup>22</sup> Briones et al., 'Climate change and price volatility'.

ASEAN Plus Three countries must thus increase their earmarked commitments, ideally to a level sufficient to counter the impact of spikes on domestic prices.<sup>23</sup> The Plus Three countries are currently already by far the largest contributors to the earmarked reserves. Major ASEAN rice exporters (particularly Thailand and Vietnam) and those with significant reserves (such as the Philippines and Indonesia), on the other hand, have the capacity to increase their pledges by several hundred thousand tons, and should give serious consideration to doing so. In fact, the Philippines has already pledged to increase its commitment once it reaches planned increases in production. Given that Thailand has almost unmanageably high volumes of rice in storage as a result of its rice mortgage scheme,<sup>24</sup> it would be strategically beneficial for it to increase its earmarked or physical contributions. Such a move would give it useful political mileage amid the criticism of the scheme.<sup>25</sup> Countries with limited production capacity could also contribute to both earmarked stocks and physical stocks, either through in-kind donations of rice or cash donations for the procurement of rice. History however suggests that an increase in amount of stocks pledged is not likely without a significant boost in political will in the region. A more positive attitude towards the APTERR may occur only if the scheme proves its effectiveness, that is, if release of stocks under Tier One or Tier Two goes some way towards stabilising prices, meeting emergency needs and quelling panic.

### 3.4 Financing

There is scope for wealthier countries within ASEAN to provide more financial support for the APTERR Fund, which comprises both the Endowment Fund and contributions to operational costs. Unlike the EAERR, all countries contribute some funds to the APTERR. However, as is the case with earmarked stocks, a substantial proportion of financing support comes from the Plus Three countries. The Plus Three countries contributed USD1 million each to the Endowment Fund on the establishment of the APTERR, while the member countries of ASEAN each contributed between USD83,000 and USD107,500. In terms of annual contributions towards operational costs, the Plus Three countries are funding USD75,000 and ASEAN countries between USD6,000 to USD8,000 each per year.<sup>26</sup>

If some ASEAN countries increase their rice commitments, those with limited production capacity to match such rice pledges (Singapore and Malaysia for example) may be persuaded to consider increasing their financial contribution. Countries could in fact look into diverting part of their foreign assistance budget to the scheme, for example, to its Tier Three programme. Currently, emergency financial assistance is generally given on a bilateral basis. This allows donors to directly target funds, which also means that they receive recognition and political mileage from providing the assistance. Countries may therefore lack the incentive to boost funding for collective assistance through a multilateral arrangement such

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<sup>23</sup> This would need to be quantified through a study similar to the aforementioned Asian Development Bank (ADB) report, which tested the ASEAN Plus Three Emergency Rice Reserve (APTERR) stocks against calamity scenarios.

<sup>24</sup> 'Thailand rice stocks reaching unmanageable levels, says FAO', *Orzya.com*, 8 February 2013, <http://oryza.com/content/thailand-rice-stocks-reaching-unmanageable-levels-says-fao>

<sup>25</sup> 'Thailand's unfeasible rice trick', *Financial Times*, 5 September 2012, <http://blogs.ft.com/beyond-brics/2012/09/05/thailands-unfeasible-rice-trick/#axzz2MjwbM3kX>

<sup>26</sup> *ASEAN Plus Three Emergency Rice Reserve Agreement*.

as the APTERR. They would thus need to be persuaded that increasing their financial contributions would be seen as a statement of support for the mechanism and the regional cooperation it represents. Given that the APTERR's operating budget is still relatively small, a small re-allocation of countries' foreign assistance budget could make a big difference.

## 4. Prospects for regional cooperation

### 4.1 Interests of ASEAN countries

The ASEAN Plus Three countries have to be consistent in supporting the principles of regional cooperation underpinning the APTERR. With some ASEAN countries showing interest in creating a cartel, it appears that such support is not yet a given. Specifically, Thailand is spearheading a proposal for a Southeast Asian rice exporters' cartel to drive up international rice prices by 10 per cent per year.<sup>27</sup> Members would include Thailand, Vietnam, Cambodia, Myanmar and Lao PDR, some of the world's largest and most ambitious rice exporters. Such an initiative goes against the grain of regional cooperation in the rice sector – as even Southeast Asian rice importers would have to pay more for rice.

