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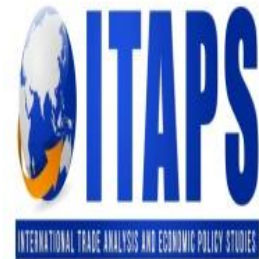
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# Agricultural Trade and Regional Economic Integration: Opportunities and Challenges for Indonesia

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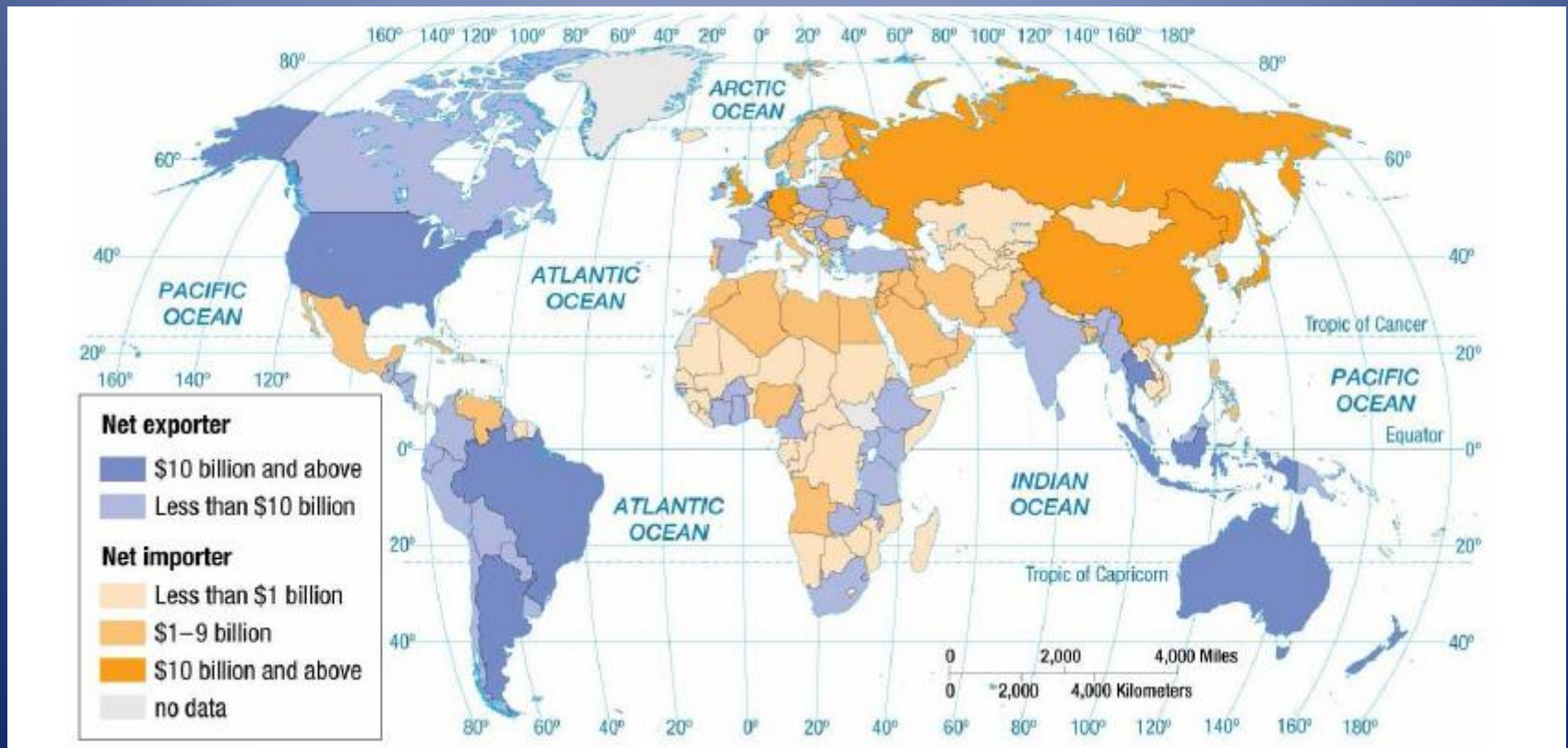


