

# Indonesia-US Trade Barrier: A Study on the Halal Certification of Imported Chicken Leg Quarters

## Akim

Department of International Relations, Universitas Padjadjaran, Indonesia  
akim@unpad.ac.id

## Arfin Sudirman

Department of International Relations, Universitas Padjadjaran, Indonesia  
arfin.sudirman@unpad.ac.id

## Januar Aditya Pratama

Department of International Relations, Universitas Padjadjaran, Indonesia  
januarap@outlook.com

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## Abstrak

Penelitian ini membahas mengenai latar belakang dari penerapan hambatan perdagangan Indonesia terhadap impor paha ayam dari Amerika Serikat (AS) melalui sertifikasi halal. Sebagai anggota WTO, kedua negara tersebut terikat dengan aturan dan kesepakatan dari WTO, yang salah satunya adalah liberalisasi perdagangan dengan penghapusan berbagai macam hambatan perdagangan termasuk hambatan perdagangan nontarif seperti sertifikasi halal. Penerapan sertifikasi halal oleh Indonesia terhadap impor paha ayam menyebabkan paha ayam impor dari AS tidak bisa masuk ke pasar Indonesia, meski memiliki harga yang lebih murah. Penelitian ini menggunakan pendekatan merkantilisme dalam ekonomi politik global yaitu teori tentang hambatan perdagangan nontarif dari Thomas Oatley. Metode yang digunakan peneliti yaitu metode penelitian kualitatif dengan jenis studi kasus dan teknik pengumpulan data dilakukan melalui studi literatur dan wawancara dengan para informan terkait. Penelitian ini menyimpulkan bahwa terdapat dua pertimbangan yang melatarbelakangi penerapan hambatan perdagangan nontarif oleh Indonesia terhadap impor paha ayam dari AS melalui sertifikasi halal yaitu pertimbangan yang berpusat kepada masyarakat (*society-centered approach*) guna melindungi keyakinan masyarakat, melindungi produsen, dan tenaga kerja peternakan dalam negeri serta pertimbangan yang berpusat kepada negara (*state-centered approach*) dalam rangka penanganan krisis ekonomi bidang peternakan dan menghemat pengeluaran devisa negara.

**Kata Kunci:** hambatan perdagangan, hambatan perdagangan non-tarif, impor paha ayam, sertifikasi halal.

## Abstract

This study discussed the background of Indonesia's implementation of halal certification as a non-tariff trade barrier against chicken leg imports from the United States (US). As both countries are members of the WTO, they are bound by its rules and agreements. One of which is trade liberalization related to eliminating various kinds of trade barriers, including non-tariff trade ones, such as halal certification. Chicken legs from the US, while being more affordable, were unable to reach the Indonesian market due to the application of the halal certification requirement. This study employed a mercantilism approach within the context of international political economy through Thomas Oatley's theory of the non-tariff trade barrier. A qualitative case study was utilized, with data gathered through a literature study and interviews with related informants. This study unveiled two considerations behind the implementation of halal certification as a non-tariff trade barrier by Indonesia on chicken leg imports from the US: the *society-centered approach* to protecting the public trust, producers and domestic livestock workers and the *state-centered approach* to handling the economic crisis in the livestock sector and saving the state's foreign exchange expenditure.

**Keywords:** trade barrier, non-tariff trade barrier, chicken leg import, halal certification.

## INTRODUCTION

To meet domestic consumption needs, Indonesia employs various domestic and foreign products; one product Indonesians widely consume is chicken meat.

Indonesia's chicken meat producers might begin a rising pattern (Badan Pusat Statistik, 2021). Hence, its annual population can be met by boosting chicken meat production. Accordingly, Indonesia can fulfill its domestic

market demand for chicken meat (Kementan RI, 2017).

