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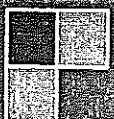
10th International Conference on Business, Economics, Management and Marketing – ICBEMM 2019

**AICSSH-ICBEMM 2019 November (Boston)
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INVESTMENT IN AGRICULTURAL AND FOOD SYSTEMS IN THAILAND AND THE PRINCIPLES FOR RESPONSIBLE INVESTMENT IN AGRICULTURE AND FOOD SYSTEMS

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ABSTRACT

The objectives are to analyse the current situation of investment in agriculture and food systems, to comparatively study gaps and incompatibility between Thai laws and the Principles for Responsible Investment in Agriculture and Food Systems (RAI), and to propose policy suggestions for improving the agricultural policy of Thailand. The empirical results show that Thailand is currently both a source country and a host country in agricultural and food investment. The analysis of Thai law and RAI principles finds that RAI principles have been established as a legal principle in many laws which are good to help maintain principles and strengthen food security and sustainable farming principles. The Thai government should support the participation of stakeholders in the supply chain, together with establishing the RAI according to Thailand's context, with principles and guidelines based on indicators of the integration of different agencies according to the competent authority.

Keywords: Responsible Investment, Agricultural and Food Sector, Thailand

INTRODUCTION

In the past, under conditions of climate change and global warming, changes in land use from agriculture to housing and industry, and the increasing demand for food due to the rising world population, competition between energy crop and edible crop production caused an imbalance between production and demand for agricultural products, resulting in rising prices of important food products such as wheat, corn, and rice. These problems led to a food insecurity crisis in many countries in Africa and Asia (FAO, 2009 and FAO, 2011). These countries need to find ways to strengthen food security in their countries. For this reason, given the globalisation of free trade and capital flows, each country must find a way to strengthen food security through investment in agriculture and food systems.

The Food and Agriculture Organization (FAO) is aware of this global phenomenon and has found some phenomena and indications, in both source countries and host countries, where irresponsible investment in agriculture and food systems has occurred. For example, the Maung Sing District of the Lao People's Republic has announced that it will not issue licenses for Chinese investors to rent land for banana farming because Lao workers at Chinese-operated banana plantations fell ill in large numbers from exposure to the chemicals used on the farms, with many suffering from respiratory or liver problems (RFA Lao Service, 2018 and Xayxana, 2019). Land grabbing or land acquisition was found in many countries (Locher et al., 2013). The FAO (2014) therefore issued "Principles for Responsible Investment in Agriculture and Food Systems (RAI)", a guideline for responsible investment in society, economy and the environment.

Regarding past foreign agricultural investment in Thailand, in 2002 Taiwan tried to invest in the orchid business in the country, but the group of orchid growers and orchid tissue growers opposed this. Later, in 2008, Saudi businessmen wished to invest in farming or

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renting farmland and exporting rice to foreign countries, while establishing a company to unite farmers in support of this investment. In 2009, United Arab Emirates and Qatar investors expressed interest in investing in rice and animal raising in Thailand, to which the Thai Rice Exporters Association objected that no nominee should be allowed to buy land for agriculture and livestock by using significant legal loopholes because, in the long run, this would affect the market direction and the price.

In 2010, even prior to the announcement of RAI in 2014, Thailand discussed “Responsible Investment in Agriculture: Thai Paths” (Ministry of Foreign Affairs, 2010), which concluded that responsible investment principles should be supported because they are important to food security, but that foreign investment in Thailand in the agricultural field were still a very sensitive issue. Farmers still do not get the full benefit from foreign investment, and there is no guideline for doing so, especially in meeting the problem of land grabbing and contract farming. However, to date, there has never been a comparative study of FAO’s RAI principles and the reality of Thai investment promotion criteria.