# Agricultural Trade and Regional Economic Integration in Context



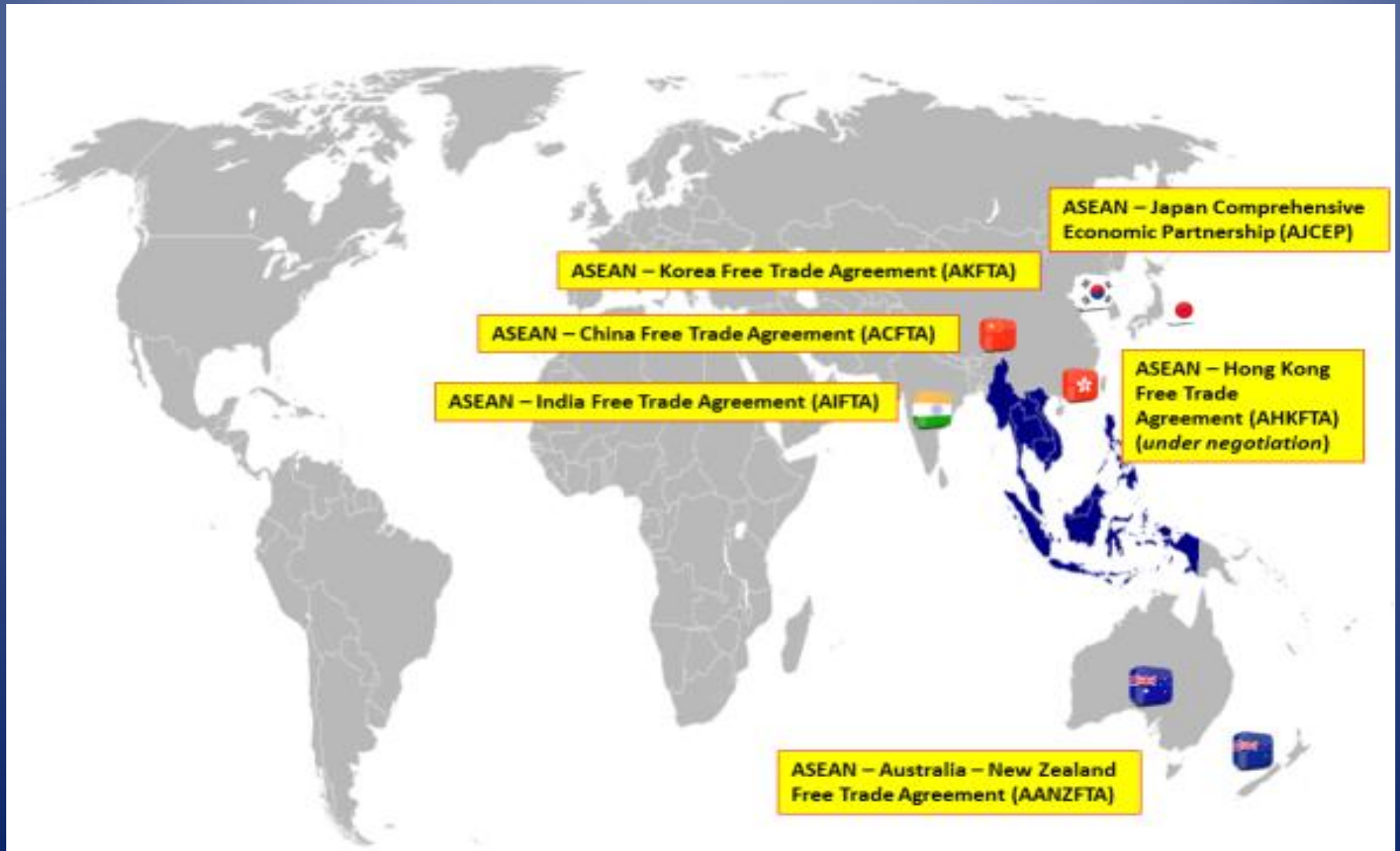
# The world agricultural trade flow is from American and Australia region to Europe and Asia

- While most of the net importer agricultural products are Asian and African countries