The cartel's objectives also contradict the cooperative principles of the APTERR and the ASEAN Economic Community (AEC) due to be launched by 2015. The AEC seeks regional economic integration in accordance with the principles of an 'open, outward-looking, inclusive, and market-driven economy',<sup>28</sup> which are not reflected in the deliberately exclusive activities that a cartel implies. Although it is unlikely that the cartel will be launched in the coming months,<sup>29</sup> the pursuit of such a grouping speaks volumes about the seemingly inconsistent motives at play within the Southeast Asian rice sector. This inconsistency suggests that support of and commitment to the APTERR could be kept to the minimum by some countries, which would be a disappointing outcome.

### 4.2 Motivations of the Plus Three countries

The Plus Three countries, in contrast to the ASEAN countries, have been consistently strong in their commitment to the EAERR and the APTERR. Japan in particular has been a significant supporter. Nonetheless, their motivations for engaging deeply in reviving ASEAN-centred emergency rice reserves (beyond the spirit of wider regional cooperation) should be examined.

It has been speculated that Japan initially drove the EAERR project to protect its domestic interests in the wake of WTO obligations to open its markets to imports in sensitive

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<sup>27</sup> 'Asean rice cartel put formation on hold', *Oryza.com*, 19 November 2012, <http://oryza.com/content/asean-rice-cartel-formation-put-hold>

<sup>28</sup> ASEAN, *ASEAN Economic Community Blueprint* (Jakarta: ASEAN Secretariat, 2008), <http://www.asean.org/archive/5187-10.pdf>

<sup>29</sup> The cartel is unlikely to come to fruition in the near future. The countries involved have been unable to come to a formal agreement. Also, there has been external pressure to conform to the World Trade Organization (WTO) rule against price manipulation mentioned in section 3.1.

commodities, including rice.<sup>30</sup> However, there are several problems with this argument. Under the EAERR, Japan could keep stocks of rice outside of its borders and resort to using it as needed. However, Japan's total commitment of rice to the EAERR was significantly lower than the WTO import requirements of 4 to 7.2 per cent of its annual domestic rice consumption.<sup>31</sup> Also, in the years since the EAERR pilot project was launched, Japan has worked towards meeting its WTO obligations by importing unwanted rice, typically storing it for a year and using it for crackers, miso or animal feed. During the entirety of the EAERR, Japan never sought to source rice through the scheme, and in any case, Japan would have had to meet the requirements of an emergency situation so it would have been difficult to manipulate usage of the EAERR in such a way.

A more plausible argument is that Japan has a strategic interest in helping its neighbouring region of Southeast Asia maintain its status as the world's hub of rice production and trade.<sup>32</sup> Furthermore, by taking a driving role in ASEAN-centred rice reserves, Japan would be able to enhance its relevancy to the region's rice sector and assume a degree of leadership. The same could be said for China and South Korea, which have taken a supportive but less active role than Japan.

### 4.3 Dynamics of ASEAN Plus Three cooperation

The addition of the Plus Three countries to ASEAN's regional emergency rice reserve mechanism – while positive in terms of the momentum and resources committed to the EAERR and the APTERR – brings new dynamics to the leadership and balance of power in the region. The new dynamics could present challenges, which could be exacerbated by the political and strategic importance of rice in Asia. However, it is difficult outside of official circles to ascertain to what degree this may be an issue.

The extent to which the APTERR represents a deepening of broader ASEAN Plus Three cooperation remains to be seen. The APTERR is arguably one of the more significant aspects of ASEAN Plus Three cooperation due to the level of tangible commitment and the political importance of rice in the region. Surprisingly, however, the overview of the ASEAN Plus Three in ASEAN's official website mentions other seemingly less significant cooperation initiatives while overlooking the APTERR.<sup>33</sup> Nonetheless, it was highlighted as an important arrangement in the 2012 joint statement by the ASEAN Plus Three Leaders to mark 15 years of cooperation.<sup>34</sup>

The APTERR, and the earlier EAERR, does in many ways represent a level of cooperation not typical in the ASEAN Plus Three multilateral process. While non-traditional security

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<sup>30</sup> Dano and Peria, 'Emergency or expediency?'

