The Opportunities and Challenges for Trade Cooperation Lampung-Australia

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**ABSTRACT**

This paper aims to analyze the opportunity and challenges for trade cooperation Lampung-Australia. Trade cooperation Lampung-Australia is important because Australia is the fourth bigger trade partner for Lampung and geographically Australia is near to Indonesia. The data shows that the intensity of trade relations between Lampung-Australia is more increase every year. This research uses a qualitative approach and implements international trade theory and regional-foreign party cooperation concept. The data was gotten through the literature reviews from primary and secondary resources and interviews with Dinas Perdagangan Provinsi Lampung and Bagian Kerja Sama Luar Negeri dan Pihak Ketiga Biro Otonomi Daerah Setdaprov Lampung. This research explains Lampung-Australia trade cooperation has more challenges than its opportunity for Lampung to develop their trade sector.

**Keywords:** Opportunity and Challenge, Trade Cooperation, Lampung-Australia

1. Introduction

Cooperation between national government with other country was arranged in Minister of Home Affairs Regulation (Permendagri) Number 25 of 2020 concerning Guidelines Implementation Work of Local Government with Foreign Party. The government area allowed to do cooperation with party abroad or countries that have connection diplomatic with Indonesian government. Cooperation government area with party abroad is consequence logical from the closer connection among Indonesian government with party outside. Government area Becomes long hand Indonesian government in implementation cooperation with party abroad.

Cooperation between government Lampung Province with party abroad to be important conducted because needs development area no only involves parties domestically but also abroad. Existence party abroad can become inspiration development area. Experience in knowledge more knowledge and technology advanced owned party abroad can study government area, more remote technology transfer even infestation becomes important for the area to grow.

Not much cooperation abroad woven by the government area Lampung Province. Croatia and Australia are two countries ever stage audience with government Lampung Province. Initiation cooperation addressed in field education, even though no close possibility will explore cooperation in the field other (Antaranews, 2019). Whereas audience cooperation Lampung-Australia aimed at coverage field cooperation larger like tourism, trade, and culture.

Cooperation between Lampung and Australia to be interesting especially in field trading because Australia is one partner enough trade big for Lampung. The following is the destination country diagram export Lampung Province in 2020.

**Figure 1** Main Export Destination Countries for Lampung Province in 2020 (percent)

**Source: BPS Lampung Province**

Australia is the destination country export fourth for Lampung Province with total exports in 2020 together with other Oceanian countries by 4.57% or around 29.55 million USD for Australia only. When compared with in 2019, Lampung 's exports to Australia and Oceania increased by 93.37% (Lampung, 2020).

By geographically, Australia has proximity with Indonesia. Important for a country takes advantage of proximity geographical with other countries, for support success export, such as existence subtraction rate or disappearance rate distribution (Assyauqi, 2016). Proximity Indonesia-Australia geography can be utilized for support export Import with existence subtraction rate or cost distribution. Lampung 's strategic role as an area producer cultivation cow largest in Indonesia, is also one of the interesting for Australia. So far, Australia Becomes supplier meat cow to Indonesia, and Indonesia 's dependence on cow import from Australia very big (Kompas, 2021). Based on Thing it’s important for study cooperation Lampung-Australia trade.

2. Method

Study this use method qualitative supported with studies library and interview deep with a number of resource persons who are experts in the field trading international and Lampung region. Approach used in the form of studies case cooperation trading Among government area Lampung Province with Australian government. Further research this try review opportunities and challenges cooperation Lampung trade with Australia. Research location located in Lampung Province.

4. result and finding

* 1. ***Trade Cooperation between Indonesia and Australia***

Cooperation done two countries between Indonesia and Australia have intertwined since 1940s, in field trade, investment and education (Harcourt, 2015). Cooperation has been done by Indonesia-Australia since beginning Indonesia 's independence experiencing ups and downs. A number of incidents like Timor Leste conflict, issues wiretapping, withdrawal of the Australian Ambassador because punishment dead entangled Australians case drugs in Indonesia, asylum political for member Free Papua Organization, West Irian caucus and several incidents another. However, the two countries still attempted resolve problem it, and return braid cooperation.