Despite achieving self-sufficiency in chicken meat, Indonesia still relies on imports from the United States (US), China, Brazil, Australia, and other countries. This dependency is primarily due to the lower price of imported chicken meat than domestic. In addition, compared to several other Southeast Asian countries, Indonesia's meat consumption is still low. Although its chicken meat consumption is below 14 kg per capita per year, there is ample room for growth as incomes rise and consumer preferences diversify (Kementan RI, 2020). In addition to these possibilities, the Indonesians' preference for chicken over other types of meat is reflected in the country's high chicken consumption. Table 1 displays such preference, as chicken consumption was nearly 14 times meat consumption.

This possibility also provides opportunities for chicken meat imports for the domestic market. On the one hand, chicken meat imports can provide Indonesian consumers with a wider variety of products. However, on the other hand, it will cause oversupply, which can be detrimental to domestic chicken farmers. Subsequently, issues exist on disparity or price differences between domestically produced and imported chicken meat products, arising from the principle of comparative advantage. Ultimately, the price for the same commodity varies from country to country.

Pieces of chicken products can vary in price as much as a whole chicken. The selling price of chicken thighs (Chicken Leg Quarters or CLQ) in the US is around

IDR 9,817 per kg, and chicken breast is around IDR 52,361 per kg (USDA, 2021). In contrast to Indonesian people, Americans put health concerns first when selecting chicken breast and chicken leg quarters (Bloomberg, 2021). As a result, the US has abundant chicken leg quarters, spurring exports. In addition, chicken leg quarters in Indonesia are higher than in the US, around IDR 14,000 per kg. This price disparity also becomes a consideration in both exports and imports in international policy.

The volume of chicken meat imports by Indonesia fluctuates. Following the available data, the import volume of chicken meat commodities from 1997 to 1999 experienced an increase, reaching a peak of 12,649 tons in 2000, before declining to 528 tons in 2001 due to the Indonesian Government's policy regarding a trade barrier on imported chicken leg quarters (UN Comtrade, 2008).

Thus, the trade barrier policy to imports of US chicken leg quarters is significant, affecting the annual import volume. Previous data unveiled a drastic reduction after the implementation of related policy. Then, based on information from the US Department of Commerce, from 2004 to 2006, there was no export of chicken leg quarters to Indonesia (Yeta, 2006). The Decree of the Minister of Agriculture No. 71 of 2000 formalized the policy as a derivative of Law No. 16 of 1967 concerning Animal Husbandry and Animal Health and Law No. 16 of 1992 concerning Quarantine, as well as Government Regulation No. 22 of 1983 concerning Veterinary Public Health and Government Regulation

**Table 1.** Comparison of Chicken and Meat Consumption in Indonesia, 2013-2017

Year	Chicken Consumption (per capita, in kg)	Meat Consumption (per capita, in kg)
2013	0.076	0.005
2014	0.086	0.008
2015	0.103	0.008
2016	0.111	0.009
2017	0.124	0.009

*Note.* Data adapted from Badan Pusat Statistik (2022)

No. 15 of 1977 concerning Rejection and Prevention and Eradication of Animal Diseases.

As one of the leading exporters of chicken leg quarters, the US has worked to eliminate Indonesia's trade barrier on importing chicken leg quarters. The US Embassy in Jakarta has taken diplomatic action by requesting an explanation of this policy from the Indonesian Government. In addition, the US has been attempting through its representative at the World Trade Organization (WTO) to raise the issue at the international forum of the WTO Committee on Agriculture (COA) in Geneva on March 22-30, 2001. However, in that session, the WTO requested a bilateral forum between Indonesia and the US to settle the dispute over Indonesia's policy of banning imports of chicken leg quarters (Pustaka Agro, 2001). According to the Indonesian Government, the Codex Alimentarius issued jointly by WHO and FAO governed the halal aspects. Hence, the determination of halalness as an entry requirement for foreign products did not violate the WTO agreement, the World Organization for Animal Health (WOAH), the World Agricultural Organization (FAO), and the World Health Organization (WHO).