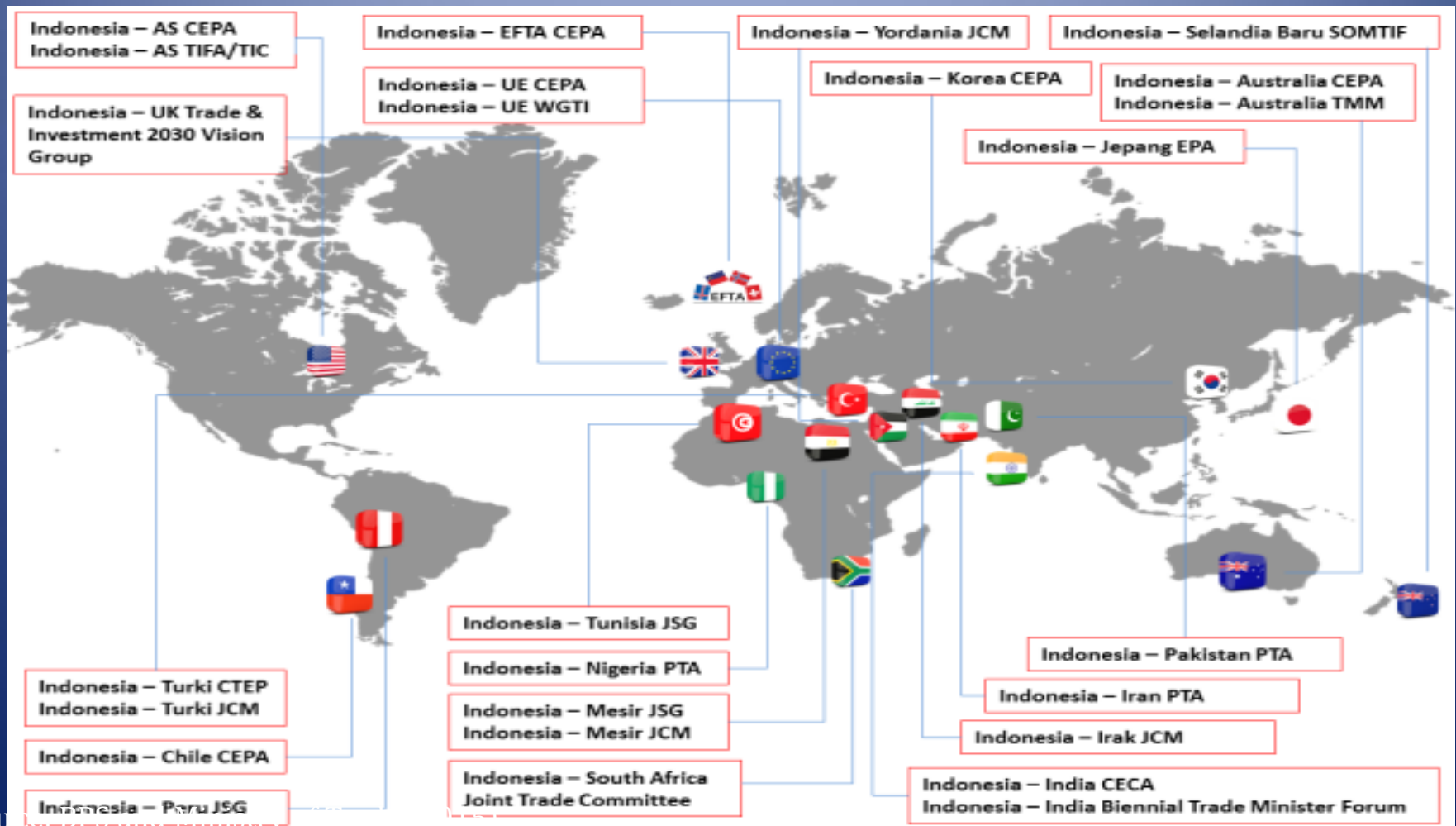


Source: *The Cultural Landscape: An Introduction to Human Geography* (Pearson Education, 2011)

# Landscapes of Indonesia's Engagement in Economic Integration : Regional FTAs under ASEAN



# Landscapes of Indonesia's Engagement in Economic Integration : Bilateral PTAs and CEPAS



# The Challenge of Indonesia's International Trade and Development in Agriculture

**Investment Promotion**

**Trade Promotion (market access as well as domestic market protection)**

**Increasing Technology and Innovation**

**Increasing Human Resources and Institution**

**Active Participation on Global Governance**



# Agricultural Trade and Economic Integration: ASEAN ANZ FTA study case



Opportunities



## Indonesian Agricultural Base Top Export Products Share to ANZ (%)

HS	Product Description	2010	2011	2012	2013	2014
4409	Wood (including strips and friezes)	2.38	2.37	2.61	2.70	2.94
1511	Palm oil and its fractions, whether	0.04	0.00	0.00	0.02	1.04
6403	Footwear with outer soles of rubber	0.70	0.70	0.94	0.88	0.99
9403	Other furniture and parts thereof.	1.14	0.75	0.81	1.00	0.97