As Thailand is a member of the United Nations and the United Nations FAO, and given the current trade trends of free investment and globalisation, Thailand must learn and adapt to take the full benefits of FAO’s RAI, whether as a host country or as a source country. Therefore, the objectives of this study are to review the current situation of Thai agricultural and food system investment, to compare the gaps and disagreements between Thai law and the FAO’s RAI principles, and to present policy suggestions for improving Thai agricultural policy under the RAI principle. The first objective is achieved by descriptive statistics, analysed by the Inward FDI Performance Index. In addition, the research was conducted by in-depth interviews and focus groups with private and government representatives. The second objective was met by comparing the RAI principle with various related Thai laws and regulations, and also national plans and strategies. The following contents consist of a summary of RAI’s principles in Section 2, a review of agricultural and food sector investment in Section 3, the results of the comparative analysis of Thai law and RAI principles in Section 4, and a summary and policy recommendations in Section 5.

PRINCIPLES FOR RESPONSIBLE INVESTMENT IN AGRICULTURE AND FOOD SYSTEMS

The Committee on World Food Security (CFS) (2014) endorsed the RAI principles. The RAI concept covers all activities involved in the production, processing, marketing, retail, consumption, and management of products from the agricultural sector, including food and non-food products, livestock, animal husbandry, fishery (which includes aquaculture), and forestry. It also includes the necessary raw materials and products produced at each step, the food chain system, the various stakeholders, and both the public and institutional sectors. It also takes into account the society, politics, technology, and natural environment of the areas in which the above activities are carried out (CFS, 2014).

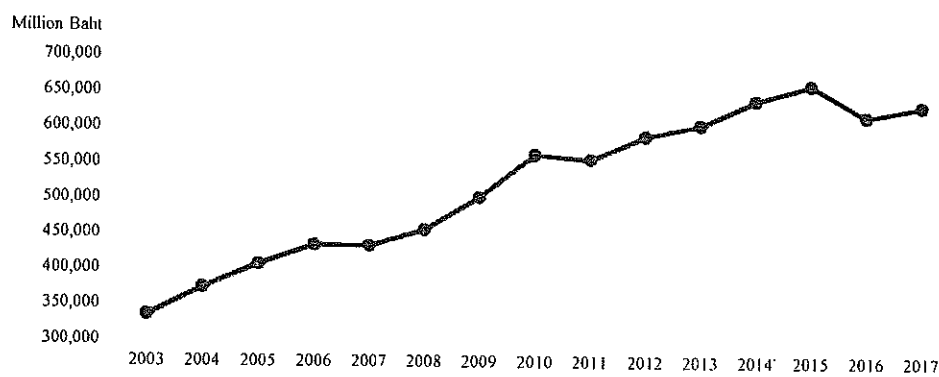
The purposes of the FAO RAI principles are (1) to identify the key components that make responsible investments in agriculture and food systems, (2) to identify key stakeholders and roles and responsibilities, with responsible investment in agriculture and food systems, and (3) to act as a guideline for the activities of all stakeholders, both in the agricultural sector and in the food system, by establishing the necessary principles to help promote responsible investments, increase livelihoods, and prevent and mitigate risks to food and nutrition security.

The RAI principles are composed of 10 principles:

1. Contribute to food security and nutrition

2. Contribute to sustainable and inclusive economic development and the eradication of poverty
3. Foster gender equality and women's empowerment
4. Engage and empower youth
5. Respect tenure of land, fisheries, and forests, as well as access to water
6. Conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks
7. Respect cultural heritage and traditional knowledge and support diversity and innovation
8. Promote safe and healthy agriculture and food systems
9. Incorporate inclusive and transparent governance structures, processes, and grievance mechanisms
10. Assess and address impacts and promote accountability

Figure 1: Gross Capital Stock in agriculture, forestry, and fishery



Source: Office of the National Economic and Social Development Council (2011)

The important aspect of the RAI is that it is voluntary and does not have legal obligations. The application should be interpreted and applied in accordance with existing legal obligations under both domestic and international law regarding voluntary obligations under international instruments and other regions that are effective. No part of these principles will be interpreted as a restriction or obstruction of the legal obligations the state must comply with under international law and should be interpreted and applied in accordance with the legal system and customs of each country.