However, in 2017, the WTO mediated an appeal ruling in which the US prevailed over Indonesia (Reuters, 2017). Due to the relative lack of subjectivity in Indonesia's halal certification, Hastiadi (2019) argued that Indonesia's defeat should not have been a shock. Furthermore, even though non-tariff trade barriers, such as those implemented by Indonesia through halal certification, are carried out under the pretext of protecting the domestic industry, such instances frequently suffer defeat when sued at the WTO by other countries (USAID, 2019).

Hence, disclosing the considerations behind the trade barrier to imports of chicken leg quarters from the US by Indonesia is necessary. On the one hand, Indonesia requests a halal certification for US chicken meat imports. On the other hand, the US Government has tried to achieve it (Ditjen PKH, 2017). However, the fact is that Indonesia still imposed a non-tariff trade barrier on US chicken leg quarters until a WTO ruling in 2017. Moreover, despite Indonesia's defeat at the WTO in

2017, this research aims to reflect on how non-material factors can drive a country's decision to impose non-tariff trade barriers, such as halal certification. Because of this, this study aims to complement "conventional" knowledge of international political economy (based on Western thinking) with a case study of a non-Western society.

This research traced previous relevant studies to uncover the development of current research. Research on trade barriers has been carried out by many international relations scholars, especially after the inclusion of global political economy studies. According to Breen and Dorgan (2008), a country must implement trade barriers carefully because they can hamper the economy instead of increasing its economic development. This study is comparable to that of Bechtel et al. (2012) in that both investigated how public demand for and awareness of specific product standards might lead the government of a country to issue a policy of trade barriers against imported products. Egan (1997) outlined the many product standards applied by European countries. Moreover, Johan (2018) discussed the issue arising from diverse sets of halal standards across ASEAN countries, potentially violating the trade barriers to trade (TBT) agreements.

Nevertheless, these studies have yet to address the intentional use of halal certification as an instrument of non-tariff trade barriers (the closest one being the research by Johan (2018), outlining how halal certifications might be treated as barriers to trade). Thus, this study intends to fill a gap in the literature.

Thus, the application of halal certification in Indonesia as a trade barrier to imports of US chicken leg quarters is the primary subject of this investigation. Chicken leg quarters were determined as the unit of analysis for this study because, historically, Indonesia has banned the import of chicken thighs but now does not impose trade barriers on the import of whole chicken meat as long as it meets safe, healthy, whole, and halal (ASUH) requirements. The period covered by this research is limited to 2000 to 2017. The Minister of Agriculture enacted Decree 71 of 2000, a trade barrier policy against imported chicken leg quarters. As for 2017,

the WTO decision became the basis for the end date of Indonesia's trade barrier policy. This research aims to identify and explain the considerations of the Indonesian Government in implementing a non-tariff trade barrier on imports of chicken leg quarters from the US.

## LITERATURE REVIEW

Many researchers have explained Indonesia's South China Sea policy in a broader historical context and under the Joko Widodo administration. On a systemic level, several researchers unveiled that Indonesia's attitude toward the South China Sea territorial dispute has been influenced by its relationship with China. As stated by Kusumasomantri (2015), Gindarsah (2018), and Sari (2021), Indonesia has applied a hedging strategy, or to combine the balancing and non-balancing acts, in managing its relationship with China in the South China Sea. As Wicaksana (2019), Anton, Agus, and Achluddin (2021) asserted, Indonesia plays a mediating role and aims for a rule-building contribution in the South China Sea. At the domestic level, Arif (2021) mentioned that Indonesia's South China Sea policy is influenced by Joko Widodo's personality and his administration's domestic agendas. These researches comprehensively depict Indonesia's South China Sea attitude from regional and domestic perspectives. However, further analysis placing Indonesia's South China Sea policy in the expanded geostrategic context in Indo-Pacific should be addressed.

*“First, the classical mercantilists argued that national power and wealth were tightly connected. Second, the classical mercantilists argued that trade provided one way for countries to acquire wealth from abroad. Third, the classical mercantilist argued that some types of economic activity were more valuable than others.”*

These three assumptions also form the basis for gaining an understanding of neomercantilism, also known as modern mercantilism.

