Australia Foreign Policy Change: Live Cattle Ban to Indonesia in 2011

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Abstract:

Australia is a major exporter of live cattle commodities in Indonesia. On 30 May 2011 Australian television (ABC Four Corners Program) broadcasted a video showing bad treatment of cattle being cut in several abattoirs in Indonesia. That resulted in export ban of live cattle to Indonesia for 6 months by the Government Australia through the Minister of Agriculture, Fisheries and Forestry dated June 8, 2011. Then the cattle ban reopened on 6 July 2011. This study aims to observe the dynamics that resulted in policy changes of Australian on live cattle exports to Indonesia at that time. In analyzing this case, the author using State level analysis, the author uses the theory of interdependence and rational choice theory to analize this case.

Keyword: policy change, cattle ban, interdependence

Introduction

Indonesia is an important country for Australia. This is due to the proximity of both countries geographically. Indonesia also a country that play an important role in ASEAN so that it can bridge Australia's trade relations with ASEAN Member. In addition, Indonesia is the largest ASEAN country in terms of population size and area so it can become a large market share for Australia.

One form of economic trade between Indonesia and Australia is cooperation in export of live cattle. The trade on live cattle is important to Indonesia because it can't supply its domestic demand for beef. The demand of beef in Indonesia continue to increase along with the increase in population and income per capita. The increase in demand is not matched by the increase in domestic cattle production in Indonesia. This causes Indonesia not self-sufficient yet on this commodity. Indonesia only produce 70% of national beef demand, while 30% of other are met through imports. So one of the best paths taken by the Indonesian government is to import beef from abroad.

Currently the Indonesian cattle import system uses a country-based system, which means that imports can only be done from one country. Country Based System applied in

Indonesia in terms of beef imports according to Constitution (UU) No.18 2009 became the guidance for Indonesia to determine the country of origin of beef and cattle imports. Based on the system, the country of origin selected by Indonesia should be declared free of foot and mouth disease (FMD). In this case, not all beef producing countries meet FMD-free standards declared by *Office International des Epizooties* (OIE), it resulted in limitations in the selection of trade partner on live cattle in Indonesia. One of the countries declared free of FMD is Australia. This is one of the driving factors why Australia is the country of origin of cattle imports in Indonesia.

Based on Meat and Livestock Australia (MLA) data in 2010, Indonesia began to import cattle from Australia since 1990. In 1990, Indonesia imported 8,061 heads of live cattle then it grew and expanded rapidly with an average of 2 times per year and in 1997 reached 428,077 heads or tripled from 1996, the peak of this trade happened in 2009, it reached 772,868 heads of live cattle which is the highest since 1990.

This live cattle trade between Indonesia and Australia have ups and downs. In June 2011 the Australian government banned all exports of live cattle to Indonesia. This is due to ABC television investigation report that recorded the cruel slaughtering process in some abattoirs in Indonesia. The 45-minute video aired on "Four Corners" was aired on May 31, 2011 by ABC. The results of the investigation were obtained from the report of "Animal Australia" on its visit in Indonesia in March 2011.

In the video is shown some scenes as: some of the cattle are banging their heads to the surface of the concrete because its movement is limited by the rope. In addition, some animals still appear tortured a few minutes after slaughtering process caused by carelessness of abattoir workers in several locations in Indonesia. In other sections, there are cruel treatments of animals in the process of slaughter, such as punch, kicks, mistreatments that can hurt the eyes of animals, and also the breaking its tails when they put the cattle into slaughtering boxes.

On May 31, 2011, the Australian government decided to suspend cooperation with several abattoirs that recorded in the video. Then Australian Agriculture Minister Joe Ludwig stated that Australia has stopped exporting live cattle to Indonesia On June 8, 2011, until there is a guarantee related to animal welfare in the slaughtering process at Indonesian abattoirs.

This paper will focused on what determining what factors that lead Australia to change its live cattle export policy to Indonesia from a total ban into a reopening of this trade when it just started?

Australia-Indonesia Complex Interdependence on live Cattle Trade

Oxford's dictionary defines interdependence as a condition of dependence with one with another. Interdependence occurs when two or more countries work together to achieve a particular goal. The cooperation led to interdependence between the two countries, where the countries need each other.

