

THE IMPACT OF DEPENDENCE ON RICE IMPORT POLICY TOWARDS INDONESIAN FOOD SECURITY

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Abstract

The agricultural is a major sector in providing food for the community needs. As we know, rice is the largest agricultural products owned by Indonesia. Indonesia has an important role as the third largest rice producer in the world after China and India. But in the reality, Indonesia as the third largest rice producer in the world have problems going to the inability of the State to meet the domestic rice needs. Consequently, when the agricultural sector collapsed and was not able to meet food needs, especially the needs of the rice, it will create the conditions for the food crisis. To maintain rice production, the government is forced to rely on rice import policy, which in turn makes Indonesia is always dependent on the supply of imported rice. When associated with dependency theory, agricultural development in Indonesia is actually ideologically and praxis has undergone a period of transformation. Agricultural development in Indonesia has led to stagnation and could threaten food sovereignty and food security. The result of research shows that as a solution, dependency theory offers two alternatives: first, reducing the relationship with imported rice. Second, Indonesia had to make a breakthrough by creating food security through policies that support the growth of the national rice production. This research uses qualitative research, descriptive approach, and emphasizes on literature study.

Keywords: *Dependency, Rice Import Policy, Food Security*

A. Research Background

The agricultural sector is a heart of defense in achieving food security. It is because agricultural sector has function as a major sector in providing food for the community needs. Declining productivity of the agricultural sector in national development, especially in food security will bring the nation to a food crisis. In

addition, agricultural development without a commitment to increase food self-sufficiency will also bring the nation to a food crisis because without the existence of good agriculture, food security will not be successful and without a good food security will pose a serious problem, namely hunger and poverty. The first point in the Millennium Development Goals (MDGs) is call for eradicating extreme hunger and poverty. Targets are to halve, between 1990 and 2015, the proportion of people living in extreme poverty and suffering from hunger.¹

Traditionally, the role of agriculture in economic development is seen as passive and simply support element.² Therefore, the development of agriculture in Indonesia continues to be realized from time to time on an ongoing basis, it is an effort for sustainable existence of the nation in addressing the threat of global food scarcity increasingly visible impact. In the other hand, Food and Agriculture Organization (FAO) also give warning about the threat of food crisis that will be happen in Indonesia. This indicates that the development of agriculture and food security in Indonesia is still weak and has not appeared adequate results.

Basically, food security is a system of food economy that integrated and consists of various subsystems, which include food availability, food distribution, and food consumption. The realization of food security is the synergy and interaction of the three subsystems. But, in fact, Indonesia is still not able to create a better food security in food-sufficient community. It is very ironies when we looking at Indonesia as an agricultural country that wealth has abundant natural resources with the state of the land very fertile but has not been able to meet the food needs of the country.

In order to achieve food security in Indonesia, should be available at least nine types of basic needs in Indonesia that include from rice, sugar, cooking oil

¹ United Nations of Economic and Social Affairs (UNDESA). 2007. *Governance for the Millennium Development Goals*. New York: United Nations Publication. Page 7.

² Todaro, Michael P. and Smith, Stephen C. 2003. *Economic Development in the Third World*. London: Pearson Education. Page 469.

and margarine, meat (beef and chicken), eggs, dairy, corn, oil and iodized salt.³ The nine types of basic needs are very important and necessary for human survival. When the nine types of basic commodities are not available, it will make weakened of food security and consequently, the government was forced to find a way to be able to meet food needs through food import policy. Therefore, agricultural development has an important and strategic significance in maintaining food security. For Indonesia, the agricultural sector will not only function as a provider of food needs alone, but also as a provider of jobs, because the agricultural sector provides employment to approximately 44.3% of Indonesia's population as well as the results of the agricultural sector also accounted for approximately 17.3% of the total Gross Domestic Product (GDP). Of these nine basic foods, rice is the staple food which is still consumed by 90% of Indonesia's population and accounted for more than 50% of calories and almost 50% protein. In addition, rice is the biggest agricultural products owned by Indonesia, where in 2000-2008, Indonesia has an important role as the world's third largest rice producer after China and India. Indonesia's contribution to global rice production is among 8.5% or 51 million tons.