Classical mercantilism, according to Baalam, refers to the practice of state supremacy from the 16<sup>th</sup> to the 19<sup>th</sup> century; neomercantilism, in contrast, pertains to the present day (Balaam and Veseth, 1996). As a result, throughout the age of discovery and colonialism, Europe embraced classical mercantilism. Then, as Perwita and

Yani (2011) described, an explanation of when neomercantilism, which developed from classical mercantilism, emerged. These two opinions describe the difference in the range of validity between mercantilism and neomercantilism.

When implementing classical mercantilism, tariffs are the most common tool countries utilize as a trade barrier. Conversely, non-tariff barriers, including subsidies, quotas, and standardization, are increasingly employed in modern mercantilism in place of tariffs as the primary weapon of trade barriers. Although neomercantilism differs from classical mercantilism in terms of period and the instruments of resistance, the latter nonetheless incorporates and implements the essential ideas of the former.

International trade is a zero-sum game from the neomercantilist point of view. It is a condition in which one actor gains nothing while another loses something (Spiegel, 1995). Hence, this phenomenon, which frequently occurs in international trade, is responsible for the unequal distribution of wealth across countries. Therefore, countries will inevitably attempt to manipulate international trade to achieve their national interests. Oatley listed tariffs, quotas, voluntary export restrictions, administrative restrictions, and non-tariff barriers as five international trade policy tools for nations to apply in the zero-sum game (Oatley, 2004, p. 70)

At the very least, two considerations can inform the choice of one or more international trade policy instruments, a la neomercantilism (Oatley, 2004, p. 75-76). The first is a society-centered approach or consideration. It is uncommon for a government to actively incorporate the views of diverse interest groups into its trade policies. Each individual's interests contribute to the collective good of the community. Government agencies can effectively represent the public interest by learning about and responding to the concerns of this group. Instead, a state-centered approach implies that the trade policies established by a country are intended to pursue the country's national interests: “A state-centered approach assumes that trade policy, as well as more broadly conceived economic policy, is set by the state in pursuit of the national interest” (Oatley,

2004, p. 109). Consequently, trade policies implemented by a country do not reflect the interests of social pressure groups but are the embodiment of the goals of the country's policymakers. Therefore, this research seeks to understand Indonesia's trade policy, specifically the trade barrier Indonesia has erected against US imports of chicken leg quarters, by applying halal certification more fairly and comprehensively.

## RESEARCH METHOD

This study employed a qualitative research method, particularly case studies. Creswell (2007) proposed five types of qualitative methods: narrative research, phenomenology, grounded theory, ethnography, and case studies. Hence, based on the goals of this study (which is to provide an in-depth understanding of the Indonesian non-tariff barrier case), case study is the chosen qualitative approach. This study focused on a non-tariff trade barrier Indonesia erected against imports of US chicken thigh products from 2000 to 2017 under the pretext of halal certification. Data were gathered through a literature study and interviews.

According to Creswell, in-depth data collection in a case study involves multiple sources of information to ensure comprehensiveness of the study. In consequence, this study employs the gathering of both primary and secondary data, through interviews with relevant stakeholders and literature study (statistical data, news articles, scientific studies) respectively. The data will be then analyzed by the researchers through the lens of mercantilism, which in turn should generate "patterns" or "explanations" related to the issue.

Only by the exploration of such patterns a conclusion can be made that should encompass the overall meaning deriving from the case. Overall, the conclusion coming from this study should fulfill the goal stated, in this case to describe and explain the case study and offer an addition and/or new alternative to the relevant contemporary theory regarding trade barriers.