Source : UN Comtrade via WITS (2015)

**Agricultural exports (Wood and Palm Oil) are small portion to ANZ and tend to increase**

## Indonesia Agricultural Imported Products Share from ANZ (%)

HS	Product Description	2010	2011	2012	2013	2014
<b>1001</b>	<b><i>Wheat and meslin.</i></b>	<b>19.76</b>	<b>23.72</b>	<b>26.20</b>	<b>24.99</b>	<b>20.62</b>
<b>0102</b>	<b><i>Live bovine animals.</i></b>	<b>9.40</b>	<b>5.60</b>	<b>5.05</b>	<b>6.15</b>	<b>11.11</b>
0402	Milk and cream, concentrated or con	6.21	6.83	6.15	6.72	7.01
1701	Cane or beet sugar and chemically p	2.15	3.69	2.58	6.31	6.49
0202	Meat of bovine animals, frozen.	5.55	3.59	2.15	3.22	4.93
5201	Cotton, not carded or combed.	4.04	5.16	4.19	3.51	2.49

**Source : UN Comtrade via WITS (2015)**

**Indonesian import is dominated by wheat, live bovine and meat products**

# Realization of Indonesia-ANZ Export with ROR letter in 2010-2015

Year	FOB Value (US\$)
2010	1,350,818,947.99
2011	2,128,490,887.75
2012	2,836,990,728.06
2013	1,890,114,601.82
2014	1,350,818,947.99
2015 (-September)	2,128,490,887.75
<b>TOTAL (2010-September 2015)</b>	<b>8,206,415,165.62</b>

**Source : Ministry of Trade (2015)**

# AANZ FTA Significance Test

	Mean	N	Std. Deviation	Std. Error Mean	t
pre_FTA	388206.5750	40	118896.75043	18799.22689	1.456268
post_FTA	420667.0500	40	98551.77134	15582.40324	

There is no significant different of Indonesian export before and after AANZ FTA , at 5% level

# RCA of Indonesia in AANZ, 2010-2013

HS	Product Description	2010	2011	2012	2013
7101	Pearls, natural or cultured, whethe	20.33	26.42	34.58	40.14
2701	Coal; briquettes, ovoids and simila	13.45	6.14	14.74	32.93
4402	Wood charcoal (including shell or n	15.69	17.35	24.03	32.70
5504	Artificial staple fibres, not carde	21.56	24.98	28.06	30.47
4001	Natural rubber, balata, gutta-perch	24.20	18.06	25.39	29.68
0906	Cinnamon and cinnamon-tree flowers.	14.53	10.71	15.61	25.88
5203	Cotton, carded or combed.	8.57	16.26	40.51	24.82
2306	Oil-cake and other solid residues,	22.57	20.56	21.55	22.83
5206	Cotton yarn (other than sewing thre	33.16	17.14	24.63	22.17
4409	Wood (including strips and friezes	28.99	18.15	20.74	20.46
1804	Cocoa butter, fat and oil.	12.56	9.79	16.09	19.92
5510	Yarn (other than sewing thread) of	15.27	9.10	11.93	18.96

**Source : Author's Calculation (2015)**

# Indonesian Export Positioning to AANZ

ProductCode	ProductDescription	posisi	RCA
1603	Extracts and juices of meat, fish o	Rising Star	2.92
1903	Tapioca and substitutes therefor pr	Rising Star	1.14
4115	Composition leather with a basis of	Rising Star	0.97
4808	Paper and paperboard, corrugated (w	Rising Star	0.89
8304	Filing cabinets, card-index cabinet	Rising Star	0.79
5908	Textile wicks, woven, plaited or kn	Rising Star	0.24
1107	Malt, whether or not roasted.	Rising Star	0.16
4807	Composite paper and paperboard (mad	Rising Star	0.03