CURRENT SITUATION OF THAI INVESTMENT IN AGRICULTURAL AND FOOD SYSTEMS

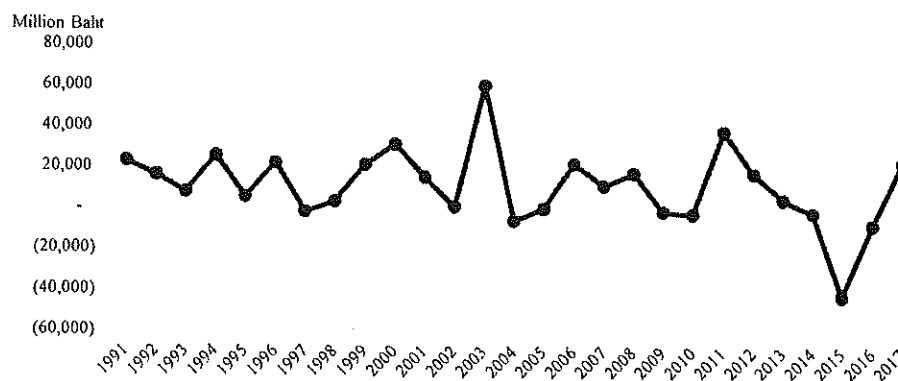
The investment situation in agriculture and food systems in Thailand

Data from the Office of National Economic and Social Development (2019) show that, since 1990, Thailand has seen its Gross Capital Stock in agriculture, forestry, and fishery continuously increase (Figure 1). During 2015–2016, the GDP figures in agriculture, forestry, and fishery decreased from the previous year; when viewed as a whole, however, it is likely to increase every year. In 2017, the value of gross capital in agriculture, forestry, and fishery increased to approximately 630,000 million Baht in line with the 12th National Economic and Social Development Plan, which emphasises the importance of strengthening the agricultural production base to be strong and sustainable. But when considering the changes of capital stock that shows investment (Figure 2), most of changes indicate positive investments, with 2017 investments in agriculture, forestry, and fisheries increasing by 22,623 million Baht.

The foreign investment situation in Thailand

Data from the Board of Investment (BOI) of 2016 show that, in 2015, there was investment from Thai investors abroad for 79 projects, worth a total investment of US \$41.4 billion or about 94.9 billion Baht. The top three most invested-in industries were food, hotels and tourism, and service businesses. In the last 10 years (from 2006 to 2015), there were 550 foreign investments with a total investment value of US \$585 billion or up to “2 trillion Baht”. The investment value of Thai capital abroad is contrary to the reduced export value.

Figure 2: Gross Capital Stock in agriculture, forestry, and fishery



Source: Office of the National Economic and Social Development Council (2011)

According to the Bank of Thailand, Thailand's Outward Direct Investments (TDI) are likely to increase steadily. At the end of 2018, the total TDI totalled US \$20,470 million, or approximately 660,732 million Baht. The countries that Thai entrepreneurs invest in the most are the ASEAN countries, which account for 30% of total foreign investment, followed by the EU, Mauritius, Hong Kong, and Japan respectively.

Regarding investment in ASEAN, most Thai investors still invest in Singapore, the regional financial centre, followed by investments in Vietnam, Malaysia, Myanmar, and Laos respectively. This is due to their future economic potential coupled with the advantages in terms of distance and payment factors due to the Baht's acceptance in the region, all of which helps reduce logistical costs, transaction costs, and foreign exchange risk. However, when considering the growth rate, foreign direct investment in 2018 increased only slightly from 2017.

