

ASEAN: 50 years of progress and what's ahead

by Raghavan ('Ragha') Sampathkumar



ASEAN, the group of South East Asian countries is celebrating 50th anniversary this year. Since its inception, it has been a loosely held block but kept in shape by the leading countries including Thailand, Singapore, and Malaysia. Much progress has been done in terms of poverty reduction and reduction in population affected by malnutrition in the last few decades as the region's food security has been the primary focus of the leaders who founded the group. The group stands as the sixth largest economy

in the world with a combined GDP of US\$2.4 trillion in 2015. With impressive economic growth prior to the economic crisis in 1997-98, the region has grown to become an important market for high value food products.

Although the financial crisis had temporarily dented the growth, the region got back on its feet quickly and now is looking forward to lead the next wave of global economic growth. It is also ranked fourth in global trade (US\$2.3 trillion in 2015) and intra-regional trade in goods stood at close to one fourth of the total. It was ranked as the fourth top destination for FDI (US\$121 billion in 2015) globally. It is also a lucrative destination for several industries particularly for the world's grain industry as the region is a net importer of grains. As close to half of its population is now living in the cities, their food habits are fast changing and perhaps are converging with the western diets.

What's more? The region is one of the youngest in the world as more than half of its population is under 30. Over 630 million people call it their home and start demanding more meat in their diets, which is driving the demand for feed grains. While most of its grain imports come from outside the region, opportunities for the global grains industry is abound as consumers expect quality and innovative offerings. Rising popularity of 'out-of-home food consumption options' particularly Quick Service Restaurants (QSR) is a reflection of the potential this region has. The region is also home to several food companies that have quietly become pioneers in some specialised sectors such as seafood and animal protein. However, the market is not monolithic and is rather diverse in its food consumption patterns. For example, Indonesia is a big market for bovine meat and also chicken while Thailand and Vietnam consume significant amounts of pork besides seafood. Though the region is making progress to become AEC (ASEAN Economic Community), it still remains a far cry as there are significant roadblocks to create such an integrated group. Flow of trade, services and labour is not yet smooth as the differences exist in terms of priorities for the countries individually. Some are focused on strengthening their food security (rather sovereignty) through domestic production while some countries have a pragmatic approach towards meeting their food and nutritional requirements.

While the top-level leaders tend to be quite energetic about making the AEC seamless, still at the granular level, differences exist in policy and regulatory frameworks. One of the examples of such persistent difference is adoption of CODEX standards by the members. While some countries (e.g. Malaysia) have established their own standards, the middle and bottom tier countries have a lot to do. All these affect the way trade and domestic food production happen within the region and with other regions. Some more key insights about the issues in ASEAN affecting the global food & agribusiness will be discussed in the subsequent columns.

asmalltownkid.wordpress.com

Raghavan ('Ragha') Sampathkumar is a seasoned food and agribusiness professional with 360 degree understanding of the complex political, socio-economic, environmental and cultural perspectives of the Agri-Food value chain. He has more than 13 years of experience working in various subsectors of food & agribusiness including agro commodities, international trade, agri-inputs, biotech, and animal nutrition sectors across Asia-Pacific.