Australia is one of the largest country in livestock trade of in the world. This proves that exports of livestock, especially live cattle trade have a significant role in the economy of the Australia. Indonesia is Australia's largest market for livestock, it consumes 60% of all Australian cattle exports in 2010, this is equivalent to about 520,000 heads of cattle, worth about $ 330,000,000 annually. This amount can be interpreted as a potential loss that will be experienced by Australia when it breaks the cattle trade with Indonesia permanently.

Beef and cattle production is an agricultural industry that has a wide geographical spread in Australia, this industry can be found in every state of Australia. Queensland has the largest herd of 12.6 million heads of cattle, followed by New South Wales (5.6 million), Victoria (2.4 million heads), Northern Territory (2.2 million heads) and Western Australia (1, 9 million heads).

Livestock production systems in northern and southern Australia different due to differences in soil quality and climatic conditions. Northern Australia has approximately 49% of the national herd of livestock and cattle that produced in this area is *Bos indicus*, a cattle race that suitable for tropical climates. While the cattle in southern Australia are *Bos taurus* like Angus and Hereford, which is more suitable for climate in the southern hemisphere.

In northern Australia, the increased export demand in the early 1990s resulted in an undergoing change of livestock industry in this region, from a meat processing industry focused on domestic demand into an industry that focused on beef cattle exports, leading to the closure of several abattoirs in this area. The export of livestock in the northern region is intended as a feeder, where production focuses on young cattle for export or sale / divert to fattening properties somewhere else. While in southern Australia, the cattle production system is oriented for domestic demand.

Live cattle trade are the main support of the cattle ranch industry in the north, more than 50% of northern cattle farms rely on exports to Indonesia. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates that in the short term of live cattle ban will cause more that 300 people lose their jobs and 375,000 cows are stranded in Australia between 24 June and 1 July 2011. This will increasing along with the duration of the ban. Most of the ranch can only operate in the dry season, which means that 12 months of potentially lost trade.

Existing export bans also led to the occurrence of extra costs used to take care of the cattle until there is some solution on where the commodity diverted. The transfer of ready to export cattle gives new problems. The diversion of export destinations to other countries is not an option, since there's no State can absorb the number of cattle that prepared for Indonesia. In addition, the regulation on the import of each country will be different, making the cattle must undergo further fattening process. Another option is the transfer of existing cattle to be processed into secondary meat (meat ready for consumption) in abattoir and the Australian meat processing industry. But this option will put extra burden on farmers, because the location of the export livestock industry is centered on northern Australia and western Australia. While the majority of beef processing and abattoir are centered in the southern region of Australia. To reach the place requires considerable cost, let alone distribution by landline that has a time limit. Distribution by land can only be done during the dry season.

A number of studies have analyzed the effect of export ban on domestic livestock prices and profitability of the farmers. Most of these reports conclude that the absence of exports will lead to a decrease in domestic livestock prices.

The Center for International Economics in 2011 takes into account that, the absence of exports of beef cattle will cause a price decline of cattle fed with grass by 4% and the decrease in the price of fed grain livestock by 1%.

The Department of Agriculture and Food of Western Australia simulated the effects of a ban on beef cattle exports on the profitability of the livestock industry in Western Australia. The first is the ban on exports to Indonesia for a short term. If this condition is realized, this could reduce the farmer's profits because the farmer will receive a lower export price at the time the trade is reopened due to greater competition among breeders and the increase in the cost of supervision. During the restriction, the profits will also decrease as the farmer prepare higher transportation costs on cattle diverted for domestic consumption. The second condition is a total ban on exports of cattle to all countries. This condition has the potential to result in more significant decline in livestock profits. Farmers will be harmed because of lower prices and increased transportation costs. The loss of the export market portion of cattle will result in all livestock processed through abattoir in Australia. Competition among Australian cattle producers is assumed to cause a 10% reduction of the existing sale price. Breeders doesn't have an option to increase the selling price because of competition, so it is expected to continue for a long time.

Clarke et al. calculates the Australian ban on cattle exports effects on beef prices in the Northern Territory region, short-term effects are expected to cause beef price cuts of 59 cents / kg to accommodate shipping costs to central and southern Queensland. While the effect is on the northern part of Western Australia, the price of cattle is expected to fall from $ 1.60 / kg to $ 1.10 / kg with an additional charge of $ 0.21 / kg for transportation. In the southern region of Western Australia, the estimated effect is a reduction in cattle prices from $ 1.80 / kg to $ 1.40 / kg.

