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The Impact of Trade Liberalisation on the Indonesian Food Crop Sector

**A thesis presented in partial fulfillment
of the requirements for the degree of
Master of Agricultural Economics**

Massey University

Palmerston North, New Zealand

**HELDER DA COSTA
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"..... academic economics and graduate training have become increasingly preoccupied with formalism and technique, to the exclusion of studying real world problems and issues that can be illuminated with some blend of theoretical, empirical, and institutional research " (*Hansen, W. Lee,1991*).

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TABLE OF CONTENTS

ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF FIGURES	vi
LIST OF TABLES	vii
LIST OF APPENDICES	x
GLOSSARY	xii
ABSTRACT	xv
CHAPTER 1. INTRODUCTION.....	1
1.1. The Uruguay Round of Multilateral Trade Negotiation	1
1.2. Outcome of the Uruguay Round	3
1.3. The Impact of Trade Reform	7
1.4. The Objectives of the Study	10
1.5 Organization of the Thesis	10
CHAPTER 2. MAJOR TRADE POLICY REFORMS IN INDONESIA.....	11
2.1. Economic Performance	11
2.2. Trade Policies and Practices	20

CHAPTER 3. REVIEW OF AGRICULTURAL POLICIES AND PERFORMANCE IN INDONESIA	.....	27
3.1. An Overview		
3.1.1. Contribution of Agriculture to GDP and Labour Absorption	.....	27
3.1.2. Agricultural Trade Performance	.....	32
3.2. Food Crop and Livestock Policies	.....	37
3.2.1. Rice Production and Policy Issues	.....	37
3.2.2. Wheat Production and Policy Issues	.....	38
3.2.3. Corn Production and Policy Issues	.....	39
3.2.4. Cassava Production and Policy Issues	.....	40
3.2.5. Soybean Production and Policy issues	.....	41
3.2.6. Sugar Production and Policy Issues	.....	43
3.2.7. Livestock, Dairy and Poultry Production	.....	44
3.2.8. Indonesia's Agricultural Support	.....	49
3.3. Agricultural Trade Reform and Policy	.....	52
3.4. The Import Regime	.....	52
3.5. Sequencing of Regulatory Reforms Impacting on Agricultural Imports	.....	54
3.6. The Export Regime	.....	55
3.7. Sequencing of Regulatory Changes Impacting on the Agricultural Sector	.....	58
 CHAPTER 4. SIGNIFICANCE OF THE URUGUAY ROUND OF GATT NEGOTIATIONS	.....	61
4.1. The evolution of the GATT Uruguay Round and its Outcomes	.....	61
4.2. Indonesia's Participation in/and Response to GATT Uruguay Round	.....	66
4.3. Relevance of Trade Liberalisation Modeling Studies	.....	70
4.4. Gains from the GATT Uruguay Round	.....	78

CHAPTER 5. APPLICATION OF THE SWOPSIM MODELING FRAMEWORK	.....	85
5.1. The SWOPSIM Modeling Framework	.....	85
5.1.1. Overview	.....	85
5.1.2. Characteristics of SWOPSIM Models	.....	86
5.2. Model Description	.....	87
5.3. Using SWOPSIM to Model the Uruguay Round Outcome	.....	91
5.3.1. The SWOPSIM Model	.....	91
5.3.2. Modelling the Scenarios	.....	92
CHAPTER 6. RESULTS AND DISCUSSION	.....	103
6.1. Impacts on World Prices	.....	103
6.2. Impacts on Domestic Prices and Net Trade	.....	104
6.2.1 Scenario A (The Uruguay Round Agreement)	.....	105
6.3. Impacts on the Indonesian Food Crop Sector	.....	107
6.3.1. Price and Volume Imports	.....	107
6.3.2. Welfare Impacts	.....	110
CHAPTER 7. CONCLUSIONS	.....	117
REFERENCES	.....	119
APPENDICES	.....	128

LIST OF FIGURES

Figure 1.1. Final Agreement on Agriculture	6
Figure 2.1. Percentage Contribution to Export Revenue of the Oil and Gas and Non-oil and Gas Sector 1981-1992	18
Figure 2.2. Development of Indonesia's Imports 1985-1992	18
Figure 4.1. Reform Obstacles in the Uruguay Round	65
Figure 5.1 Economic Structure of SWOPSIM world models	87
Figure 5.2 Spreadsheet Data Structure for a SWOPSIM Country/Region	90
Figure 5.3. Minimum Market Access for Importing Country	95
Figure 5.4. Export Subsidy Commitment	97

