

# CHAPTER I

## BACKGROUND

Trade cooperation between Indonesia and Australia has taken place in various fields, including education, economy, security, and other cooperation. The cooperation is carried out with the aim of obtaining benefits for both parties, both Indonesia and Australia. Even though the development cannot be separated from the ups and downs in terms of harmony, because they feel losses between the two countries will occur, both materially and morally. (Horridge, Witwerr, & Wibowo, 2009)

The phenomenon of the relationship between Indonesia and Australia has a long history. A number of historical literature has revealed and in the detail written by N. Keyfitz (Keyfitz, 2011) since 1650 the Bugis and Makassar fishermen regularly sailed to northern Australian waters. The voyage started during the Gowa Kingdom in Makassar in the 1950s. Makassar and Bugis sailors called *Tanah Arnhem* as Marege and the northwestern part of Australia called *Kayu Jawa*. Bugis and Makassarese sailors who came to Australia were looking for fish to be brought to Indonesia to be resold or exported to other countries. At that time, many Aboriginal people were working and sailing with traditional Indonesian fishermen. Aboriginal people studied and followed some traditional Indonesian fishing habits, such as smoking tobacco and drawing boats. Until now, there are still many Indonesian traditional fishermen who fishing around Australian waters. However, it's explained by Anonym (Anonim, 1997) that the neighboring countries' relations between Indonesia and Australia have experienced ups and downs, triggered by a number of problems such as the 1999 East Timor issue in 1999, the 2012 Bali bombing and the wiretapping carried out by Australia to several Indonesian high officials. The conditions have an impact on the harmonious relationship of cooperation between Indonesia and Australia in which the relationship between Indonesia and

Australia co-operation in the fields of economy, security, education, transport, tourism and others have a weakness.

However, it's clearly explained by Richard Chauvel (anonim, 2010) that Indonesia-Australia relations are always important. Indonesia's strategic position in bridging Australia's trade routes with ASEAN countries. Indonesia's population and position in Southeast Asia make the development of bilateral partnerships proper to calculate. Cooperation has developed, both in the field of economic, technical, educational, and cultural fields. Indonesia and Australia agreed to open wide bilateral cooperation between the two countries, both in the fields of politics, security, economy, or development. Presence of *Free Trade Agreement* (FTA) between ASEAN with Australia and New Zealand have made the way to the efforts in enhancing and strengthening bilateral trade relations between Indonesia and Australia. So, Within the framework of the Indonesia-Australia bilateral Free Trade Agreement (FTA), there are important points that can increase opportunities for trade and investment cooperation between the two countries, both through increasing economic cooperation projects and open up the potential markets of the two countries. We hope that the existence of Free Trade Agreement (FTA) between Indonesia and Australia can create the ability to increase bilateral trade and investment given the complementarity of the two countries and their proximity (Anonim, 1997).

Trade cooperation relations between Indonesia and Australia (anonim, 2010) explained that in 2010 Australia and Indonesia have held *agreement*. In the forms of economic cooperation between Indonesia and Australia is the Australia-Indonesia trade cooperation in the field of live cattle export and import. The realization of this cooperation is carried out for the national supply of live cattle in Indonesia, so that the state can meet needs of its people. This cooperation must be done, because the comparison of the quantity of demand for domestic

live cattle is far from being able to fulfill it. The best and profitable solution for Indonesia and Australia is to enter into a live cattle export-import cooperation agreement. (anonim, 2010)

The Indonesian government's efforts to full fill the demand for live cattle by buying beef from abroad, namely Australian cattle, are the best alternative. This is because it is based on the research results of Sri Edi Swasono (Swasono, 2012) year of 2012, Australia is the source of 90.06% live cattle imports and 46.70% imports of live cattle and offal. The special reason for choosing Australia as an alternative country for supplying cattle is because the distance between the two countries is very close to Indonesia, the results of calculations such as travel time, amount of cattle supply, as well as and special halal aspects for stable live cattle. Imports of live cattle from other countries are considered uneconomical, because transportation costs are expensive and travel time can ruin the physical condition of the cattle. Therefore, Australia is the right choice to ful fiil the quota for Indonesian live cattle, where Indonesia is only able to produce 70% of the national live cattle demand. (Arifin, 2012)

In line with the above, it is recorded based on the results of Triyadi Harist's research (Harist, 2013) that Indonesia is the largest importer of Australian live cattle. During 2008, as many as 651,196 heads or 75% of the 869,545 head of Australian live cattle exports sold to the world market were exported to Indonesia. Indonesia's imports during 2008 rose 26 percent from imports in 2007 which reached 516,992 heads. The total value of Indonesia's imports reached 419 million Australian dollars. Meat and Livestocks Australia (MLA), a company that is a partner of the livestock industry and the Australian government, said that Indonesia has become an important export destination and trading partner. For the next Chalib Thalib dan Yudi Guntara Noor (Thalib & Noor, 2008) explained tha *Meat Live Stock Australia 2011* states that at the end of 2010, Indonesia had imported 520. (Harist, 2013)