Some of the above studies provide a general conclusion that the existence of a ban on cattle exports will lead to the transfer of livestock to the domestic market, putting pressure on domestic meat prices. As for producers in northern Australia will face higher transportation costs to move livestock to southern Australia by feeding destinations in feedlots and beef processing at abattoir in the southern region.

As for Indonesia, the author already stated some cause that makes Indonesia dependence on this cattle trade with Australia. The constitution that makes Indonesia adapted country based system on its import regulation give them limitation on choosing their partner for live cattle trade. Because not all live cattle producer have passed the OIE standard of FMD free. This condition makes Indonesia become dependent on Australia's export on live cattle.

The main problem that force Indonesia become dependent on Australia's live cattle is they can't provide their domestic demand of beef. Because of Indonesia poor management of its beef industry. Actually Indonesia already have a self sufficient program on this case, called *Program Swasembada Daging Sapi* (PSDS) or beef self sufficiency program. This program has formulated since 2005 by *Direktorat Jendral Peternakan* (DITJENAK). But the self-sufficiency program of beef that have been run on that time has not shown satisfactory results. That also happened on the second period of PSDS on 2010. This happened because of several problems.

First, the lack of political support and development policy on cattle industry. Meanwhile, cattle development policies and programs that have been made are not supported by adequate resources, especially the allocation of fund, either in the form of state budget or bank credit.

Second, lack of innovation on cattle industry and inaccuracy of beef and cattle data in Indonesia. The third issue, the development pattern. Especially in the last three and a half decades, Indonesia since the last 30 years no longer has a ranch system that requires a large area (1 tail / ha). Large feedlotters have less than 2% of the national beef cattle population and 98% are traditional farmers.

The last issue, the nature and characteristics traditional farmers who are not yet commercial. Based on observations in several centers of cattle farms obtained the idea that cattle are almost entirely cultivated by small breeders with a limited number. In general, their motives for raising the cattle as follows, first as supporting tool for agricultural process, both to cultivate the land and for transportation of products. Second, as a symbol of social status in society and often made a dowry when they marry their children. Lastly as an asset or savings in case there is an emergency situation, for example, marrying children, paying tuition, paying hospital bill.

The author have stated before, the complex interdependence that exists in this cooperation between Australia and Indonesia, it runs in the form of bilateral monopoly market. Australia acts as a monopoly of trade having a large calibration force in commerce, as well as Indonesia as a monopsonist also has a balanced influence in the existing trade dynamics. The bargaining power of both parties at that time determines which country has greater influence that determine factor of existing policies.

Indonesia bargaining power on cattle trade

From the data found on *Pusat Data dan Sistem Informasi Pertanian Kementerian Pertanian* report in 2015 there are some countries that have a surplus of live cattle. The other countries that have large cattle surpluses is Brazil and India. Countries with surplus stock of cattle will basically export their cattle. Vice versa, a country with a deficit stock of cattle will surely import cattle to provide its domestic demand. Australia is not the only country with a large surplus of cattle. In the event of a problem between Indonesia and Australia. There are still some countries that have the potential to replace Australia as an exporter of beef cattle, India and Brazil.

Both of them actually not pass FMD free criteria according to the OIE, but it is possible for Indonesia to change its import policy from country based to zone based to fulfill its domestic demand, another option is to import processed beef to substitute the demand of cattle from countries that have not been free of FMD, in order to avoid the spread of the epidemic to domestic animals.

Indonesia's bargaining power is comes through the empowerment of government programs in the form of development of Beef Self-Sufficiency Program (PSDS) which has been the goal of Indonesian government to reduce dependence on cattle supply from abroad. Indonesia's domestic cattle development policy has an important influence. The PSDS program has failed in some previous periods and still has not shown any significant process in the reality. But the existence of self-sufficiency program that is formulated by the government at that time becomes the consideration of Australian government in foreign policy making. The realization of PSDS in Indonesia clearly poses a threat to the sustainability of Australia's cattle export cooperation with Indonesia. The longer the export ban policy is going on, the more urgent Indonesia will be to optimize the beef self-sufficiency policy.