<sup>31</sup> 'It's the stupid politics!', *The Daily Beast*, 10 May 2008, <http://current.com/10b3b4c>

<sup>32</sup> Dano and Peria, 'Emergency or expediency?'

<sup>33</sup> ASEAN, 'Overview: ASEAN Plus Three Cooperation', last updated 23 October 2012, <http://www.asean.org/news/item/asean-plus-three-cooperation>

<sup>34</sup> 'Full text of the ASEAN+3 Leaders' joint statement on 15-year ASEAN+3 cooperation (part 1)', *China.org.cn*, 20 November 2012, [http://www.china.org.cn/world/Off\\_the\\_Wire/2012-11/20/content\\_27163754.htm](http://www.china.org.cn/world/Off_the_Wire/2012-11/20/content_27163754.htm)



(NTS) issues such as food security are viewed as critical in East Asia,<sup>35</sup> cooperation at the regional level has generally been undertaken on an informal basis and institutionalism has taken place more in process than form. ASEAN Plus Three cooperation involves many avenues for engagement on political-security, economic-finance and socio-cultural issues; but few are as tangible, involved and binding as the APTERR.

What is undeniable is that the APTERR reflects a deepening of ASEAN Plus Three engagement on the specific issue of food security. Indeed, in a recent statement, officials reacted positively to the idea of an ASEAN Plus Three Food Security Information System.<sup>36</sup> This proposal has surfaced as the ASEAN Food Security Information System (AFSIS) project concludes its second phase (2008–2012). Supported and used to its full potential, the AFSIS model could provide comprehensive information on key crops, but data has often been missing on production, trade and pricing – particularly in rice.<sup>37</sup> This likely comes down to a combination of lack of capacity (of some countries to collect and report accurate information) and also a potential lack of willpower due to protectionist dynamics in the region. Just as the Plus Three countries' political will and resources gave new impetus to ASEAN's emergency rice reserves with the development of the EAERR project and the APTERR, so too might the Plus Three inject new stimulus into a regional food security information system.

Moreover, the increased availability of and access to information on key crops from China, Japan and South Korea would go a significant way towards synergising broader regional strategies for addressing food security. An effective information system is an essential element needed to support the APTERR's information and monitoring requirements. In any case, it is evident that the Plus Three's commitment to, and support of, the APTERR through financial contributions and earmarked reserves is critical for its viability.

The APTERR could also serve as an entry point for ASEAN (possibly in partnership with the Plus Three countries) to explore multilateral action on other rice-related tools. Cooperative action on mechanisms that apply to 'normal' rice market conditions, such as trade platforms, pricing indices or trade guidelines, could be important in developing a toolkit to improve trust and stability in the rice sector. These types of mechanisms allow for more direct engagement with the private sector, which is crucial for comprehensive food security. The move towards a broader range of tools is critical if the region is to move towards the more liberalised and efficient food systems needed to meet the food security challenges of coming decades.

At the same time, the APTERR would also need to be conscious of the need to adapt to the emerging importance of other food types. It would seem that this is in line with the food security goals of the leaders of the ASEAN Plus Three. In a statement of support for the APTERR agreement in November 2012 as a 'permanent mechanism to ensure sustainable

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<sup>35</sup> David Arase, 'Non-traditional security in China-ASEAN cooperation: The institutionalization of regional security cooperation and the evolution of East Asian regionalism', *Asian Survey* 50, no. 4 (July/August 2010): 808–33,

<http://www.jstor.org/discover/10.1525/as.2010.50.4.808?uid=3738992&uid=2&uid=4&sid=21101915594427>

<sup>36</sup> 'Full text of the ASEAN+3 Leaders' joint statement on 15-year ASEAN+3 cooperation (part 1)'.