LIST OF TABLES

Table 2.1. Chronology of the Adjustment Programme 1983-1992	12
Table 2.2. Changes in Policy Direction and Economic Conditions.....	15
Table 2.3. Indonesia's Imports (cif)	17
Table 2.4. Major Components of GDP in 1991 compared to 1985	19
Table 2.5. Indonesia's Balance of Trade	20
Table 2.6. The Tariff Rates	22
Table 2.7. Coverage of Import Licensing, Export Restrictions and Non-tariff Barriers (NTBs) in 1989	24
Table 2.8. Average ERPs and NRPs for Aggregated Sectors in 1989.....	26
Table 3.1. Percentage Composition of GDP by Sectoral Origin.....	29
Table 3.2. Employment by Main Sectors 1971-1989.....	30
Table 3.3. Subsector Share of Agricultural GDP and Growth Rates.....	31
Table 3.4. Indonesia's Major Agricultural Exports and Imports 1982-90.....	33
Table 3.5. Indonesia's Agricultural Trade Balance 1974-90.....	34

Table 3.6. Total Trade Intra-ASEAN 1985-1990.....	34
Table 3.7. ASEAN Trade 1985-1990	35
Table 3.8. Indonesia's Agricultural Exports and Imports, 1980-92	36
Table 3.9. Rice : Production, Trade and Stocks	37
Table 3.10. Wheat : Production, Trade and Stocks	39
Table 3.11. Corn : Production, Trade and Stocks	40
Table 3.12. Cassava : Area, Production and Trade	41
Table 3.13. Soybean : Production, Trade and Stocks	42
Table 3.14. Soybean Meal : Production, Trade and Stocks.....	42
Table 3.15. Annual Growth Rates in Area and Production of Sugar.....	44
Table 3.16. Production, Consumption and Trade in Selected Livestock Products	46

Table 3.17. Livestock Population	47
Table 3.18. Milk and Egg Production	48
Table 3.19. The Structure of Livestock Business in Indonesia.....	49
Table 3.20. Indonesia's Aggregate PSE	51
Table 3.21. Production Coverage in Agricultural NTBs in..1991.....	57
Table 3.22. Structure of Protection in 1991.....	57
Table 4.1. GATT Negotiating Round	62
Table 4.2. Uruguay Round Negotiating Groups.....	63
Table 4.3. Approaches to Modelling Trade Liberalisation.....	72
Table 4.4. Simulated Results of OECD Agricultural Trade Liberalisation	73
Table 4.5. Selected Modelling Studies on Trade Liberalisation.....	75
Table 4.6. Rise in Net Income from the Uruguay Round.....	79
Table 4.7. Impact of full price transmission on price stability.....	81
Table 4.8. Gains from Liberalisation of Support Policies	82
Table 4.9. Impact of EU implementation of the Dunkel Proposal in the GATT	83
Table 4.10. Summary Implications of Multilateral Agricultural Liberalisation	84

Table 5.1	Summary of Liberalisation Scenarios	.....	93
Table 5.2	Estimated PSEs	.....	98
Table 5.3	Selected Elasticities of Supply and Demand	.....	102
Table 6.1	Changes in World Prices	.....	104
Table 6.2	Domestic Price and Volume Impacts	.....	106
Table 6.3	Producer and Consumer Prices for Indonesian Food Crops	.....	108
Table 6.4	Production, Consumption and Net Trade for Indonesian Food Crops	.....	109
Table 6.5	A Comparison of Scenarios A.1 and A.2	.....	111
Table 6.6	Measuring Impacts on Indonesian Producer Revenue	.....	113
Table 6.7	Changes in Producer and Consumer Welfare due to the Uruguay Round	.....	114
Table 6.8	Impacts on Net Trade Balance	.....	115