But the reality of the matter is nowadays; Indonesia has a role as the third largest rice producer in the world, but has a problem going to the inability of domestic rice-sufficient. It is coupled with the Indonesia's inclusion in the Agreement on Agriculture (AoA) since 1995. AoA is an arrangement form of agricultural commodities trade made by the WTO. The inclusion of Indonesia in the membership of the WTO and AoA agreement makes agricultural liberalization in Indonesia took a radical and faster than what was planned. AoA made agricultural sector be slumped and with this agreement, Indonesia's agricultural sector forced to meet the rules contained in the agreement. Consequently, when the agricultural sector collapsed and was not able to meet food needs, especially the needs of the rice, it will create the conditions for the food crisis. Until this day,

³ Ministry of Trade and Industry. 1998. *Decree No. 115/MPP/KEP/2/1998 about Kind of Human Primary Needs*. Jakarta: Ministry of Trade and Industry of the Republic of Indonesia.

Indonesia still always faces the food crisis and the problem will depend on the supply of imported agricultural products.

Dependence on imported rice in Indonesia, if it is associated with the theory of development, one of which contained the dependency theory, this theory is appropriate to analyze the dependence on rice imports in relation to policy and agricultural development in Indonesia, dependency theory can be used as a counter hegemony for agricultural development in Indonesia that has been overly influenced by the modernization perspective. In addition, one of the main causes of rice import is the increasing number of population from year to year. Indonesia's population reached 244,775,796 people.⁴ This suggests that the growing population of Indonesia, directly or indirectly, demand for rice as a staple will be increasing as well as follow the growth of the existing population. Thus, in order to ensure food security, Indonesia still relies on imports of rice will be more adversely to agricultural development. Based on the description above, the research question is: how is the impact of dependence on rice import policy toward food security in Indonesia?

B. Theoretical Framework

1. The Concept of Development

Basically, the term of development problems associated with changes that include the problems of political, economic and social. Development means making a better life for everyone.⁵ Theory of development is closely linked to the development strategy in terms of changes in the economic and social institutions. The amendment deals with the problems faced by policy makers in the community. Development is a physical reality as well as the determination of a people to try as hard as possible to achieve a better life.⁶ Development is a

⁴ Central Bureau of Statistics. 2012. *Population in Indonesia by Category*. Retrieved on September 21, 2013 from www.bps.go.id.

⁵ Peet, Richard and Hartwick, Elaine. 2009. *Theories of Development: Contentions, Argument, Alternative*. New York and London: The Guilford Press. Page 1.

⁶ Todaro, Michael P. 2005. *Economics Development*. Boston: Addison Wesley.

process, the process to achieve progress. The process requires input resources to be transformed into an outcome. If the input is not sufficient, it will produce an output that is not optimal. With the definition of such development, the development is a true reflection of the will and participation of the people to continually improve the welfare and prosperity of the people in a fair and equitable, and improve people's lives and the implementation of advanced and democratic countries. One of theory in the development studies is dependence theory.

2. Dependency Theory

Dependency theory is a theory that describes the relationship between the developed or industrialized countries to poor countries or third world countries. Basic argument in this theory is that poor countries exist not because they cannot afford to develop a capitalist economic system or their ability to integrate into the world capitalist system. It can even be said that this problem exists not because there is little capitalism, but this problem exists because of too much capitalism. Dependency theory assumes that the development of a country is in a system and international structures intertwined. Dependency theory stems on materialist philosophy developed by Karl Marx. One of the groups belonging to the theory of structural theory is the theory of dependency born of two mains. First, developed countries should undertake industrialization starting from import substitution industries. Second, development of capitalism in the periphery countries is different from capitalism in the central states. In the periphery, the system of capitalism such as cretinism disease that makes people remain stunted.⁷ Development is essentially a process of creating an imbalance, while the rich nations richer and prosperous, while other nations are inevitably get poorer.⁸ One form of dependency is a dependency on food availability or food security.

⁷ Baran, Paul A. and Hobsbawm, E.J. 1973. *The Stages of Economic Growth: A Review*. In the Political Economy of Development and Underdevelopment. New York: Random House.

⁸ Dos Santos, Theotonio. 1970. The Structure of Dependence. *American Economic Review* 60(2): 231-236.

3. Food Security

Food security is the measure of the ability ensures access to essential nutrition. It refers to a household's or country's ability to provide future physical and economic access to sufficient, safe, and nutritious food that fulfills the dietary needs and food preferences for living an active and healthy lifestyle. It is a measure of the resilience to future disruption or the unavailability of critical food supply due to various risk factors including droughts, shipping disruptions, fuel shortages, economic instability, wars, etc. Food security assessment is divided into the self-sufficiency rate and external dependency rate as this divides the largest set of risk factors. The World Health Organization (WHO) defines three facets of food security: food availability, food access, and food use. Food availability is having available sufficient quantities of food on a consistent basis.⁹ Food access is having sufficient resources, both economic and physical, to obtain appropriate foods for a nutritious diet. Food use is the appropriate use based on knowledge of basic nutrition and care, as well as adequate water and sanitation.