In addition, the timing of this case occurs at the end of the second quarter towards the beginning of the third quarter, which coincides with the arrival of the holy month of Ramadan in Indonesia. In Ramadan until after the Eid, the people of Indonesia have a habit to consume beef more than usual causes a substantial increase in beef consumption rate. Besides the increase in consumption level, the trend in previous years shows that during Ramadhan, there is an increase in the price of beef commodity in Indonesia. This momentum gave the impetus for Australia to immediately deliver its cattle supply.

Conclusion

Modelski (Dugis:2008) insists that there is a possibility of a change in foreign policy making. In other words, any behavior taken by a country in the face of another country may change within a matter of time. This is tailored to emerging issues, the relationship between these countries, the international situation, and the interests of the policy makers.

Dugis (2008) mentioned the form of changes in foreign policy generally divided into two, namely foreign policy redirection and self-correcting. In the form of foreign policy redirection, foreign policy changes occur because of changes in the regime (state transformation) or the existence of changes in the political system. This redirection requires fundamental external factors that can force policy makers to change the policy that has been decided earlier. This usually happens when a presidential shift that leads to foreign policy changes. In the form of self-correcting, foreign policy changes occur because the government decides to change the direction of its policy in order to correct and evaluate the policies that have been formulated. In this case there is no need to change the format of government, only the direction of the policy is changed.

Australia has conducted self-correcting several times related to its foreign policy on live cattle export to Indonesia. but the author will be more focused to analyze the self-correcting policy that happened on 7 July 2011, the reopening of live cattle export after a total ban on live export to Indonesia.

To analyze the benefits and benefits received by the state, then in this study will use the theory of rational choice. The state as a rational actor seeks to choose each alternative option to maximize profit and minimize the losses received. Rational choice theory focuses on action that are motivated by certain motives, the actors that makes the policy are also influenced by various variables of the rationale making environment. The actor in this context is the state, which places a priority on survival and prosperity in any action or policy imposed (Herrman:2002).

To decide what options the actor will take, rational choice theory seeks to provide an explanation of the optimal choice for decision makers. Rational choice theory is a theory used to answer the best decisions to achieve the interests of the actors in the international environment.

Both countries have the same strength to influence each other because this cooperation creates a level of dependence for both countries. The bargaining power of each State will affect the profits derived by the State. The authors assess the strong impetus for Australia which led to a relatively short foreign policy change. These drivers are internal and external factors.

The first internal factor of Australia is the dependence of the Australian beef export industry on beef consumption in Indonesia. The division of livestock areas aimed at effectiveness and efficiency in the livestock industry in Australia actually provides significant side effects during the prohibition of export of beef cattle. The livestock industry in northern Australia producing livestock intended for export markets has the potential to receive substantial losses. As Indonesia consumes more than 50% of the supply of manufactured beef cattle, the existing export ban will provide a substantial loss to the livestock industry in the Queensland region of Northern Territory. In addition, the natural cycles that affect the distribution process that causes the export of cattle to go according to the planned time, export delays with any cause will affect the excess cattle quota on the farm.

The second internal factor is the stability of beef commodities in Australia's domestic regions. The excess quota that will potentially occur in the Australian region causes the domestic price and distribution of beef to become chaotic. With the inclusion of a significant additional quota causing potentially falling prices, this is stated in some simulations and research that has been described previously contains a simulation of the implementation of prohibition policy of export of beef cattle to Indonesia in the longer term, the conclusion of some of the research stated that the potential the surplus of quotas when the cows originally intended for the export market were flooding the Australian domestic market.

The author also see the influence of external factors that becomes Indonesia's bargaining power on existing cattle cooperation, Indonesia has several options in meeting the needs of domestic cattle when the export ban policy continues. Some of the bargaining power found among others the existence of other countries as potential partners of Indonesia, India and Brazil as Australia competitor on beef cattle industry give a threat on live cattle trade between Australia and Indonesia. Indonesia also have government programs in the form of development of Beef Self-Sufficiency Program (PSDS) which has been the goal of Indonesian government to reduce dependence on cattle supply from abroad. The last external factor is the timing of this policy, that happened during the end of the second quarter towards the beginning of the third quarter, which coincides with the arrival of the holy month of Ramadan in Indonesia.

Of the several factors that the authors have described above, the authors assess the Australian government has to make foreign policy changes based on the consideration of some of the rational choices available. At that time Indonesia has greater bargaining power in the progress. The postponement of foreign policy changes in will give Australia more losses.

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