**Source : Author's Calculation (2015)**

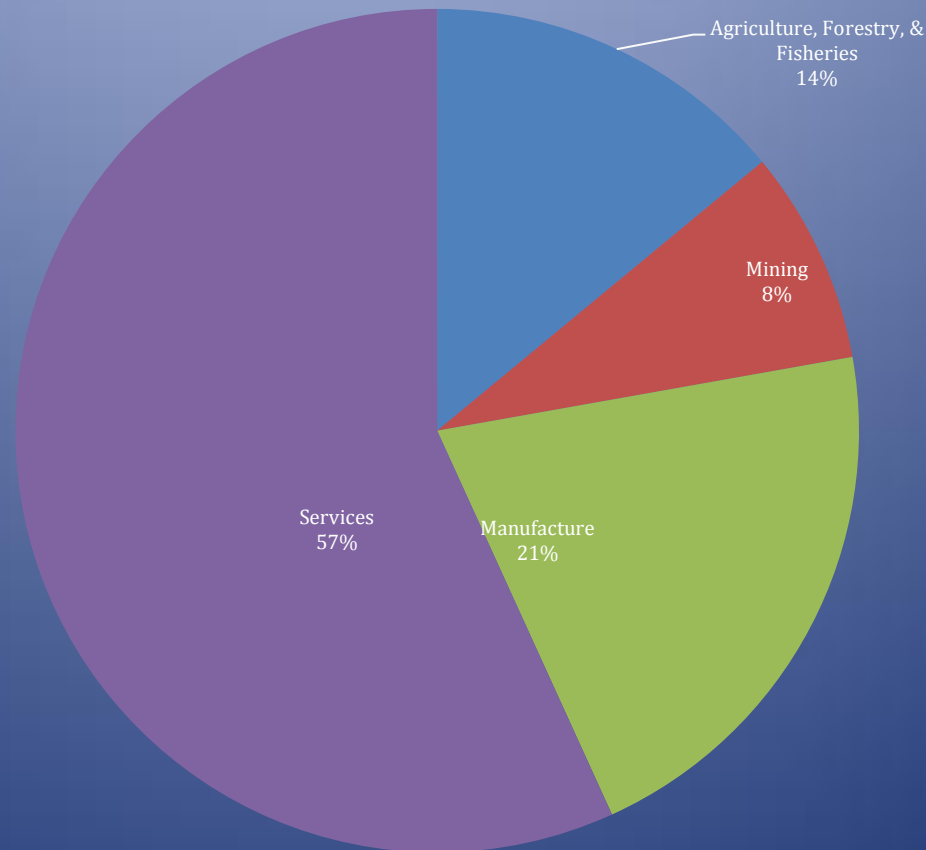


# Challenges and Opportunities for Indonesia



# Agriculture Contribution to GDP

## Sectoral Contribution to GDP in Semester 1 2015

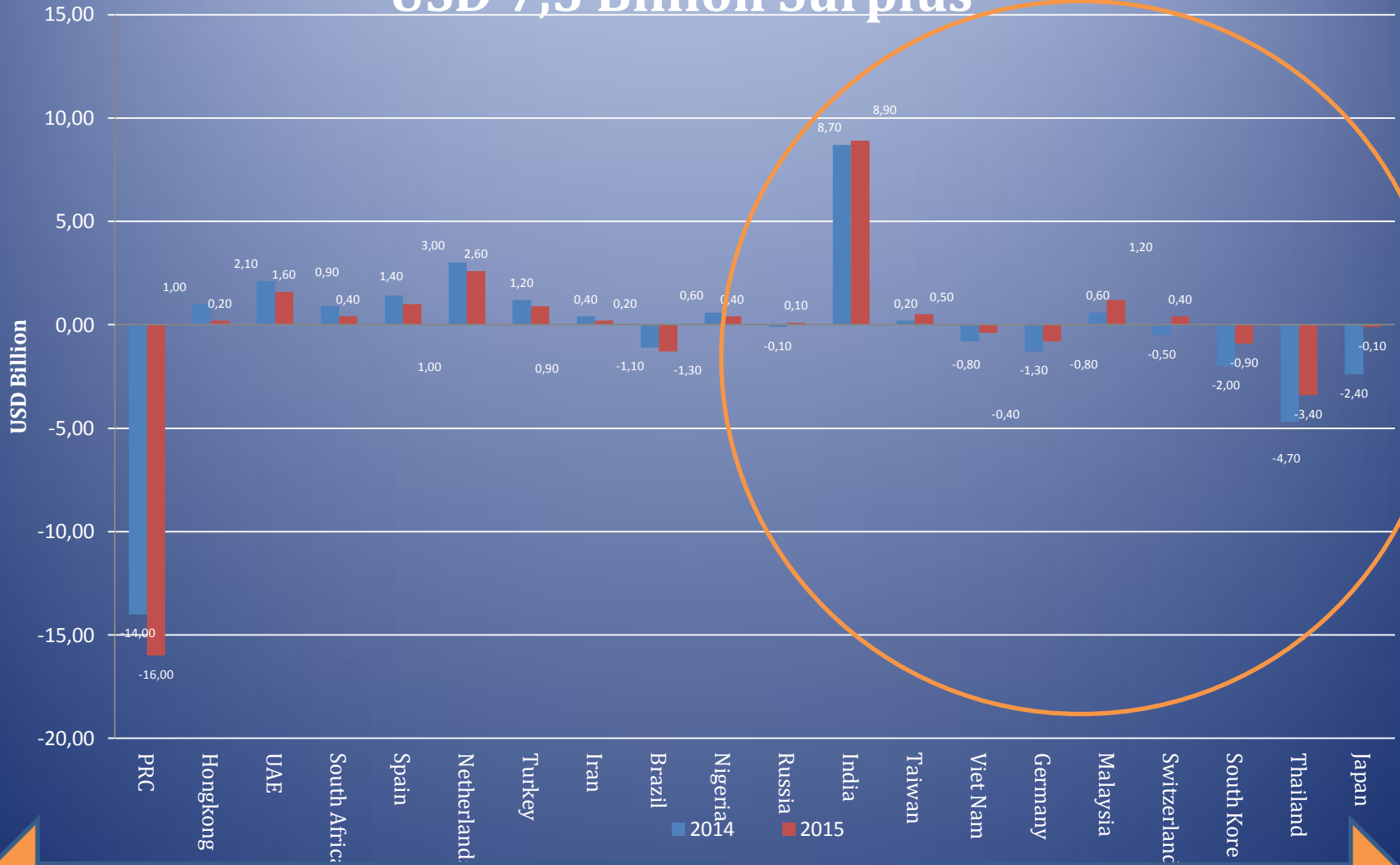


Source: BPS (2015)

Source: BPS (2015)