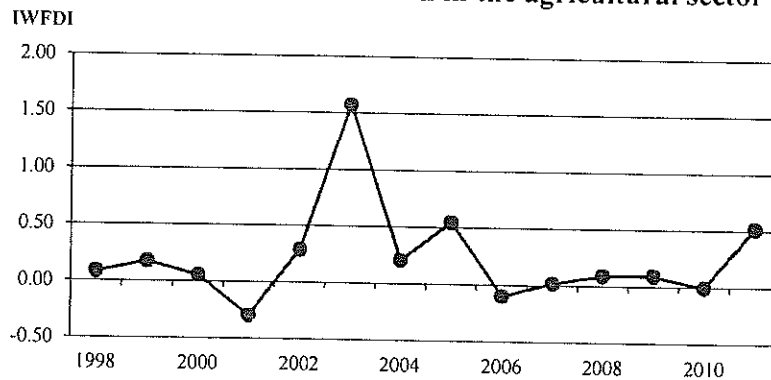
For net investment value in agriculture, forestry, fisheries, and food and beverage production of Thailand's foreign investment in 2018 has reduced by approximately 72 million Baht. The value of food and beverage production abroad has increased by approximately 103 million Baht. Figure 3 shows that the value of foreign investment in agriculture has increased slightly and is relatively stable, in contrast to the value of production of food and beverages in foreign countries, which has continuously increased since 2014.

According to the Bank of Thailand 2018 report, investment in the manufacturing and service sectors has increased significantly and grown faster than the agriculture, forestry, and fishery businesses, as well as the mining and energy businesses. Looking deeper into the manufacturing sector, businesses with good investment growth include food production, chemical production, and computer production. However, businesses with shrinking investments are the beverage production, textile production, wholesale, and retail businesses. When looking at the overall picture, Thai direct investment in foreign countries increased from 2017.

When considering the Inward FDI Performance Index (*IWDI*) of Thailand's agricultural sector, which measures the share of inward FDI in the agriculture of *i* country ($IWFDI_i$) to world inward FDI ($IWFDI_w$) relative to the share of the agricultural GDP of *i* country (GDP_i) to world agricultural GDP (GDP_w) (Harrison, 2003), the formula is

$$IWDI_i = \frac{IWFDI_i / IWFDI_w}{GDP_i / GDP_w}$$

Figure 3: Inward FDI Performance Index in the agricultural sector of Thailand



Source: Calculation

The Thailand Inward FDI Performance Index between 1998 and 2010 has both positive and negative values, with most *IWDI* values less than 1, indicating that the proportion of outward direct investment in the agricultural sector compared to the economic size of the country's agricultural sector is less than the proportion of investment in the world agricultural sector compared to the size of the economy in the world, and the capital is also withdrawn from the investment without additional investment. The minimum *IWDI* value was -0.297 in 2001. In contrast, the maximum *IWDI* value was 1.575 in 2003, because the country has the proportion of direct investment in the agricultural sector when compared to the size of the economy in the country's agricultural sector, more than the proportion of world investment compared to the size of the world economy. Considering the trend of *IWDI* in agriculture over 2010–2011 from Figure 3, this shows the *IWDI* in agriculture is likely to increase markedly.

THAI LAW AND THE RAI PRINCIPLES

The results of the study of 14 basic documents as the foundation for RAI principles found that Thailand has 12 documents already endorsed, one document partly endorsed (the International Labor Organization's Declaration on Basic Principles and Rights in Work), and one document that has not yet been endorsed (the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests in the Context of National Food Security). A comparative analysis of the National Economic and Social Development Plan No. 12 (2017–2021) and the RAI principles found that the plan is compliant with the RAI principles, but in comparing the principles with the National Strategy (2018–2037), it was found that it mostly complied with RAI principles except for RAI Principle 3, Increasing Women's Roles and Equality. The comparative analysis of the investment promotion rules of the BOI with RAI principles found that, under the Investment Promotion Act 1977 as amended by the Promotion Act Investment (Edition 4) 2017, the Thailand BOI seven-year Investment Promotion (2015–2021) and other measures mostly comply with the RAI principles, except Principle 3 (Increasing Women's Roles and Equality) and Principle 4 (related to youth participation). The eligible activities and business categories for promotion by the BOI that are compliant with the RAI principles are Section 1 (Agriculture and

Agricultural Products) and Section 8 (Technology and Innovation Development). The BOI has granted both corporate tax exemption, exemption/reduction of import duty on machinery, reduction of import duty on raw materials, exemption of import duty for research and development, and other non-tax benefits.