In 2019, work Indonesia-Australia bilateral cooperation is poured in the IA-CEPA (*Indonesia-Australia Comprehensive Economic Partnership Agreement*) which later enacted on July 5, 2020. Initiation cooperation to two countries have conducted on April 4, 2005, with destination existence drop rate duty excise duty, facilitation and convenience investment. Scope cooperation cover trading goods, trade services, investment, *e-commerce*, policy competition, cooperation economics, institutions and regulations framework cooperation.

Cooperation IA-CEPA is useful for expansion of the Indonesian market, with existence agreement this, some type product from Indonesia got rate preferential by 0 percent (Kementerian Perdagangan, 2018). because of that, product from Indonesia can compete in the Australian market. With existence subtraction rate also, Indonesian producers can enjoy ingredient imported raw from Australia with more price cheap.

In addition to bilateral cooperation, Indonesia and Australia are also involved in cooperation multilateral together with AANZFTA (*ASEAN-Australia-New Zealand Free Trade Agreement*). Work with ASEAN and Australia already braided since 1974 through formation *ASEAN Consultative Meeting* (ACM).

Impact cooperation IA-CEPA can see from chart balance sheet the following Indonesia-Australia trade:

**Graph 1** Indonesia-Australia trade balance in 2005-2021 (in USD million)

Source: BPS

Trade Balance of Indonesia-Australia during initiation cooperation IA-CEPA tends deficit. The biggest deficit happened in 2007 that is of -24,241 million USD. Indonesian trade still dominated by imports product from Australia.

Trade cooperation, excellence comparative assets owned by Indonesia such as coal, commodities consumption like cocoa, coffee and fish, automotive, and some product half so other (Nurhafidzhah, Hadiawan, & Rachmawati, 2019). Superiority Indonesia 's comparative can Becomes potency for enhancement export to Australia. In addition, according to ministry trade data, Australia not have industry automotive national, so no there is competitor domestic for product automotive from Indonesia (Kementerian Perdagangan, 2018). Product automotive given 0% rate, so it also has the potential for enhancement Indonesian exports to Australia.

Connection Indonesia-Australia trade can see from the needs of each country in trade. Here 's the export table main Indonesia to Australia and import table main Indonesian from Australia.

**Table 1** Indonesia 's Main Export to Australia 2018

| No | Information Product | Value (USD million) |
| --- | --- | --- |
| 1 | Petroleum \_ | 636.76 |
| 2 | Wood, Furniture | 214.94 |
| 3 | LCD, LED Panel | 100.71 |
| 4 | Footwear | 96.95 |
| 5 | Air Tires New from Rubber | 61.70 |

Source: Ministry of Trade of the Republic of Indonesia

Based on the table above Australia's need for commodity from Indonesia the most important is oil earth. Based on data from Statista, import oil earth from Indonesia to Australia occupy order tenth in 2021. Needs soil Australia 's earth is the most filled by Singapore, China and Malaysia.

**Table 2** Indonesia's Major Imports from Australia in 2018

|  |  |  |
| --- | --- | --- |
| No | Information Product | Value (USD million) |
| 1 | Wheat | 639.61 |
| 2 | concentrate Iron other and Hematite | 209.26 |
| 3 | Live Cattle | 573.92 |
| 4 | New Stone | 632.02 |
| 5 | Raw Sugar from Other Cane Sugar | 314.70 |

Source: Ministry of Trade of the Republic of Indonesia

From the table above could see that needs Indonesia 's main will product from Australia is wheat. Wheat is ingredient raw needed food for many industries of food in Indonesia like noodles instant, biscuit, food snacks, bread, cakes and some product another. Total exports wheat from 2010 to with 2020 most originated from Australia occupy order first, followed by Canada and Ukraine (BPS, 2021).

Indonesia 's imports from Australia are dominated by *raw materials* for ingredient raw industry. Work with Indonesia-Australia can push fulfillment needs import a number of goods from Australia. So that expected, industry manufacturing in Indonesia is facilitated and benefited from cooperation this, so could increase production domestically.