<sup>37</sup> Sally Trethewie and J. Jackson Ewing, 'Build it and they will come: Commitment to the Association of Southeast Asian Nations' rice policy mechanisms', *TKN Perspectives* 1, no. 1 (2012),

[http://www.rsis.edu.sg/nts/resources/db/uploadedfiles/iisd\\_tkn\\_perspectives\\_may\\_2012.pdf](http://www.rsis.edu.sg/nts/resources/db/uploadedfiles/iisd_tkn_perspectives_may_2012.pdf)

and integrated food security in the region',<sup>38</sup> the leaders tasked their ministers with exploring the possibility of establishing mechanisms for food types other than rice. Nonetheless, rice remains important enough for Asian diets, economies and livelihoods that it should play a key role in regional food security strategies.

## 5. Why a rice-centric tool remains relevant

This paper has thus far examined the APTERR, its feasibility and its prospects. This section in effect takes a step back to address why a rice-centric tool, and the APTERR, remains relevant to the region, with a view to looking at how it fits into the broader food security picture. The mechanism has been criticised as nation-, production-, supply-, public sector- and rice-centric; and the product of a mindset decades behind in terms of the demands of modern global food security.<sup>39</sup>

The first line of criticism attacks the very notion of a rice-centric tool given that other food types are rising in importance in tandem with growing incomes and urbanisation.<sup>40</sup> However, while it is true that diets are diversifying, rice remains a staple; and, for poor and rural populations, it continues to be vital to food as well livelihood security. Rice must thus remain a core concern in Southeast Asian food security policy (although going forward, the region would also need to look at other food types).

Another line of argument questions the effectiveness of the APTERR as a price management mechanism. It suggests that the APTERR has been designed to work within existing rice sector dynamics, and does not address the sources of rice price instability in Southeast Asia, among them, mistrust in the rice sector, opacity of information and nationalism. However, arguably, any multilateral food security mechanism that seeks to gain significant political traction in the region would have to work within the realities of the rice sector.

This reality is that political dynamics in the rice sector have worsened in recent years – since the adoption of protection-oriented trade measures such as export bans and excessive importing in response to the 2007–2008 global food price crisis. These responses did little to ease the long-standing lack of confidence in the regional rice sector and have apparently exacerbated it.<sup>41</sup> For example, traditional rice importers including the Philippines, Indonesia and Malaysia have sought to decrease their reliance on the international rice market by

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<sup>38</sup> 'Full text of the ASEAN+3 Leaders' joint statement on 15-year ASEAN+3 cooperation (part 1)'.

<sup>39</sup> Larry Wong, 'Rethinking ASEAN food security: ASEAN Plus Three Emergency Rice Reserve (APTERR) and other considerations' (paper prepared for the *ASEAN Newsletter of the Ministry of Foreign Affairs and Trade, Republic of Korea*, March 2012), [http://www.isis.org.my/attachments/1108\\_LW\\_ASEAN\\_Newsletter\\_Mar2012.pdf](http://www.isis.org.my/attachments/1108_LW_ASEAN_Newsletter_Mar2012.pdf)

<sup>40</sup> C. Peter Timmer, *The changing role of rice in Asia's food security* (ADB Sustainable Development Working Paper Series 15, Manila: Asian Development Bank (ADB), 2010), <http://www.adb.org/documents/papers/adb-working-paper-series/adb-wp15-rice-food-security.pdf>

<sup>41</sup> Sally Trethewie, 'Politics and distrust in the rice trade: Implications of the shift towards self-sufficiency in the Philippines and Indonesia', *NTS Alert*, February (Singapore: RSIS Centre for Non-Traditional Security (NTS) Studies for NTS-Asia, 2012), <http://www.rsis.edu.sg/nts/HTML-Newsletter/alert/NTS-alert-feb-1201.html>

expanding and accelerating programmes to become self-sufficient in rice, even though it is likely not in their economic interest.

## 6. Implications for the rice sector

Beyond what the APTERR might mean for regional cooperation, it is worth speculating on potential implications for the region's rice sector more specifically. If the APTERR overcomes its feasibility challenges and countries increase their commitments, both in terms of rice pledges and financial support, the mechanism may indeed have a direct and indirect impact on building confidence in the rice sector in coming decades.