The results of comparing Thai law with RAI principles found that, under Principle 1 (Contribute to Food Security and Nutrition), Thailand has many laws and measures that involve sustainable production and increase production efficiency, food safety, and food security, including the development of small-scale agricultural production capabilities. However, in terms of the practice of enhancing the use of food that focuses on the development of food for further development, no laws or measures are directly related to or compliant with RAI principles.

Regarding Principle 2 (Contribute to Sustainable and Inclusive Economic Development and the Eradication of Poverty), it was found that the laws and measures of Thailand are compliant with many RAI principles, including labour protection being safe and hygienic, respecting basic principles and work rights, emphasising fair employment, supporting international labour standards effectively and equally and eliminating child labour, linking the benefits from upstream-downstream fairly through contracting and supporting the development of rural areas, the development of small-scale farmers' potential, and increasing small-scale farmers' roles in driving the agricultural sector, including sustainable production and consumption.

In terms of Principle 3 (Foster Gender Equality and Women's Empower), it was found that many measures are compliant. However, in terms of Thai law, there has been no indication of the increasing role of women in the agricultural sector directly because the agricultural sector of Thailand is quite diverse and has different contexts, so the roles of women in each agricultural sector are also different. Therefore, the use of the law in conjunction with other manufacturing sectors, such as the industrial sector or the service sector, may not be compliant with the context in the agricultural sector. For Principle 4 (Engage and Empower Youth), it was found that there are laws that encourage youth to participate or that support the participation and increase the role of youth, as well as laws that support appropriate training for children and youth.

Regarding Principle 5 (Respect Tenure of Land, Fisheries, and Forests, and Access to Water), it was found that laws that are compliant with the objectives of land acquisition and the alien land rights in the limited use of land for various purposes have been defined. However, focus group meetings with persons involved in agriculture and food systems found that the problem of land ownership of foreigners involves using Thai citizenship in landholdings and conducting agriculture, which is considered a gap of Thai law that cannot be inspected.

For Principle 6 (Conserve and Sustainably Manage Natural Resources, Increase Resilience, and Reduce Disaster Risks, Increasing Balance and Reducing Risks from Disasters), it was found that Thailand has laws that are compliant in many respects, including promoting and preserving environmental quality, preventing and controlling the damage to the quality of the environment, preventing and remedy the negative impacts that occur on the environment, and reducing the amount of waste or pollution emissions. However, in terms of reducing food loss and waste from agricultural production and increasing the balance of agriculture and food systems for small farmers affected by climate change, the relevant laws or measures were not found.

Regarding Principle 7 (Respect Cultural Heritage and Traditional Knowledge, and Support Diversity and Innovation), it was found that Thailand has laws that are compliant in many respects, namely respect for cultural heritage and local wisdom and support diversity

and innovation. For Principle 8 (Promote Safe and Healthy Agriculture and Food Systems), it was found that Thailand has laws that are relevant in many aspects, namely, promotion of safety, quality, and nutritional value of food and agricultural products that focuses on the production of agricultural and food products that are safe for health and nutritious, encouraging good animal health care to increase food safety, improving the management of production and agricultural products to focus on effective use of production factors, and reducing threats to the environment, including the dangers caused by occupations.

For Principle 9 (Incorporate Inclusive and Transparent Governance Structures, Processes, and Grievance Mechanisms), it was found that there are laws that are compliant with the creation of transparency and fairness in the process of receiving complaints and solving various problems to prevent exploitation, especially from small-scale farmers. However, no laws are mentioned in the section of effective counselling for indigenous people to obtain their consent before conducting any activities that affect rights through institutions representing them.