# Improving Trade Balance in 2015 : USD 7,5 Billion Surplus

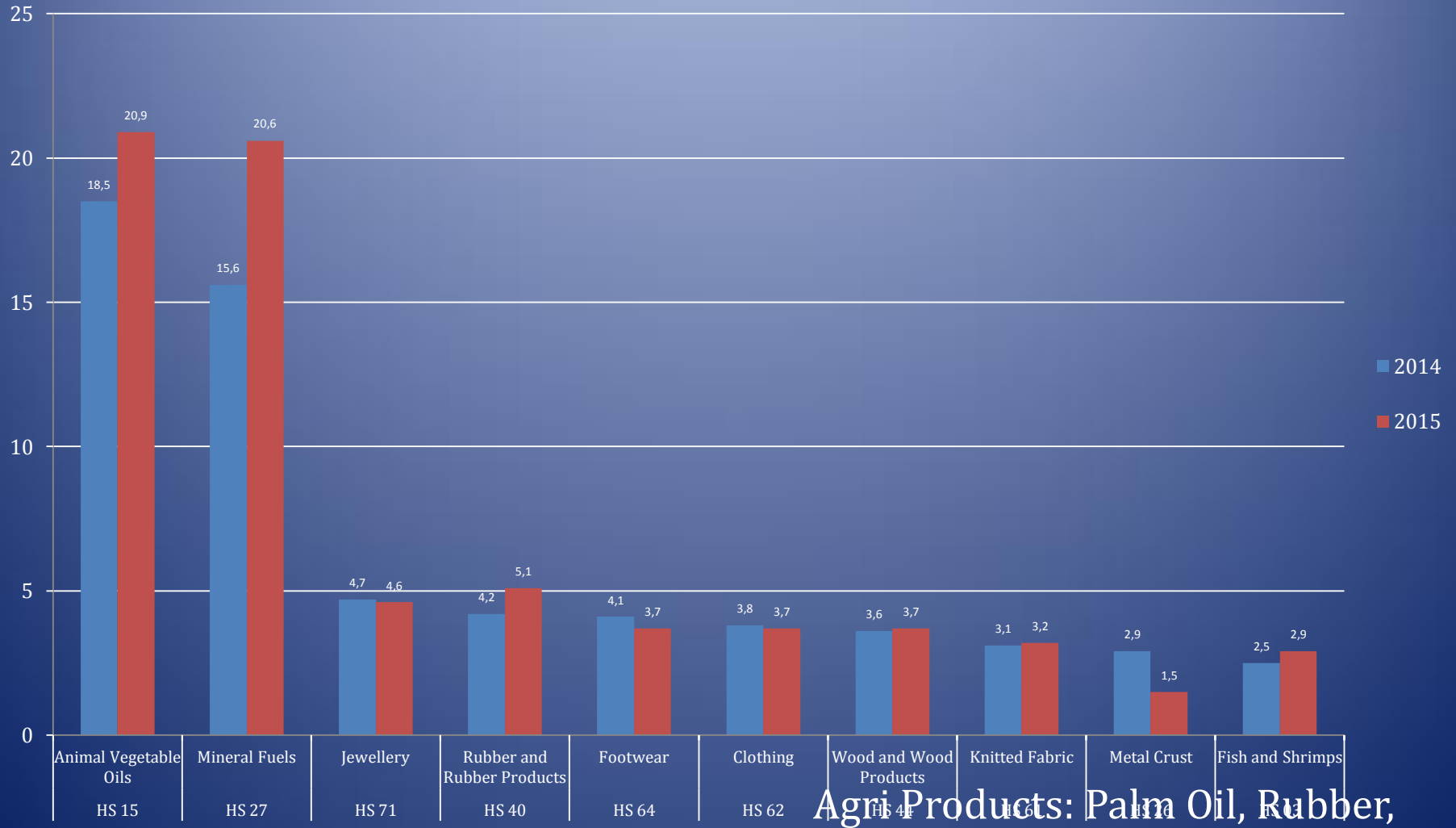


Decreasing Trade Balance

Increasing Trade Balance