## RESULT AND ANALYSIS

### INDONESIAN TRADE BARRIER POLICY AND HALAL CERTIFICATION IN INDONESIA AND THE UNITED STATES

#### Societal and Governmental Factors in Indonesia's Trade Barrier Policy

Related to societal factors, the majority of the population of Indonesian is Muslim. The Muslim community in Indonesia believes that eating has value in the world and the hereafter. In Islamic teachings, the fundamental law of all food is halal, except for prohibited ones (haram). To comply with such a law, there must be at least as much, if not more, halal food as haram food. In Islam, using most animals for food is permissible, except for certain animals. Eating some animals in the Qur'an is forbidden, as stated in verses 173 of Al-Baqarah and 3 of Al-Maidah. These two verses of the Qur'an outline several criteria for which animals are considered unclean or haram, and therefore not fit for human consumption: carcass, blood, pork, the slaughtered animals not called the name of Allah, and animals that died from suffocation, being beaten, from falling, from being gored, and because of an attack by a wild animal.

However, concerning governmental factors, Indonesia issued its trade barrier policy against imported US chicken leg quarters in 2000. At that time, Indonesia was fighting hard to recover from an economic crisis. Midway through 1997, Indonesia was rocked by an economic crisis, originating in the decline in the exchange rate of the baht (Thailand) currency against the US dollar and has extended to other Asian countries, such as Singapore, Malaysia, and Indonesia. The fall in the rupiah exchange rate against the US dollar affected all sectors of the Indonesian economy.

During the economic crisis, Indonesia adopted a free foreign exchange policy. Referring to this regulation, Indonesia's central bank, Bank Indonesia, requires banks operating in Indonesia to implement the precautionary principle in transactions and manage foreign exchange. However, the use and ownership of foreign exchange by the private sector or the public have yet to be regulated by the government regarding its reporting system. Thus, Bank Indonesia must monitor and regulate banks,

non-bank financial institutions, and non-financial companies, demanding they consistently report foreign exchange flows.

Moreover, for consumers, the weakening of the rupiah caused a decrease in people's purchasing power. Inevitably, the decline in people's purchasing power affected the decrease in their demand for chicken meat. Due to the increased price, people began to reduce and even stop consuming chicken meat. On the one hand, consumers wanted a decrease in the price of chicken meat due to decreased purchasing power, but on the other hand, chicken producers wanted a price increase due to increased production costs.

Many chicken farming companies have gone bankrupt, and the decline in public demand has resulted in a smaller chicken population. In 1998, the broiler population was only 30% from the previous year (Saptana, 2013, p. 593). This extreme population decline illustrates that chicken farming in Indonesia had weak resilience and adaptability to changes in the external environment, especially in an economic crisis.

According to a report from the Directorate General of Animal Husbandry, to save domestic chicken farms from the negative effects of the economic crisis, the government took policy steps known as a crash program by providing credit schemes, reducing production costs, and purchasing domestically produced corn (Sudaryanto, 1998, p. 41). However, these three policies did not meet their expectations. The credit scheme policy did not improve the condition of chicken farmers due to the national economic conditions still being in a state of crisis. Subsequently, import subsidies failed to reduce the price of chicken feed. Lastly, buying domestic corn did not contribute much because the chicken feed was not only made from corn.

### Halal Certification in Indonesia

One of the standards applied by Indonesia concerning imported products is halal. In the contemporary era of globalization, as a member of the WTO, Indonesia accepts and opens itself up as a country ready to compete in global trade. On this basis, it is necessary to encourage Indonesia to carry out security by applying halal

standards. Since no world halal standards exist, countries, including Indonesia, have set their respective standards. As a manifestation of national differences, Indonesia, as a Muslim-majority country, has the right to apply its halal standards.

One example of the rules in Indonesian halal standards is the procedure for slaughtering animals. The standards require manually slaughtering animals through a halal butcher. Such a practice aligns with the General Guidelines on the Use of the Halal Label in the Codex Alimentarius, stating that in addition to meeting health and hygiene requirements, animals slaughtered must meet the following standards (Codex Alimentarius, 2007, p. 40).

1. The person should be a mentally sound Muslim and knowledgeable of the Islamic slaughtering procedures.
2. The animal to be slaughtered should be lawful according to Islamic law.
3. The animal to be slaughtered should be alive or deemed alive at slaughtering.
4. The phrase "*bismillah*" (in the name of Allah) should be invoked immediately before the slaughter of each animal.
5. The slaughtering device should be sharp and not be lifted off the animal during slaughter.
6. The slaughter act should sever the trachea, esophagus, and main arteries and veins of the neck area.