From the picture, trade cooperation between Indonesia-Australia is one of the possible steps taken by Indonesia to increase export to Australia that is with push sale products that have superiority comparative.

* 1. ***Trade Corporation Between Lampung and Australia***

Lampung is one of the provinces in Indonesia which is located close by with the National Capital, Jakarta. Cooperation international provinces in Indonesia with foreign party arranged in Minister of Home Affairs Regulation (Permendagri) Number 25 of 2020 concerning guidelines cooperation abroad by the government area. Signer agreement by government area with foreign party is the existence of a Power of Attorney (*full power*) granted by the Minister of Foreign Affairs to government the area concerned. Because in Thing this, authority will policy and politics overseas Indonesia is government center.

Cooperation government Lampung Province with Australian government yet come to the stage making agreement cooperation. Cooperation is done new limited cooperation *business to business*, between sector private. If the government Lampung Province wants to do agreement cooperation, then foreign party involved must Australian state government. This is one condition in connection cooperation government regions in Indonesia according to with Minister of Foreign Affairs regulation no. 3 of 2019 concerning General Guidelines for Foreign Relations by Regional Governments.

Connection trading government Lampung Province with Australia can see on the graph export Import.

**Graph 2** Export Value of Lampung Province to Australia in 2017-2021 (USD Thousand)

Source: Lampung in Figures 2022, BPS

* 1. ***The Opportunity of Lampung Trade Cooperation in Australia Market***

Opportunity cooperation Lampung trade to the Australian market can be seen through needs Australian imports later make comparison with potency long - lasting exports this done in Lampung. Here 's the product table Australian imports in 2021.

**Table 4** Products Australian Imports 2021

|  |  |  |
| --- | --- | --- |
| No | Product Label | Value (thousand dollars) |
| 1 | Machinery, mechanical equipment, nuclear reactors, boilers; the parts | 36.833.900 |
| 2 | Vehicles other than rail or tram carriages, and their parts and accessories; | 33.241.486 |
| 3 | Electrical machinery and equipment and parts thereof; sound recording and reproduction, television | 28.194. 978 |
| 4 | Mineral fuels, mineral oils and their refining products; bituminous substance; mineral | 25.824. 036 |
| 5 | Pharmaceutical Products | 10.758. 190 |
| 6 | Optics, photography, cinematography, measurement, examination, precision, medical or surgical | 9.264.097 |
| 7 | Natural or cultured pearls, precious or semi-precious stones, precious metals, metal-plated | 7.638.126 |
| 8 | Plastics and their stuff | 7.300.602 |
| 9 | Items of iron or steel | 5.658.414 |
| 10 | Furniture; beds, mattresses, mattress supports, pillows and similar stuffed furniture | 5.571.307 |

Source: Trade Map

Based on the table above, it is known that that Australia is a lot import machinery, equipment mechanics, nuclear reactors, boilers and parts thereof, with a total value of import of 36,833,900 thousand USD. However, for products the no many produced in Lampung. Following Lampung's potential for could see opportunity for export to Australia.

**Table 5** Lampung Export Products in 2021

|  |  |  |
| --- | --- | --- |
| No | Product Label | Value (thousand dollars) |
| 1 | Animal/vegetable fats and oils | 1,723,778,79 |
| 2 | Coal | 790,530.08 |
| 3 | Coffee, tea, spices | 495,581.73 |
| 4 | Dregs / Industrial Waste Food | 3 62 808.98 |
| 5 | Processed from Fruits / vegetables | 331590.74 |
| 6 | Pulp /Wood Pulp | 206,531.22 |
| 7 | Fish and Shrimp | 165,552.82 |
| 8 | Rubber and Rubber Products | 154.981.42 |
| 9 | Processed Meat and Fish | 131,112.32 |
| 10 | Various Chemical Products | 129,030,28 |

From Tables 1 and 2 it can be seen that 10 products Australia needs the most import, it is product of Lampung exports. According to staff part Export Department of Commerce Lampung Province, during this Lampung exports to Australia only conducted if there is Request from Australia (*temporary*). Because of it is necessary existence scoping opportunity cooperation trade in new. Although, according to staff part Export Department of Commerce Lampung Province is enough difficult to be done.