C. The Impact of Dependence on Rice Import Policy towards Food Security in Indonesia

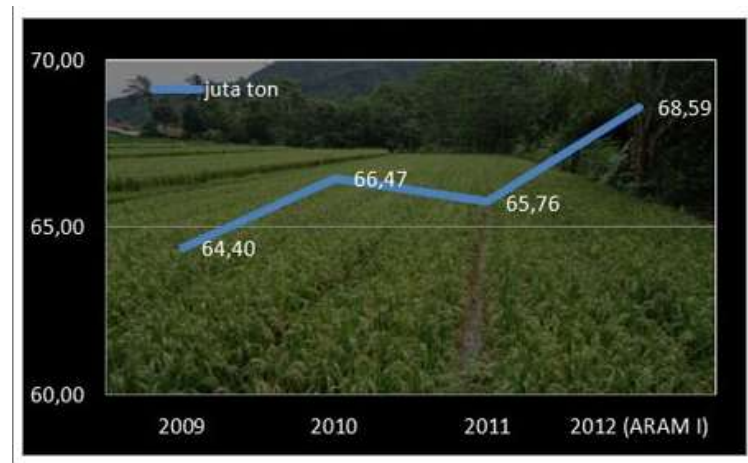
Indonesia's population is one of the largest consumers of rice in the world with the average rice consumption of 154 kg per person per year. When compared with the average rice consumption in China amounted to only 90 kg, in India only 74 kg, in Thailand and Philippine only 100kg. This resulted in the demand for rice in Indonesia is increasingly not being met if only rely on domestic production. Although rice production in the country has also try to increase its production, but it still was not enough to meet the needs of the community. Here is the data of national rice production of Indonesia from 2009-2012.¹⁰

⁹ World Health Organization (WHO). 2011. *Food Security*. Retrieved on September 14, 2015 from www.who.int.

¹⁰ Ministry of Agriculture. 2012. *Pocket Book of Macro Statistics Agricultural Sector* Vol. 4, No. 2. Jakarta: Ministry of Agriculture of the Republic of Indonesia.

Picture 1.

National Rice Production of Indonesia 2009-2012

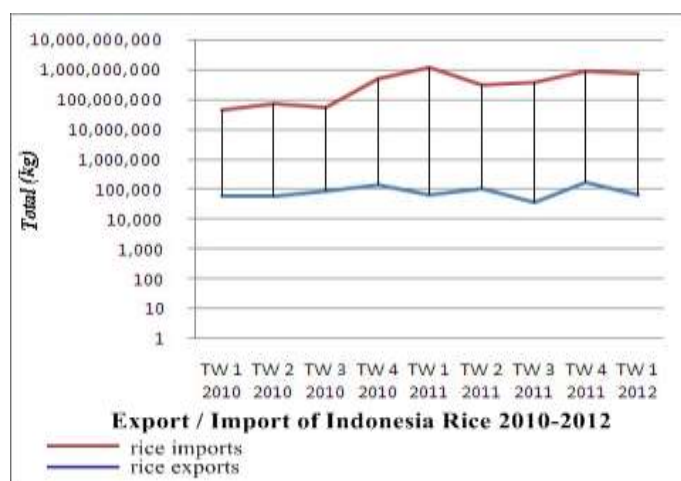


Source: Ministry of Agriculture of the Republic of Indonesia, 2012.

Based on data from the Ministry of Agriculture Republic of Indonesia, it can be seen that from the years 2009-2012, that the national rice production of Indonesia has increased and decreased also. From 2009, national rice production of Indonesia is among 64.40 million tons. In 2010, the national rice production of Indonesia again increased to 66.47%. As for the year 2011, national rice production of Indonesia has decreased by 65.76% (decreased production due to climate change, there was a drought and the water crisis that resulted in a dry farmland that failed to harvest). Furthermore, for 2012, is predicted to increase national rice production to reach 68.59%. However, of the total national rice production is apparently still not able to meet the needs of domestic rice. So as to be able to maintain food security and sufficiency of rice, the government imposed a rice import policy that eventually led Indonesia to rely on imported rice supplies. Here is the data export/import rice that occurred in 2010-2012.

