

Standards and technical regulation in agriculture: impacts on Indonesia's exports to countries of the European union

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Abstrak

Among the various types of non-tariff barriers to trade, standards and technical regulations measure imposed by trading partners is one of the determinants to Indonesia's export activities that often have been neglected. Problem in meeting the standards (the terms “standards” and technical regulations” are used interchangeably throughout this study) has always been on the top three of developed countries’ complaints to the agriculture-based imports from Indonesia. On the other hand, stricter imposition of standards has now also being applied by several importing countries, including the European Union (EU), which have been the main importers of Indonesian agricultural products.

This study covers Indonesia's export activities to four partner countries in EU, on four selected agricultural commodity groups during the periods of 1990-2005. Export activities were analyzed with a single-country Gravity Model approach (Chevassus-Lozza, et al., 2005) which uses the constant elasticity of substitution (CES) utility function in deriving an operational gravity model. Standards are included as the variables of trade restrictiveness, parameterized by stocks of standards developed both by the Indonesia as exporter, and EU countries as importers. Estimation for the model was done through the Seemingly Unrelated Regression (SUR) for disaggregated pooled data.

The results of analysis shows that a single-country gravity model used in this study is able to assess the impacts of standards measures on Indonesia's export activities in the selected commodity groups. An increase of foreign specific standards imposition reduces Indonesia's exports by 0.07 per cent, thus, act as trade deterrence and lead to competition disadvantage for Indonesia. On the other hand, an increase of National Standards of Indonesia imposition gives rise to competitive advantage and increases Indonesia's exports by 0.03 per cent.