According to data from the Department of Commerce Lampung Province, Lampung 's exports to Australia are the largest is coffee. From these data, the government Lampung province can increase export coffee to Australia with to do promotions are still in the country. Promotion could conduct through cooperation with the Indonesia Trade Promotion Center in Australia and the Indonesian diaspora in Australia.

* 1. ***The Challenges of Trade Cooperation Between Lampung and Australia***

Lampung Province is one of the provinces in Indonesia that have various type commodity for exported to another country, fine that raw material, biological and non-living animal, as well as other commodity. As for some commodity superior from Lampung Province, namely Robusta coffee, tapioca, coconut milk, pineapple and banana (Pemerintah Provinsi Lampung, 2021) commodities. In 2020 when world economy and activity trading decrease consequence Pandemic *Covid-19* globally, balance sheet trading Lampung Province experienced sufficient increase in surplus significant compared years before, that is amounting to USD 1821.15 million (BPS Provinsi Lampung, 2021). No different far with destination country main Indonesian exports, some destination main export Lampung Province is also still are incumbent countries, such as the United States of America, the People's Republic of China, and India. Whereas for countries of origin main related with activity import Lampung Province if seen from quantity score *Free on Board* (FOB), namely Australia, the United States, and Thailand (BPS Provinsi Lampung, 2021).

In a document issued by the Central Statistics Agency (BPS) of Lampung Province, it can be seen existence inequality balance sheet trade (export-import) between Lampung Province and Australia. Australia occupied ranked 22 in destination country export Lampung Province. Whereas for activity import Lampung Province, Australia occupies rating first as country of origin main with total import volume of 303,988.62-tons or around USD 262.14 million. As for some product or commodity Export featured Lampung Province to Australia is canned pineapple products, pineapple juice, and Robusta coffee (Disperindag, 2022). Whereas for commodity largest imported from Australia is commodity meat cow cattle (Disperindag, 2022). Not only at the level Lampung Province, in scale national, commodities meat Australian cattle to be one product superior main import between Indonesia and Australia. In 2020, Australia is listed export about 105.1 million kilograms of meat to Indonesia with score transaction reach up to USD 296.07 million (CNN Indonesia, 2022).

If look at the gap balance sheet trading Among Lampung Province and Australia, p this of course give enough impact significant for Lampung Province, in particular in sector trade. However, if speak about trading international, already should second actors involved get the same advantage. In analyzing inequality in acquisition utilization cooperation, the economy of Lampung and Australia, can see existence a number of obstacle nor the challenges that affect enhancement score export Lampung Province to Australia, such as part big product industry Lampung Province which is still constrained for enter the Australian market, in particular in Thing standardization quality product. For could enter the Australian market, there are a number of necessary criteria followed, namely (Disperindag, 2022):

1. Have inner *packing* language England
2. Standard or quality product food refers to the *Food Standards Australia New Zealand Code*
3. Regulation national other related to each commodity.

There is a number of obstacles for the Department of Industry and Trade Lampung Province in push growth industry and trade in Lampung Province, namely (Dinas Perindustrian dan Perdagangan Provinsi Lampung, 2021):