Picture 2.

Rice Export/Import of Indonesia 2010-2012



Sources: Ministry of Agriculture of the Republic of Indonesia, 2012.

Based on the graph above, we can see the development of export/import of Indonesia rice in 2010-2012. This graph shows that Indonesia to import more rice than the rice export. Comparison of the amount of rice exports in 2010-2012 cannot exceed the amount of imported rice. Indonesia's rice exports are rapidly degraded each year. Conditions like this make Indonesia become increasingly dependent on imports. Apart from the inability of agriculture to meet the domestic rice demand, the dependence on rice imports is also caused by a variety of government policies that further increase our dependence on imported rice from abroad, the existence of regulation uncertainty such as agricultural privatization, agricultural liberalization and agricultural deregulation.

Agricultural privatization is the root of the problem the importation of rice. This shows the lack of sovereignty in regulating the production, distribution, and consumption in the agricultural sector. Currently in the agricultural sector, we have been dependent on market mechanism controlled by a handful of giant corporations. Privatization even this serious, potentially mastered the agricultural sector by way of monopoly, oligopoly, as already happening now. Indonesia has become a net importer of rice since 1988 and is one of the largest rice importers in

the world, in which Indonesia imports 50 percent of world rice stocks. An increase in imports had a negative impact on the economy, especially for the welfare of farmers and the economy of farmer. Based on the data of rice imports and exports of rice from the World Rice Statistics, after the WTO AoA regime in place, there was a shift food production base that was once of the country now relies on imported products. A decade before the AoA effect (1984-1994) value of imports was \$ 648 million, fifteen years later (1995-2010) imports rose to \$ 5.078 billion (up 683.7%). Instead of rice exports has decreased from \$ 216.02 million to just \$ 6.15 million (down 97%).¹¹

Agriculture deregulation has close links with government policies that provide convenience to foreign companies in investment policy is consequently set aside the welfare of farmers and agricultural development. As an example is Indonesian Law No. 25 Year 2007 about Foreign Investment. With the ease of regulation, privatization efforts towards monopoly in the agricultural sector more open. It is getting worse because not seriously for begun all development of agricultural cooperatives in the production, distribution and consumption in the agriculture sector.

D. The Impact of Dependence on Rice Import Policy in Terms of Dependency Theory

Agricultural development is defined as an effort to boost farmers' income, increase employment, reduce poverty, strengthen food security and promote economic growth areas.¹² Agricultural policies describe a political stance against the ruling regime of agricultural development. History never recorded that in 1984, during the New Order regime, Indonesia has experienced rice self-sufficiency. In fact, we can export rice to Vietnam, Thailand, India and other countries. However, Indonesia is not same with 26 years ago. So many issues that we have so we have to import rice from other countries, particularly Vietnam and

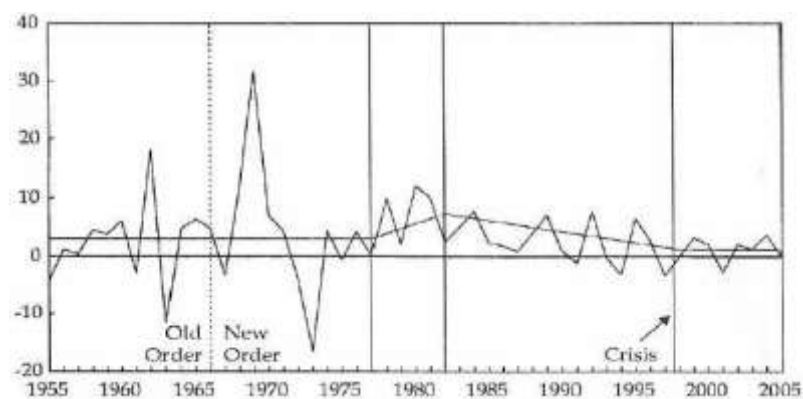
¹¹ Soegiyono. 2012. *Effect of Implementation of AoA on Indonesia's Rice Imports*. Retrieved on September 14, 2015 from www.lpp.uad.ac.id.

¹² Ministry of Agriculture. 2012. *Pocket Book of Macro Statistics Agricultural Sector Vol. 4, No. 2*. Jakarta: Ministry of Agriculture of the Republic of Indonesia.

