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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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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.