1. Limited ability industry small and medium enterprises (IKM) in Lampung Province, in particular in Thing application standard quality, use technology, development creativity, innovation and diversification product;
2. Low awareness from perpetrator industry local in Lampung Province for carry out environmentally oriented and sustainable production processes through application principles industry green;
3. Unavailability *roadmap* industrial human resource development local in Lampung Province which causes no achievement synergy between interested actors;
4. Downstream processing source power natural resources in Lampung Province that are not yet optimal, such as delivery product or source power shaped nature ingredient raw;
5. Cooperation between industry small and medium enterprises (IKM) with company large and BUMN that have not facilitated by the government by good;
6. Information related potency trade, investment and licensing in Lampung Province which has not disseminated with good to potential investors are good at scale national nor international;
7. Low competence the apparatus of the Department of Industry, especially in Thing supervision and control quality to obedience industry;
8. Application of mandatory SNI still not yet socialized with good to whole perpetrator industry especially industry small and medium enterprises in Lampung Province;
9. Industrial development in Lampung Province which is still constrained development zoning industry (WPPI, KPI, KI, SIKIM), in particular in Thing limitations infrastructure support industry;
10. Data is not available related to business units’ industry and area existing industries in Lampung Province;
11. Not even application technology information in trade in every region of Lampung Province;
12. Management and supervision *e-commerce* in Lampung Province which has not clear;
13. Low BPSK performance;
14. Low knowledge consumers in the district on their rights;
15. Low knowledge industry scale small and medium enterprises in Lampung Province about standardization traded products;
16. Low scope supervision goods circulated accordingly with applicable rules and regulations;
17. High dependency to commodity featured;
18. Still relying on and depending on destination countries export main;
19. Fluctuation price ingredient food principal in Lampung Province that affect production industry in Lampung Province

If see obstacles faced by the Department of Industry and Trade Lampung Province, can concluded then a number of the challenges in the Lampung Province SMEs that were seen from a number of categorizations, namely:

1. Competitiveness Lampung Province

Be delivered in Interview with the Department of Industry and Trade Lampung Province that power competitiveness (competence) and power bid industries in Lampung Province are still enough low, especially in Thing diversification product. Until with moment Currently, the industries in Lampung Province are still refers to the types product superior Lampung Province without existence added-values in product. So that no existence enhancement score sells to commodity/product. In fact, at the level of national, power competitive industry Lampung Province, in particular industry small, still counted enough low if compared with power competitive in the province other. because of it's important for government Lampung Province for could increase power competitive industry local in order to competitive to industry others in level national and international. Various effort could conduct government Lampung Province, in particular Lampung Industry and Trade Office, such as with help in enhancement capacity, build network/connection, help in Thing capital and ensure standard the quality of each product industry superior Lampung Province.

1. Technology Transfer in Small and Medium Industries (IKM) Lampung Province

In the era of globalization and industry 4.0, progress technology and information has developed by fast. This thing impact on digitization and mastery technology in every line life society in the world. However, the problem is then is not yet even development technology and improvement capacity related Thing it is in areas that space scope smaller. Though, for could compete with products level national good international, required HR capabilities and industry small in Thing mastery technology. Therefore, many industries at level national nor international endeavor carry out technology transfer for could develop production as well as bring up useful innovations industry, good that in Thing innovation efficiency production, upgrade production, as well as diversification product.

1. Governance in Thing industry and trade in Lampung Province

Based on interview with the Department of Industry and Trade in Lampung Province, governance government between service Ministry in sector industry and trade in Lampung Province has not yet could said good. Coordination between one service Ministry with service Ministry other counted enough difficult, especially in Thing data retrieval. Though, in push environment positive economy and trade, governance is needed good governance, professional, and transparent. This thing of course becomes challenge alone for Indonesian government in fix plot coordination and governance between their ministry.

Not only Lampung Province, Australia also has challenge alone in development cooperation with Lampung Province. As has been mentioned previously, also listed in Table 2, products export Australia 's flagship Lampung Province to with moment this is commodity meat cattle. For a few years, the Lampung Government seeks to for increase population cow local through the development program cattle Australian cattle, as step for could reduce import meat cow from Australia.

Though in development program cow cattle, the Government Lampung Province still depend and cooperation with Australia in Thing import brood stock cow. However, no could rule out that the development program cattle cow done government Lampung Province will also impact on value Australian exports to Lampung Province in the future.

1. **Conclusion**

Based on results study show that trade cooperation between Lampung-Australia is dominated by Lampung imports from Australia. If you look at the Lampung-Australia trade chart, it can be seen that there is a fairly large difference between the value of Lampung's exports and imports. The Lampung-Australia trade cooperation has more challenges than opportunities. Therefore, Australia has not met the criteria as an ideal partner for Lampung in regional cooperation with foreign parties, especially in the trade sector.

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