Thailand to meet the national demand for rice. After the rice self-sufficiency, agricultural development in Indonesia began to show decline in performance due to the transformation of the development orientation toward agricultural development in the field of industrial development. New Order era are too focused on the industry sector has implications in agricultural neglect. As a result, we begin to experience shortages of rice and experiencing food insecurity due to declining rice production in the country.

Picture 3.

National Rice Production Growth Rate Annual Average (%)



Sources: Ministry of Agriculture of the Republic of Indonesia, 2012.

Lack of national rice production to push the government took the rice import policy in order to maintain stability and food security in the country. Usman (2004: 8) notes that in 1980 the percentage of imports to total supply is around 10%.¹³ However, since 1990, the number of rice imports continued to soar. In 1994 we still import rice 633,000 tons in 1995 up to 1.8 million tons, 2.1 million tons in 1996 and 1998, rising to 2.9 million tons. Finally, the title as the rice exporting countries should immediately disconnect because we are in the years following Indonesia is the country's largest rice importer in the world. Indonesia imports rice from Thailand, Vietnam, Malaysia, Singapore, India, Pakistan, New Zealand, Australia, Taiwan, Italy, USA and China. However, the

¹³ Usman, Sunyoto. 2004. *Politics and Food Security: Politik Pangan*. Yogyakarta: CIReD.

trade balance always shows Thailand and Vietnam are the largest importer of rice in Indonesia.

Table 1.
Rice Import of Indonesia (2007-2012)

| Country | Volume (Kg) | Value (US\$) |
|---------------|-------------|--------------|
| China | 339.695 | 178.695 |
| Thailand | 14.115.332 | 3.861.214 |
| Singapore | 574.414 | 117.007 |
| Malaysia | 419.106 | 87.707 |
| Vietnam | 18.140.074 | 4.388.201 |
| United States | 1.113.000 | 297.635 |
| Total | 34.701.621 | 8.903.459 |

Sources: Ministry of Agriculture of the Republic of Indonesia, 2012.

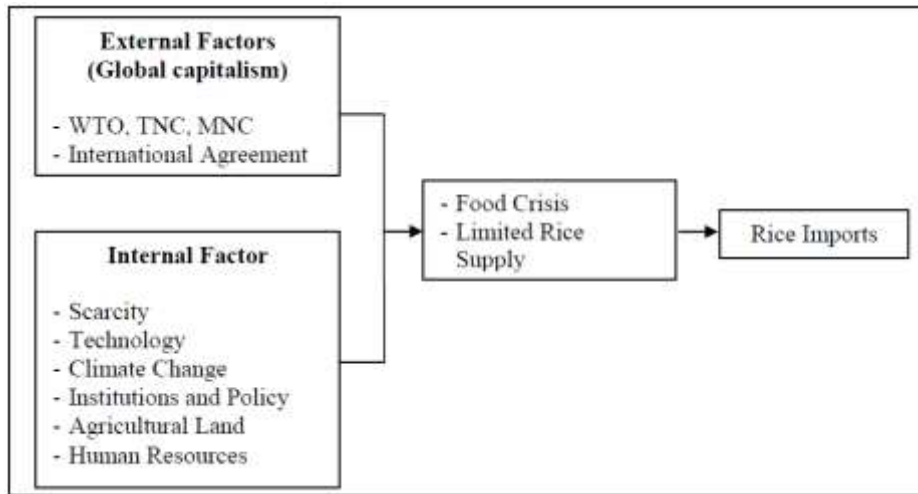
The decline in national rice productivity and increasing dependence of rice import is caused by several internal and external factors that occur in agricultural development. These factors are an integral part of agricultural development in Indonesia, so it cannot be analyzed partially. These factors have created a shortage of rice supply, forcing the government to import rice from abroad. From the internal side are facing some problems, among others: *first*, the scarcity or shortage of rice yields due to erratic weather, pests or plant diseases and natural disasters. *Second*, the shrinking of agricultural land is due to the increase in population and development (residential, retail, industrial, road widening etc.). *Third*, inadequate agricultural infrastructure such as irrigation, bridges and roads are not built, so make agricultural production process more difficult. *Fourth*, the lack appropriate technology for the development of agricultural intensification. *Fifth*, the lack of human resources to work in the agricultural sector due to the more concentrated the industry and services sectors.

While external factors that lead to low productivity of rice: *first*, the quality of imports agricultural products is much better than the quality of domestic agricultural. *Second*, the entrapment of the global capitalism, agricultural liberalization, and free trade. Rice imports from one country to another are a

common thing in the international trading system (foreign trade). International trade, according to David Ricardo must be based on comparative advantage of each country so that there is an exchange the product of a country to another.

