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## Book Reviews

Alavi, Hamid R., Aira Htenas, Ron Kopicki, Andrew W. Sheperd and Ramon Clarete (eds) (2012), *Trusting Trade and the Private Sector for Food Security in Southeast Asia*

Washington DC: The World Bank, ISBN: 978-0-8213-8626-2, 264 pages

This book is divided into five chapters: Chapter 1 enumerates the lessons learned from the 2008 rice crisis, Chapter 2 discusses how public sector rice policies hamper food security, Chapter 3 elucidates how government intervention in the rice supply chains causes inefficiency and losses, Chapter 4 expounds on the potential and benefits of the private sector's foray into the rice business and Chapter 5 comprises the conclusion and recommendations for further research.

Basically, the book takes the position that the private sector is all too important for the food security of Southeast Asian countries and that the government should limit its interventionist role. It also argues that the government needs to enlist private investors both as entrepreneurs and as partners who can bring capital, energy, modern technology and experienced management to sustained efforts to reduce losses and heighten efficiency in the supply chains. The authors make it clear that current rice sector policies in the region are not achieving their desired goals; an examination of the 2007–2008 food crisis revealed that government policies and panicky responses were the primary causes of soaring rice prices. They also contend that trade liberalisation can help stabilise prices by creating incentives for private merchandisers and processors to protect their own trading positions, without governments providing tacit or explicit guarantees. And if rice supply in the region is to become more efficient and curb losses, new milling equipment, more modern storage technology and facilities and more reliable transport will be required. Such modernisation would necessitate financing, which is less likely to come from government programmes – due to bureaucratic red tape and a greater emphasis on investments in industrialisation rather than on the agricultural sector – than it is, under the right conditions, from private investors.

The authors also argue against a prominent role for state enterprises, with their bureaucratic regulations that prevent private companies from getting the job done. One example provided to make that case was that of the National Food Authority (NFA) of the Philippines, which panicked and disrupted the world's rice market by issuing unprecedentedly

large rice tenders, thus pushing rice prices up during the 2008 rice crisis. Essentially, the authors are in agreement that state enterprises are inherently inefficient – despite their mandate to operate as commercial entities and to remain financially independent. These state enterprises do not pursue profit maximisation objectives and are unable to make themselves financially self-sustaining. Exacerbating this condition, state enterprises frequently capture economic rents, exert monopoly rights and deploy anti-competitive tactics that put private companies at a disadvantage. In these ways, as well, they distort underlying markets and discourage private investment. The book states that poor targeting and inefficient distribution by these state enterprises are particularly conspicuous in the rice procurement systems that continue to operate in Indonesia and the Philippines. Without private sector dynamism, the book argues, the rice sector will remain unreliable, inefficient and a drain on many governments' budgets.

The book goes on to assert that progressively limiting the participation of state enterprises in regional food staple markets is a reform upon which the member states of ASEAN (the Association of Southeast Asian Nations) can agree – it would represent an overdue invitation to private sector participation in specific supply-chain development in the region. More than ever and to differing degrees, ASEAN government policies related to logistics and infrastructure push up transport costs and, hence, consumer prices. For example, in both Indonesia and the Philippines, problems regarding infrequent and irregular shipments to interisland states, ageing fleets, poor truck maintenance and lack of roads in the remote rural sectors all help to push up the prices of rice.

I have a few criticisms of the book, one of them being that while cheaper rice imports through trade liberalisation may render net economic welfare gains for the poor consumers, these gains are only possible if rice farmers are properly compensated for their losses. Safety nets as compensating mechanisms therefore become an important policy concern for governments. As such, the role of the government is all too important in ensuring this safety net. In the Philippines, the NFA as a state enterprise is the custodian of a government rice buffer stock meant to ensure food security and engender stability. It is tasked with ensuring an adequate and continuous supply of rice at a reasonable price. Specifically, rice ceiling prices are imposed to ensure rice accessibility and to protect consumers from unduly rising prices, while paddy support prices are set to promote growth in production as well as to assure farmers of a reasonable income. The Philippine government should not allow private traders to take more control by further reducing state intervention, as

privatisation would eliminate what is left of the government's minimal support to farmers. Similarly, should the private traders choose to hoard the supply of rice and, in the process, jack up its price, the effects would be detrimental to the poor people who have been depending on cheap NFA rice.

Moreover, in many Southeast Asian states, rice-growing plots are increasingly being converted for use in planting other profitable crops, such as corn for ethanol as bio-fuel, and for non-agricultural use, such as housing. Clearly, availability of land is down and this influences prices. Many rice farmers are therefore turning to more lucrative cash crops, reducing the amount of land devoted to the grain; as such, the government needs to play the role of regulator and provider in the rice sector. Furthermore, the government can help genuinely poor rice farmers through various forms of assistance, such as by providing subsidies to buy seeds and fertilizers or offering to buy paddies at higher prices. Government intervention can help to stabilise the food supply and prices and also provide rice farmers with a market for their paddy and eventually with the capability to profitably market their product. In addition, government investments in transportation and communications infrastructure, in research to determine how to reduce post-harvest losses and in the development of financial institutions will also reduce marketing costs. My opinion is that it is in these areas where the government can find its most appropriate role. In sum, the role of the government in the rice economy is key for rice farmers and for consumers, and its role in the supply and demand of rice should never be diminished or relegated to the private sector, as the book suggests.

This book is highly recommended for Southeast Asian governments looking to increase efficiency and cut down on costs in the rice supply chains by channelling the expertise of the private sector. The ideas suggested are useful and practical, and the book is well researched with an extensive bibliography.

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