Every food product entering Indonesia must have a halal certificate, including imported chicken leg quarters from the US. The provisions regarding this matter are also emphasized in Law No. 33 of 2014 concerning Guaranteed Halal Products (JPH), stipulated and ratified by the People's Representative Council of the Republic of Indonesia (DPR RI) on October 17, 2014. Furthermore, food products entering Indonesia and certified halal must include a halal label, as explained in Law No. 8 of 1999 concerning Consumer Protection. Article 4 (c) explains that consumers have the right to correct, transparent and honest information regarding the conditions and guarantees of goods or services. Then, in Article 7 (b), business actors must provide correct,

transparent, and honest information about the conditions and guarantees for goods and services and explain the use, maintenance, and repair.

Halal certification is not a form of direct non-tariff barrier. However, labeling a product receiving halal certification is part of the non-tariff barrier. Halal certification can be employed as an alternative to consumer protection by making Islamic religious teachings the foundation.

### Halal Certification in the US

Unlike in Indonesia, with only one halal certification body named the Majelis Ulama Indonesia (MUI), ten halal certification bodies in the US are spread across several states. The large and varied number of halal certification bodies was due to the absence of a formal Islamic religious institution recognized by the entire Muslim community in the US. Hence, each Muslim community could form a halal certification body independently.

It is necessary for US halal certification bodies to work with their counterparts in other countries, such as Indonesia, to ensure that their certifications are accepted internationally. Since the MUI Institute for the Assessment of Food, Drugs, and Cosmetics (LPPOM)

was the sole halal certification body in Indonesia at the time, any US halal certification wanting to be recognized in Indonesia had to cooperate with LPPOM MUI and fulfill its requirements. However, halal certification is no longer under the jurisdiction of LPPOM MUI but has shifted to the Halal Product Guarantee Agency (BPJPH) under the Indonesian Ministry of Religion.

During the era of the trade barrier policy against chicken leg quarters from the US by Indonesia, out of ten halal certification bodies in the US, only five were recorded as collaborating with the MUI, causing LPPOM MUI to recognize their halal certification (LPPOM MUI, 2015). Meanwhile, the territory of the US is vast and consists of 50 states. When compared between the number of states in the US and halal certification bodies recognized by Indonesia's LPPOM MUI, only five were recognized as of 2017.

Thus, the five US halal certification bodies recognized by the MUI were spread over four states: the Islamic Services of America (ISA) in the state of Iowa, the Halal Transactions of Omaha (HTO) in the state of Nebraska, the Halal Food Council USA (HFC USA) in the division of Delaware, the Islamic Food and Nutrition Council of America (IFANCA), and the American Halal Foundation (AHF) in the state of Illinois.