Source: BPS and Ministry of Trade (2015)

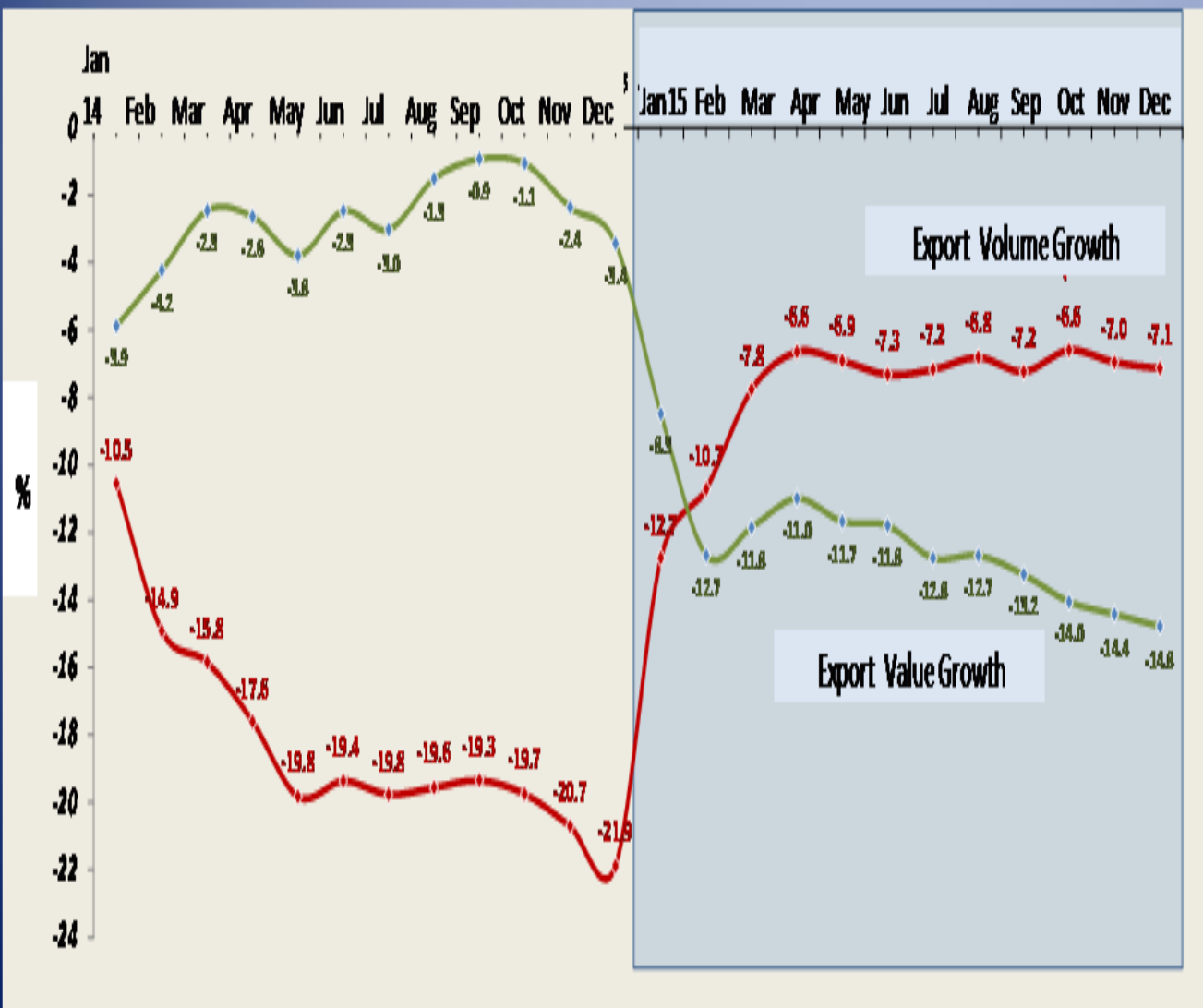
# Products Contributing to Trade Surplus in USD Billion