The presence of the APTERR as a 'market insurance device'<sup>42</sup> or fall-back mechanism in case of insufficient domestic supply, and the guarantee of rice availability more generally, should in theory encourage increased trust in the rice trade. This trust could have a positive impact in terms of investment in the sector, and the development of more integrated and better-functioning markets, which could lead to lower volatility in rice markets. This would be a marker of success for the APTERR. Ironically, it would also make the APTERR less relevant given that regional reserves during periods of volatility would be much less necessary if market conditions improve and the trade environment becomes no less competitive but more cooperative.

There is however a danger that the potential impact of the APTERR could be overstated. In the context of the regional rice sector, it is significant that a mechanism for regional cooperation is in place, but the reality of insufficient reserves to prevent a major crisis means that the APTERR's potential for building such cooperation is limited. Even if commitments are increased to a significant degree, the mechanism (at least in its current form) will still only be addressing certain aspects of the rice sector. Therefore, the APTERR should be fully supported to maximise its immediate capacity to deliver rice and potentially stabilise prices in emergencies, but countries should temper their expectations of its broader potential for building trust as a longer term goal unless they increase their commitments.

## 7. Conclusion

To successfully and cohesively move forward with the APTERR, ASEAN Plus Three countries need to be consistent in their strategic engagement in the rice sector. While the Plus Three countries have shown a significant level of commitment, ASEAN countries appear to be persisting with their historically lukewarm support for regional emergency rice reserves by again committing to minimal rice pledges, despite some of them being among the world's biggest producers, exporters and stockpilers of rice. Furthermore, there is scope for some ASEAN members to increase their financial commitment to the APTERR Fund to boost operational capacity and potentially enhance Tier Three rice procurement. Member

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<sup>42</sup> Dr Roehlano M. Briones (Senior Research Fellow, Philippine Institute for Development Studies, in discussion with the author, 28 January 2013).

countries must pay attention to such challenges, and continue to work to boost the level of commitment.

The APTERR could serve as a catalyst for greater cooperation between ASEAN and the Plus Three countries, in food security more generally, and also potentially in aspects other than the rice sector. In the face of emerging food security challenges, there is some justification in asking what role, if any, the mechanism can play in ensuring regional food security. Similar to arguments supporting the establishment of an international rice futures market in the region,<sup>43</sup> which point out that no single multilateral mechanism or market tool can possibly address the gamut of complex issues existing in the sector, the APTERR should be seen as one element of a toolkit to improve the efficiency of the rice sector.

The emphasis on regional cooperation under the APTERR could go some way towards building confidence in the region's rice sector and also make it more efficient, which would be crucial in the broader picture of food security. In theory, increased confidence in the sector will lead to more open and stable trade behaviour, even during periods of crisis. Therefore, while there is evidently a need for a multilateral approach that more aptly addresses the emerging complex realities of food security, the APTERR's relevance is based on the promise it holds for addressing decades-long challenges in the rice sector. As a vehicle for enhancing much-needed governmental cooperation in the rice sector, the APTERR – if supported – will prove to be one of the essential steps in improving Southeast Asia's long-term food security.

Implementation of the APTERR will be a significant undertaking but will be achievable with political will, financial backing and a mindset geared towards adapting to the evolving food security situation. Ultimately, the impact of the APTERR may depend on how effectively it is able to implement lessons from the successes and shortcomings of past emergency rice reserves.

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<sup>43</sup> Sally Trethewie, 'Would a Southeast Asian rice futures market be feasible, and what of food security', *NTS Policy Brief*, no. 16 (Singapore: RSIS Centre for Non-Traditional Security (NTS) Studies, 2012), [http://www.rsis.edu.sg/nts/HTML-Newsletter/Policy-Brief/pdf/Policy\\_Brief\\_300512.pdf](http://www.rsis.edu.sg/nts/HTML-Newsletter/Policy-Brief/pdf/Policy_Brief_300512.pdf)