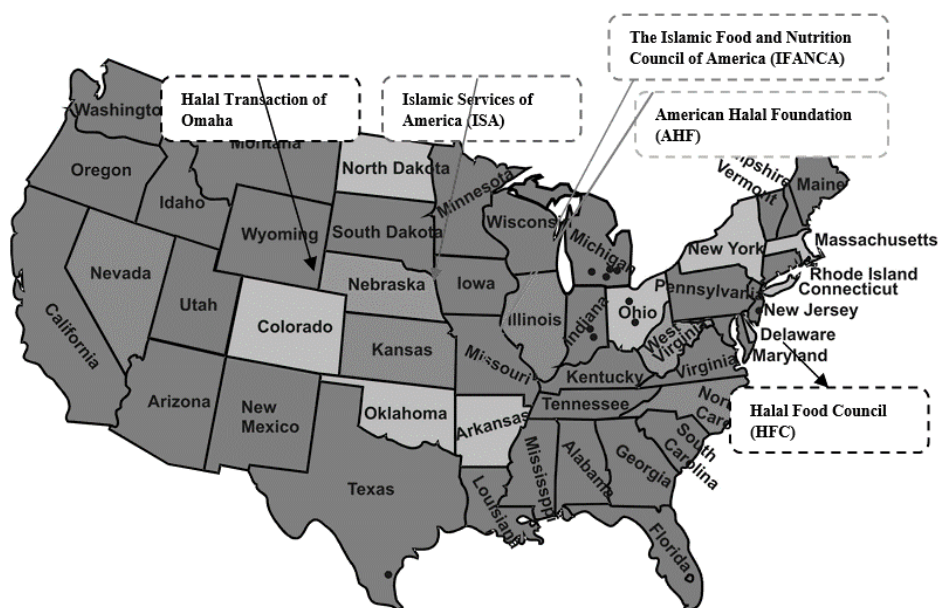


Figure 1. Distribution of United States Halal Certification Institutions Recognized by MUI as of 2017 (LPPOM MUI, 2015)

Most halal certification bodies in the US recognized by LPPOM MUI were in the central US region, and one was in the western region. Meanwhile, for the Eastern, Northern, and Southern parts of the US, no halal certification body was recognized by LPPOM MUI. This condition troubled chicken exporters from 47 other US states to export their halal products to Indonesia. The first difficulty was the relatively long distance because it was in another state, and the subsequent one was the number of halal certification bodies recognized by LPPOM MUI.

The next obstacle was that not all halal certification bodies in the US were recognized in the three existing categories. Of the five halal certification bodies in the US whose halal certification was valid, only three were recognized by LPPOM MUI in three categories: ISA, IFANCA, and HTO. Meanwhile, HFC USA and AHF were only recognized for their halal certification in two categories: livestock and raw materials.

At that time, halal certificates issued by foreign certification bodies were only valid for products produced in the country where the institution was located, except for Europe, which could take advantage of halal certification from any other European institution. A product originating from the US can only be recognized as halal if it obtains halal certification from a halal certification agency in the US following the categories set by LPPOM MUI. However, even though it has halal certification from an agency that LPPOM MUI has recognized, it is also possible for LPPOM MUI to confirm supporting documents to clarify the critical points of certain certified products.

#### **IMPLEMENTATION OF INDONESIA'S NON-TARIFF TRADE BARRIER POLICY ON CHICKEN LEG QUARTERS FROM THE US THROUGH HALAL CERTIFICATION**

In order to explain and understand the primary considerations for implementing Indonesia's trade barrier policy on imported chicken leg quarters from the US through halal certification, this research utilized two considerations as put forward by Oatley (2004, p. 77): the society-centered and state-centered approaches. Both

approaches have become the background to Indonesia's trade behavior in implementing halal certification. In Indonesian trade, various societal and governmental reasons were considered. Thus, these two factors interacted with each other in full consideration of the implementation of Indonesian trade policy and were not separate typologies.

Concerning the trade barrier policy implemented by Indonesia on imports of chicken leg quarters from the US through halal certification, the society-centered approach adopted by the Indonesian Government consists of several considerations: protecting the beliefs of the Indonesian people, domestic chicken producers, and the workforce in domestic chicken farms. Meanwhile, the state-centered approach, a set of considerations originating from the actual conditions, needs, and interests of the country, primarily relates to a country's political and economic interests. In connection with Indonesia's policy of trade barrier against imported chicken leg quarters from the US through halal certification, the approach centered on the Indonesian state also comprised considerations to save state spending, especially when the country experienced an economic downturn.

#### **SOCIETY-CENTERED APPROACH IN INDONESIA'S NON-TARIFF TRADE BARRIER POLICY ON CHICKEN LEG QUARTERS**

In a democratic country like Indonesia, the state's goals reflect those of the society's interests. As stated in the 1945 Constitution, the safety and well-being of the public are paramount. It is essential to consider both domestic and international dangers while planning for citizen safety. These threats take various forms, both physical and non-physical. Physical threats can be personal safety and possessions, while non-physical ones can be the ideology and beliefs of the people.