Agri Products: Palm Oil, Rubber, Wood, Fish, Shrimp

Source: BPS and Ministry of Trade (2015)

# However, Decelerating Growth of Export Values



- Export value in 2015 decreased USD 150.2 billion (14.6 percent) from 2014.
- Decelerating export value in 2015 was triggered by the downward trend of non oil commodity price in international market (-16.9 %) and oil price (-46.4 %) (WEO-IMF, 2015).

# Indonesia's Food Export and Import

## Negative Changes in Both Exports and Imports

Commodity	Export in USD Billion			Import in USD Billion		
	2010	2014	Jan-Jul 2015	2010	2014	Jan-Jul 2015
Total Food	6,360.6	14,305.3	6,911.8	7,141.9	9,885.1	4,796.2
Cooking Oils	5,819.0	13,258.2	6,325.4	34.4	0.4	4.6
Fruits	297.9	655.2	424.5	655.4	789.2	359.6
Sugar	81.9	152.1	37.8	1,227.0	1,519.7	835.3
Milk	80.9	87.9	29.1	670.6	928.8	335.9
Vegetable	37.6	61.4	19.9	421.8	633.3	320.5
Wheat Flour	18.7	40.0	20.9	261.3	74.4	19.8
Maize	11.4	19.6	46.6	369.8	812.0	448.5
Potato	2.5	3.7	2.1	17.1	23.8	11.9
Chili	1.1	1.4	4.9	15.7	24.8	17.5
Rice	0.5	0.8	0.3	360.8	388.2	96.3
Salt	0.6	0.6	0.3	109.2	104.3	33.5
Soybean	0.3	24.4	0.1	840.0	1,176.9	651.0
Beef	0.0	0.0	0.0	289.5	346.8	111.6
Wheat	8.0	0.0	0.0	1,424.3	2,387.3	1,239.1
Cattle	0.0	0.0	0.0	445.1	675.2	311.0

Source: BPS in Ministry of Trade (2015)

# Some New Trade Deregulations Impacting Indonesia Agricultural Sector

## Export:

- ✓ Abolishing the requirement for surveyor verification of several exported commodities (wood products, rice)
- ✓ Abolishing Registered Exporters (*Eksportir Terdaftar* –ET)
- ✓ Single Identification: SIUP

## Import:

- ✓ Abolishing the Registered Importers (Horticulture)
- ✓ Abolishing the requirement for surveyor verification of several exported commodities (wood products, waste paper, Sugar, Salt)
- ✓ Post Auditing for labeling in Bahasa Indonesia and SNI
- ✓ Single Identification for Imports: *Angka Pengenal Importir* (API)

## Domestic Trade:

- ✓ Abolishing Inter Island Regulation for Sugar
- ✓ Requirement for Labeling in Bahasa Indonesia is Implemented before exports
- ✓ Easing Modern Retails Establishments

# Way Forward....

- Define the request and offer and clearly evaluate the impact on the national and regional economy
- Sustainable economic growth → related to the economic, social and environment (food, fuel, feed)
- Fair and Free Trade
- Increasing value added and competitiveness in GVC
- Sustainable competitive advantage for the domestic product
- Strengthening public-private partnership policy
- Regulation Convergence
- Increasing market access and SCM in GVC

# Way Forward..

- Fulfill the requirement of Non tariff agreement and measurement
- Increasing export quality infrastructure → decrease the cost
- Liberalisation on services and input products
- Strengthening research collaboration; increase technology innovation and adoption
- Port connectivity
- Infrastructure financing