Regarding Principle 10 (Assess and Address Impacts and Promote Accountability), it was found that there are laws that are compliant in many respects, namely fair and transparent impact assessment with all parties, regular change assessment, and communication to stakeholders on the results, appropriate remedies and effective compensation. However, there are no laws that describe the principles in explaining basic information and indicators for monitoring and impact and identifying measures that prevent and manage potential negative impacts that might happen in Thailand.

Therefore, the analysis of Thai law and RAI principles found that RAI principles have been established as a legal principle in many laws, which is good to help maintain principles and strengthen food security and sustainable farming principles such as legal framework for plant, fisheries, livestock, irrigation, land, production factors, economic and agricultural institutions, agricultural standards, agro-industry, labour, equality of rights, and environmental protection. Each law, in addition to directing each aspect, also creates a legal linkage structure that is compliant with RAI principles in Thailand. However, in using a variety of laws to supervise a wide range of issues may cause obstacles to the RAI principles. Having a variety of laws with requirements related to RAI principles also creates a framework for a variety of legal actions. It may in one view be good to have a variety of agencies jointly implementing the law to maintain RAI principles in Thailand, but in practice there are laws that give the power to govern to a variety of agencies, which may create obstacles to sustainable agricultural operations, including having rules that allow the power to govern a variety of agencies, creating a lack of understanding of the law or a lack of awareness of the law. Therefore, each agency's trying to enforce the law to maintain RAI principles may create obstacles to creating RAI principles because law enforcement is based on the ignorance or incomplete knowledge of the applicant. Many agencies empowering the law simultaneously create obstacles while producing good results (or simultaneously produce good results while creating obstacles).

Table 1: Summary table of the RAI principles of Thailand

RAI principles	Compliance issues	Lacking issues
<u>Principle 1 Contribute to Food Security and Nutrition</u>		
- Increasing the efficiency of safe food production and reducing losses and food waste	✓	
- Increasing income and reducing poverty by participation or developing food production capabilities	✓	
- Enhancing fairness and effective market mechanisms	✓	

- Strengthening the use of food		✓
<u>Principle 2 Contribute to Sustainable and Inclusive Economic Development and the Eradication of Poverty</u>		
- Respecting basic principles and work rights, especially agriculture	✓	
- Supporting labour practices with efficiency	✓	
- Supporting safety at work And receiving appropriate wages	✓	
- Supporting equal market access throughout the supply chain	✓	
- Supporting rural development	✓	
- Supporting small farmers to access the production factors appropriately	✓	
- Promoting sustainable consumption patterns	✓	
<u>Principle 3 Foster Gender Equality and Women's Empowerment</u>		
- Eliminating discrimination and sexual rights violations	✓	
- Supporting equal access to production factors and women's services	✓	
- Eliminating discrimination and sexual rights violations	✓	
<u>Principle 4 Engage and Empower Youth</u>		
- Supporting equal access to production factors and youth services	✓	
- Developing knowledge of youth		✓
- Supporting youth to be a driver of development in the agricultural sector		✓
<u>Principle 5 Respect Tenure of Land, Fisheries, and Forests, and Access to Water</u>		
- Supporting the holding of land, fisheries, and forests properly		✓
- Supporting the management of small-scale fisheries sustainably	✓	
<u>Principle 6 Conserve and Sustainably Manage Natural Resources, Increase Resilience, and Reduce Disaster Risks</u>		
- Preventing negative impacts on natural resources	✓	
- Supporting and preserve biodiversity	✓	
- Reducing loss and food waste from agricultural production		✓
- Measures to prevent the effects of climate change		✓
- Measures to reduce the amount of (and/or limit) greenhouse gas emissions	✓	
<u>Principle 7 Respect Cultural Heritage and Traditional Knowledge, and Support Diversity and Innovation</u>		
- Taking into account the roles of indigenous people and local communities in agriculture and food systems	✓	
- Recognising the participation of farmers especially small farmers	✓	
- Promoting the sharing of fair and equal benefits from the utilisation of plant genetic resources for food and agriculture	✓	
- Encouraging application and use of local wisdom together with technology	✓	
<u>Principle 8 Promote Safe and Healthy Agriculture and Food Systems</u>		