In line of important imports of cattle is very important, Indonesia and Australia use a *country based* system, which means that imports can only be made from one country. Importing

live cattle for Indonesia is inseparable from certain requirements, so that imported live cattle must be imported from a country that is free from various forms of disease, including oral, nail, and other diseases. Based on Law Number 18 of 2009 concerning Animal Husbandry and Animal Health, Indonesia adhere to a *Country Based* system instead of *Zone Based* which means that it must import live meat and cattle from countries that are free from *Penyakit Mulut dan Kuku* (PMK). Quoted from the World Organization for Animal Health (OIE) there are at least 66 countries including Indonesia and Australia that impose *country based* rules or are free from PMK. (Priyanti, 2011)

Trade relations Australian cattle imports to Indonesia have fluctuated from time to time. At least, until the banned phenomenon occurred in 2011. The “bans on all live cattle” phenomenon was a situation where the Australian government unilaterally stopped all forms of live cattle trade with the aim of the Indonesian state, and resulted in a change in the trade cooperation between Indonesia and Australia. The background of the problem above, the writer is interested in conducting research and expressing it in a scientific paper in the form of a thesis entitled Australian Bans On All Live Cattle Import to Indonesia and The Impact on Trade Cooperation Relationship between Indonesia-Australia.

### **1.1 Research Question**

Based on the facts above the author formulate the most relatable and appropriate research question is:

“What did the impact of Australia’s policy in reducing live cattle export quota to the Indonesia-Australia trade relations?”

## **1.2 Conceptual Framework**

### **1.2.1 The Theory of International Cooperation**

International cooperation in the life of a state is a necessary that must be carried out, because every country cannot possibly achieve its goals without being accompanied by cooperation with other countries. Such as Huala Adolf (Adolf, 2006) explain that “The state as a subject of international law, to become a subject of international law, the government of the country concerned must have the ability to conduct international relations with other countries.”

International cooperation with international relations has a unity that cannot be separated, according to Yuda Bhakti's opinion (Ardiwisastra, 2009) that “International cooperation is the result or tangible form of international relations, because there is no international cooperation without international relations, on the other hand there can be no international relations without international cooperation.”

The form of international cooperation in the context of international relations is divided into bilateral cooperation and multilateral cooperation. Bilateral cooperation is a cooperation between two countries in certain fields. This cooperation is based on the principle of mutual benefit, mutual respect in taking steps in making policies in their respective countries. Then its meant by multilateral cooperation is cooperation carried out by more than two countries or several countries. (Ardiwisastra, 2009)

The international cooperation between Indonesia and Australia is a concrete form of bilateral relations. Didi Krisna (Krisna, 2003) state that “Bilateral relations are conditions that describe the existence of a relationship that impact each other or becoming a reciprocal relationship between two parties or two countries” (Krisna, 2003).

Then, according to Sukarwarsini Djelantik (Djelantik, Prinsip Diplomasi Antara Teori dan Praktik, 2011) defines bilateral relations, namely "Bilateral relations as an interaction

relationship between two countries which is developed and promoted by respecting the rights of the two countries to carry out various cooperation in aspects of the life of the nation and state without neglecting or isolating the existence of the country and showing and providing additional value benefit from bilateral relationship it self". In line with this definition of bilateral relations have several advantages, including that cooperation tends to be easy to do because there are only two countries involved and the rules are not too strict and complex. The impact of bilateral cooperation has generally resulted in repeated transactions through trade and investment activities. (Djelantik, Prinsip diplomasi antara teori dan praktik, 2011)

Bilateral relations contains two elements of meaning, namely: conflict and cooperation. Conflict and cooperation have meanings that alternate depending on the concept of what is being offered between the two countries according to internal motivations and the opinions that surround them. Every development of bilateral relations that is pursued by a country with another country is intended to overcome the problems between the two. As noted by Coplin that:

"Through international cooperation, countries try to solve social, economic and political problems. The first type to concern the conditions in the international environment, its not regulated, will threaten the countries involved. The second type includes the certain domestic social, economic and political conditions which are considered to have broad consequences on the international system so that they are perceived as a common international problem." (Coplin, 1992, 263)

From these benchmarks, in the case of Australia-Indonesia trade cooperation which adheres to the bilateral cooperation system, there has been a conflict outside the cooperation which has prompted the Australian side to take certain steps and carry out "ban on all live cattle" to Indonesia which resulted in disruption of trade relations and causing many negative impacts on both countries.

### 1.2.2 Economic Embargo Concept

Embargo is a government policy that prohibits the entrepreneurs themselves from conducting transactions with commercial business entities in the country where the embargo is occurred. (Holsti, K.J., 1998)

Embargoes can be forbidden on certain goods such as strategic materials or on goods normally shipped by entrepreneurs to countries that are subject to sanctions. The main actor in enforcement the embargo is the state, although it is the entrepreneurs who produce goods or produce services. In this case the state has the right of authority to make regulations and control all forms of economic activities of its people.

