

Improving protectionism to address economic crisis

Written by

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Lately, Indonesians have shown a stronger and more apparent protectionist attitude. In this case, it is interesting to see how some politicians purposefully use this for their own goals, which might not be necessarily good from the perspective of national interests.

There is one question which also serves as a criticism that has surfaced lately. Why does Indonesia import salt, rice and fruit when it has expansive land and oceans that are able to be utilized?

No one can deny that Indonesian lands and oceans are vast and that in theory, Indonesia should be able to produce enough rice, fruits and salt for its people at affordable prices. But the reality begs to differ.

A number of agricultural products and those from the sea are not produced in sufficient supply and even, if they are, their price will exceed the global price. This has caused decision makers to face unwanted consequences.

As an illustration, does the government import rice when there is, or when there is predicted to be a shortage in supply?

Should the decision makers not meet the shortage by importing rice it is possible the domestic price of rice would soar up, which would make farmers in certain areas (in rice barn area) prosper, and yet at the same time, the rice consumers would suffer.

On the other hand, imports make the price more stable or even lower so the consumers are "safe" but at the same time, the farmers especially surplus farmers, would be reduced of their welfare or even pressured. The same thing goes for salt, fruits and some other products.

The flood of imported products, especially from China, has reached a level where some of society has demanded an end to imported products altogether.

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This situation is used by some politicians by making statements that sounded like they are defending the public interest, but they actually were not.

If Indonesia suffers from a supply shortage, then what we need to do is meet that shortage. It would be better if the additional supply came from the local farmers. The question is: Why is domestic supply inadequate in terms of the price and the quality?

Blaming imports without understanding the problem correctly would only cause further harm to Indonesia.

Moreover, economic development in developed countries will cause the sensitivity of these countries to increase. This will make it easier for these countries to have their revenge. Economists usually agree that, when the economy is developing slowly or even, shrinking, protectionist attitudes will be stronger and more apparent.

The economic crises involving a number of developed countries, such as USA and some European countries should not be taken lightly. Anyone would be wary of this change, which is slowly taking effect in America and Europe.

This is the first time in history that people of these developed countries are blaming the economic system or the business system applied in their countries.

What we need to pay attention to is how prominent the ego of the society in certain countries is when their level of prosperity has fallen. It is very surprising to find the public opinion that they are unwilling to help another country if they have to sacrifice for it.

On the other hand, it is safe to conclude based on the crises in Europe and USA that rich people tend to take it hard when they have to face the reality that they have become poor.

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What is happening in Greece is the people are against the reduction of budget expenditures, even though it is needed to overcome the crisis. The consequence for a country with a debt above 150 percent of its GNP and public saving of 4 percent of its GNP, but refusing austerity measures is quite imaginable.

We also need to pay close attention to the development in the US. Up until now, America is one of Indonesia's main partners in the economic sector.

Indonesia's exports and imports mostly go to and from the US. On the contrary, American exports and imports to Indonesia are only a very small part of the aforementioned country's trade.

Watching the development and condition in the US, it is safe to say that it will take a long time and certain actions to overcome the economic crisis, suppress the unemployment rate and heal the economy in the US and Europe.

One of the "diseases" in America's economy since a few years ago has been the continuous deficit in its trade balance along with the deficit in budget. America keeps on suffering deficit in its trade with Indonesia, which in 2010 almost reached US\$5 billion.

It can be predicted that America will try hard to balance its trade with many countries in the world, including Indonesia. For this purpose, the US will try to eliminate barriers in improving its exports.

Since a few months ago, two US states Washington and Louisiana have implemented a law stipulating these two states return all imported goods from any country should they be found that the manufacturers were using illegal software in the production process.

This law is called "Unfair Competition Act" (UCA). The law is not a US federal law, but exporters from other countries are required to be more careful in getting around this newly-implemented law. Exporters may not be the ones manufacturing the products they are exporting. Therefore, the impacts would be expansive if the products were found to have violated this law.

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Statistic shows Seattle, which is located in Washington State is, the seventh biggest port in the US and is an entrance for most products imported from Asia.

A policy relating to "industrial property right security" with certain economic activity is nothing new in the US. Business Software Alliance (BSA) released in August 2011 and based on research conducted in 2010, placed Indonesia in the 11th position with the percentage as high as 87 percent.

This means that out of 100 computers installed with software, about 87 of them are installed, with unlicensed software. This was a 1 percent increase from 86 percent in 2009.

Producers who are using pirated software in their manufacturing process generally rely on cheap products with lower prices than the market price.

This is because they could gain illegal and unfair benefits which potentially harm other manufacturers in their own country.

With this position, Indonesia could probably well be the target of the law implemented in these two US states. In that kind of situation, the government apparently cannot just sit around and do nothing.

Decision makers in this country are certainly aware that piracy is one of the arch-enemies of innovation. Participating in the war against piracy is the correct policy. One way of doing this is through education or providing information for the public.

Watching developments in these countries, it is safe to say that the economy crises will increase the, protectionist attitude on the one hand, and trigger many actions to fight barriers for fair trade on the other. To avoid negative impacts, Indonesia needs to make some adjustments.

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Pande Radja Silalahi - The writer is an economic researcher and Consultant at LSM