- Promoting the safety and quality of food and agricultural products	✓	
- Supporting animal and plant health and welfare	✓	
- Improving the management of production factors and agricultural products	✓	
- Managing and reducing public health risks	✓	
- Raising awareness about food quality, safety, nutrition, and public health for small farmers	✓	
- Creating choices for consumers with support for having sufficient food and access to safe food	✓	
<u>Principle 9 Incorporate Inclusive and Transparent Governance Structures, Processes, and Grievance Mechanisms</u>		
- Respecting the rules and using the law free of corruption	✓	
- Sharing information related to legal investment in a thorough manner	✓	
- Supporting the impact assessment before making investment decisions	✓	
- Providing effective and significant advice to indigenous people		✓
- Promoting access to mediation, receiving complaints, transparent and effective dispute resolution mechanisms	✓	
<u>Principle 10 Assess and Address Impacts and Promote Accountability</u>		
- Using a mechanism that can be evaluated in a transparent and independent manner for all stakeholders.	✓	
- Describing basic information and indicators for monitoring and impact		✓
- Identifying measures that prevent and manage potential negative impacts		✓
- Regularly assessing changes and communicating to stakeholders about the results	✓	
- Performing appropriate and effective remedies and compensation	✓	

CONCLUSION AND RECOMMENDATION

Thailand is currently a country that invests in foreign countries and receives investment in agriculture and food systems from abroad. The results of the law analysis found that Thailand has endorsed almost all the basic documents forming the foundation of the RAI principles except one that has not yet been endorsed (the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests in the Context of National Food Security) and one that has partly been endorsed (the International Labor Organization's Declaration on Basic Principles and Rights in Work). A comparative analysis of the National Economic and Social Development Plan No. 12 (2017–2021), the National Strategy (2018–2037), Thai law, and the rules of the BOI found that they are compliant with RAI principles, which are good to help maintain principles and strengthen food security and sustainable farming principles. In addition, having a variety of laws with requirements related to the RAI principles also creates a framework for a variety of legal actions which, in one view, may be good as a variety of agencies jointly implement the law in maintaining RAI principles in Thailand. However, in practice, some laws allow the power to govern a variety of agencies, which may create obstacles to sustainable agricultural operations, including having rules that allow the power to govern a variety of agencies that may create a lack of understanding of the law or a lack of awareness of the law. Therefore, each agency's attempt to enforce the law to

maintain the RAI principles may create obstacles because law enforcement is based on the ignorance or incomplete knowledge of the applicant. Many agencies empowering the law simultaneously create obstacles while producing good results (or simultaneously produce good results while creating obstacles).

The policy recommendations for Thailand, based on the legal issues presented above, are as follows. The government should set up an integrated system of government agencies with RAI principles based on an understanding of the laws and RAI principles. The government should encourage agricultural businesses or business associations to manage their businesses on the basis of RAI by having related business groups jointly create recommendations or agreements in their business operations to create business operations under RAI. For example, the European Commission has laid down a framework for encouraging private sector businesses to create social responsibility in agricultural operations, leading to overall social sustainability (Mazur-Wierzbicka, 2015). The business agreement framework is a common understanding that leads to the creation of a framework for research on sustainable agricultural business operations and social responsibility (Bomhoff and Meuwese, 2011). In addition, the government should support the participation of stakeholders in the supply chain, together with establishing the RAI according to the Thai context with principles and guidelines based on indicators of the integration of different agencies according to the competent authority.

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