LIST OF APPENDICES

Appendix A. Summary of the Agreement on Agriculture of the GATT Uruguay Round	..... 128
Appendix B. Figures	..... 132
Figure B.1. GATT- Structure of the Negotiations	..... 133
Figure B.2. GATT Tree	..... 133
Appendix C. Tables	
Table C.1. Macroeconomic data in Indonesia	..... 135
Table C.2. Indonesia's Agricultural PSE for several commodities	..... 136
Table C.3. Agricultural Balance of Trade (US \$000)	..... 137
Table C.4. Investment in Agriculture	..... 138
Table C.5. Senario A.1. Percentage Change in Producer, Consumer Price, Production, and Net Trade for the European Union	..... 139
Table C.6. Senario A.1. Percentage Change in Producer, Consumer Prices, and Net Trade for Japan	..... 140
Table C.7. Supply Elasticities for Selected Commodities	..... 141
Table C.8. Demand Elasticities for Selected Commodities	..... .. 142
Appendix D. Equations	
Supply and Demand Equations for the Indonesian Food Crops in SWOPSIM	..... 144
Appendix E	
The Derivation of Supply Elasticities for Four Major Food Crops	..... 146

GLOSSARY AND ABBREVIATIONS

Expression	Description
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AMS	Aggregate Measure of Support
ASEAN	Association of South East Asian Nations
BULOG	BULOG (<i>Badan Urusan Logistic</i>), National Logistics Agency
BPS	(<i>Biro Pusat Statistik</i>), Central Bureau of Statistics
BAPPENAS	National Development Planning Agency
BAPAGMOD	BAPPENAS Agricultural Model
BKPM	Capital Investment Coordinating Board
BOP	Balance of Payments
CAP	Common Agrocultural Policy
CEPT	Common Effective Preferential Agreement
CCCN	Customs Cooperating Council Nomenclature
c.i.f.	Cost, Insurance and Freight
CBS	Central Bureau of Statistics

CSE	Consumer Subsidy Equivalent
CWFS	Centre for World Food Studies
DSR	Debt Service Ratio
EC	European Community
EU	European Union
EP	Export Promotion
ERP	Effective Rate of Protection
ERS	Economic Research Service (USDA)
FAO	Food and Agriculture Organization of the UN
f.o.b.	Free on Board
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalized System of Preferences
GSTP	Global System of Trade Preferences
GATT	General Agreement on Tariffs and Trade
HS	Harmonized System
IIASA	International Institute for Applied Systems Analysis
IFPRI	International Food Policy Research Institute
Inpres	<i>(Instruksi Presiden)</i> , President Instruction
IS	Import Substitution
LDC	Less-Developed Countries
MENKO EKUIN	The Co-ordinating Minister for Economics, Finance and Industry
MFN	Most Favoured Nation
MGAI	Morgan Grenfell Asia Indonesia

MTN	Multilateral Trade Negotiations
NAFTA	North America Free Trade Area
NTB	Non-Tariff Barrier
NRP	Nominal Rate of Protection
OECD	Organisation for Economic Co-operation and Development
PAKEM	<i>(Paket Mei)</i> , May Package
PAKJUN	<i>(Paket Juni)</i> , June Package
PAKTO	<i>(Paket Oktober)</i> , October Package
PAKNOV	<i>(Paket November)</i> , November Package
PAKDES	<i>(Paket Desember)</i> , December Package
PSE	Producer Subsidy Equivalent
REPELITA	Five Year Development Plan
ROW	Rest of the World
SUSENAS	Food Consumption Survey
SWOPSIM	Static World Policy Simulation Model
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USDA	United States Department of Agriculture
WIDER/UNU	World Institute for Development Economics Research (United Nations University)

ABSTRACT

Studies of agricultural trade policies in developed countries generally focus their attention on impacts in their own domestic markets. Less attention has been given to impacts on developing countries nor their need for special and differential treatment in multilateral trade negotiations.

This study assesses the impacts of trade liberalisation by modelling the outcome of the Uruguay Round of GATT negotiations. The removal of support in the industrialised nations on the Indonesian food crops sector was examined. Using the Static World Policy Simulation (SWOPSIM) model of world agricultural trade, the impacts on Indonesian consumption, production and net trade were estimated.

The results indicate that Indonesian exports of corn would expand, and the country could also become an exporter of rice. Imports of sugar could expand partly as a result of a reduction in Indonesian sugar subsidies. While multilateral trade liberalisation that results in higher world prices may have a negative effect on food importing developing countries, this was found not to be the case for Indonesia (at least for the food crops studied). The increase in producer welfare would more than compensate for the fall in consumer welfare, government subsidy expenditures would fall and the country's trade balance would improve.

In addition, continuing unilateral deregulatory and liberalisation measures in other sectors of the Indonesian economy, as well as in agriculture, will provide scope for the development of further new export opportunities.