Embargoes can also be carried out by the government through assistance provided to other governments. Embargo also can be used as a force to give the political influence if the country exposed to the embargo, it is in a state of dependency. This dependence is created because of a need that cannot to full fill within the boundaries of a nation.

Economic, political, and military needs and capacities are of course not equally divided in the international system. The more limited the resources needed; it will make a dependency a country on other countries. The ienforcement of Embargo on a country is not based on a purpose. As a means of foreign policy trade, the enforcement of the embargo aims to:

- a. Threaten embargo as pressure. The pressure exerted on an embargoed country is usually to influence the domestic politics of a country.
- b. b. Obstruct a potential country from achieving its economic capability

From the concept above, it can be seen from the problem of embargo sanctions on meat export from Australia to Indonesia, which is an action that limits the movement of a country. Australia implemented the embargo as a means of inhibiting the progress of the Indonesian economy, making it difficult for Indonesia to achieve its economic capacity. The embargo on the meat export embargo from Australia to Indonesia certainly has a bad impact on the

Indonesian economy, especially making Indonesia lose its live cattle supplier, thereby causing uncontrollable prices in the meat market. The enforcement of this embargo sanction made the Indonesian economy stuck and it was difficult to develop.

The economic access that Indonesia can do is very limited, the price on the Indonesian meat market is out of control due to the embargo imposed by Australia on Indonesia

The embargo as pressure from outside aims to influence the domestic politics of a country. That is also what Australia wants to achieve by embargo to Indonesia. generally. It is known that one of the breeders or exporters from Australia has a very big interest in Indonesia itself. Which should have caused confusion between Australia and Indonesia in the field of meat exports.

### **1.3 Hypothesis**

Based on the background and theoretical framework above along with the reduction / tire imports of live cattle from the Australian government, the stability of Australia-Indonesia cooperation experiences has negative impact, resulting the loss of the Indonesian government's trust in the Australian government, and In the economic sector experienced by the two countries, where the Australian side has lost its live cattle export market and it has made the country suffer losses, on the other hand Indonesia has lost its live cattle suppliers, thus causing the price in the meat market to run out of control.

### **1.4 Research Methods**

This research uses analytical descriptive research. Descriptive analysis is used to describe the implementation of trade cooperation policies between Indonesia and Australia in the field of live cattle imports. Then, it was explained about the impact on the disruption of the Indonesian-Australian live cattle import cooperation.



## **1.5 Data Collection Methods**

In this research using data collection techniques is a library (*library research*), namely by way of collecting data by examining a number of literature related to the problem under study either from books, journals, documents, magazines, newspapers, articles and so on.

The type of data used in this study is secondary data collection obtained from various literatures in the form of books, journals, documents, magazines, newspapers, the internet, and newsletters which are closely related to the problems studied, namely regarding the Indonesia-Australia cooperation in the field of meat imports. Some of the data that will be used including:

- a. Indonesian and Australian trade agreements
- b. Indonesian and Australian export import data
- c. Australian's Government policy in the field of international trade.
- d. Indonesian's Government policies in the field of international trade.

### **1.5.1 Methods of Analysis**

The method in this research is qualitative, which shows some facts that occur from several sources that describe the form of cooperation between Indonesia and Australia in the field of live cattle imports through the data obtained. The analysis in this research will be carried out through various approaches, both political approaches, law, as well as the economy is adjusted to the needs as long as it relates to the object of research, namely regarding the termination of several forms of cooperation between Indonesia and Australia in the field of live cattle export and import and their impact on cooperation between the two countries.

### **1.5.2 Scope of Research**

The scope of the research is needed for the author to limit the analysis and accommodate data information. The scope of research focus in the years 2008-2013 is due to the imbalance of Australian meat imports to Indonesia. The demand for live cattle in Indonesia continues to

increase, because production and consumption continue to grow in the world. As a result, the increasing in the price of live cattle in the domestic market continues to increase.

## **1.6 Outline**

This research has four chapters that will be arranged as follow:

**Chapter I:** This chapter contains Background, Research Question, Theoretical Framework, Hypothesis, Research Method, Data Collection Method, Method of Analysis, and Scope of Research that guides the writer to the next chapter.

**Chapter II:** In this chapter there is a discussion of the bilateral economic relationship between Indonesia and Australia, the export and import of live cattle to Indonesia, the conflict, the Indonesian-Australian cattle trade and the Australian government's policy in reducing the quota for exports of livestock to Indonesia.

**Chapter III:** In this chapter there is a discussion of the Impact of Australia's Live Cattle Export Policy on Bilateral Trade Relations, and also the impact in the Political and Economic fields.

**Chapter IV:** In this chapter there is a discussion of Political Impact: the loss of the Indonesian government's trust and Economic Impact: losing the market share.

**Chapter V:** Contains the author's conclusions from the results of the discussion contained in chapter I until chapter III.