Picture 4.

Internal and External Factors Causes of Imported Rice



Source: Analysis of the Authors, 2014.

In the perspective of economics, classical and neoclassical economists often advocate free trade to achieve common prosperity. Adam Smith argued that in order to achieve wealth and control of capital, each country should involve itself in world trade. It aims to increase the ownership of wealth and economic factors for a country.¹⁴

As a manifestation of the idea of free trade that developed countries seek to create a World Trade organization, trade liberalization agreements are accompanied by the formation of free trade blocs (AFTA, NAFTA, and G-20) to liberalize world trade, including trade in the agricultural sector. Finally, agricultural products by developed countries to developing countries free to enter, instead of agricultural products of developing countries experiencing barriers (barrier) to enter their markets. Result, Indonesia is becoming increasingly

¹⁴ Smith, Adam. 2005. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Pennsylvania: Pennsylvania State University.

dependent on exporting countries. The strong dependence of Indonesia to import rice from abroad because of the unbalanced international trade, can cause retardation.¹⁵ In addition, Indonesia was forced to open the faucet food ingredients imported from abroad. The effect, with rapid foreign products invaded the Indonesian market, but on the other side of the developed countries to protect their markets from the invasion of the products of developing countries through non-tariff policies and standards are sometimes unreasonable.

E. Solution to Reduce the Dependence on Rice Import Policy in Achieving Food Security

To reduce the impact of dependence on rice imports to foster food security, the following are some solutions that can be taken, i.e: Set a base price of rice that gives same profit, both farmers and consumers. Price should not be dependent on international prices and global market because they do not correlate directly with the cost of agriculture production. Price should be in accordance with the cost of production and purchasing power of consumers; Provide incentives to farmers (especially rice, soybeans, corn, cassava, sugar and cooking oil) in case of price fluctuations. It is a guarantee to keep stimulating domestic food production; Rearrange trade system of agriculture. Agricultural sector must be controlled by the state and used as much as possible for the prosperity of the people. *Bulog* can be given this role, but it must give intervention of the Ministry of Agriculture, Ministry of Commerce and Ministry of Finance; Optimizing the research and development of seed varieties that are resistant to climate change. This can be done by involving research institutions, research universities, as well as bilateral cooperation; Doing land reform to increase land agriculture and food production; Provide incentives to farmers for agricultural input, especially seeds, fertilizers, modern agricultural technology; Facilitate the transportation flow of agricultural distribution, so it can be distributed throughout the archipelago with an affordable price to the people; Provide support for the institutionalization of

¹⁵ Henriot, Peter J. A. 1983. *Development Alternatives: Problems, Strategies and Values*. New York: Longman.

food commodities farmers' organizations through a group of farmers, cooperatives and farmer organizations; Creating diversification that has the equivalent nutritional value of rice and price economically, so affordable by the community. So that people do not always depend on the availability of rice. It can be run simultaneously by exploring the potential of traditional crops (local) that are used to be consumed by the local community, and to support the production, the agriculture department and farmers need to do forecasting in developing appropriate planting calendar which is expected to increase yields.

F. Conclusion

Rice is the largest agricultural products owned by Indonesia. In 2000-2008, Indonesia has an important role as the world's third largest rice producer after China and India. But the reality of the matter is nowadays, Indonesia as the third largest rice producer in the world, has a problem going to the inability of domestic rice-sufficient. Coupled with the inclusion of Indonesia in Agreement on Agriculture (AoA) in 1995 is made agricultural slump. It is because Indonesia's agricultural sector is forced to meet the rules contained in the agreement. Consequently, when the agricultural sector collapsed and was not able to meet food needs, especially the needs of the rice, it will create the conditions for the food crisis. Hence, in particular to maintain rice production, the government is forced to rely on rice imports, which in turn makes Indonesia has always depended on the supply of imported rice. When associated with dependency theory, the agricultural development in Indonesia is actually ideologically and praxis has experienced a period of transformation. Agricultural development in Indonesia has led to stagnation and could threaten food sovereignty and food security. As a solution, dependency theory offers two alternatives namely: *first*, reduce ties to import rice. *Second*, Indonesia must make a breakthrough by creating food security through policies that favor the growth of the national rice productivity. The authors prefer the second option because it is more relevant to current conditions. Essentially, Indonesia should be able to achieve food security (self-reliance) without having to rely or depend on the world capitalist system.

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