To realize prosperity and protect the interests of society, the state has established various policies essentially derived from the interests of society. The state protects society in various aspects, including society's beliefs, the availability of its products, and its ability to keep its employees.



### **First Consideration: Protecting the Society's Beliefs**

Due to Indonesia's sizeable Muslim community, Islamic principles will be given due weight by the Indonesian Government. A common practice among the Indonesian Muslim community centers on the concept that food must come from a particular place and be prepared in a specific way to be considered halal. From this perspective, the Indonesia Government has refused to import chicken leg quarters from the US since they have been considered non-halal, which goes against the beliefs of the majority Muslim population of Indonesia. As discussed in the previous sections, this perspective regarding halal certification has also been reflected in the MUI's statement that "chicken imports from the US can cause the collapse of Indonesia's economy and undermine the nation's dignity" (Liputan6, 2002). Although MUI encouraged importers to verify halal certification with recognized Islamic centers in the US, they did not do so alongside any formal socializations both in the US and domestically.

Chicken leg quarters imported from the US have been considered not halal by the Indonesian Government, supported by arguments from MUI for the following reasons. To begin with, the method of slaughtering chickens in the US was non-halal, resulting in unlawful products for consumption. Muslims in Indonesia have insisted on performing the ritual of chicken slaughter by hand. Meanwhile, in the US, chickens were slaughtered using various contemporary procedures, such as the stunning electric, the rotary knife, and other methods with the help of technology.

Five US-based halal certification bodies collaborated with and received recognition from the MUI as of 2017. Nevertheless, it did not prove that all imported chicken products from the US were halal. Chicken products certified as halal by the US agency were still regarded as non-halal by the MUI, even if the MUI did not recognize the halal certification agency.

Furthermore, there has been a possibility of mixing halal chicken leg quarters and non-halal ones. The global Muslim community did not consume a disproportionate amount of chicken leg quarters imported from the US.

While the US population often preferred the breast over other parts, chicken leg quarters were a byproduct of various US chicken slaughterhouses, which could not be sold in the US domestic market. Since the commencement of the slaughtering, this discharged chicken thigh from the US has been considered a non-halal product. It was not apparent if the combined chicken leg quarters were halal when they contained the waste and the halal chicken leg quarters.

### **Second Consideration: Protecting Domestic Chicken Producers**

According to Balaam and Veseth (1996, p. 458), one of the considerations for imposing trade barriers is to encourage or benefit domestic producers. When domestic producers are in identical conditions with foreign producers, the existence of trade barriers causes domestic producers to enjoy various advantages, whereas foreign producers experience trade barriers. Especially when domestic producers are in a weak position, it is urgent to consider protecting their sustainability. In fact, according to Dominick Salvatore, trade barriers can also protect domestic producers against dumping by foreign producers (Salvatore, 1995, p. 108).

It is also related to the second reason behind the Indonesian Government's refusal to import chicken leg quarters from the US, intending to protect domestic chicken producers. In contrast to halal considerations, Indonesia could loudly and openly explain the refusal to import chicken leg quarters from the US. Considerations for protecting domestic chicken producers could not be stated explicitly and openly to other countries because it would have several consequences for Indonesia.

Despite this, there was still considerable price variation between chicken meat in Indonesia and the US. Chicken was more expensive in Indonesia than in the US until 2017. The annualized price differential was substantial enough to make it worthwhile to import chicken meat from the US (Kompas, 2017; Index Mundi, 2022). Similarly, the US sent much chicken to Indonesia since its domestic market price was higher than the US, placing Indonesia as one of the leading destinations for US chicken meat exports.

Due to the fluctuating number of domestic chicken-producing companies, the potential for imports from the US harmed the existing chicken meat industry. In addition, the People's Representative Council of the Republic of Indonesia (DPR RI) was informed of the aspirations and demands of the chicken breeders' association for a ban on imported chicken leg quarters in Indonesia. Furthermore, the chicken breeders' association requested that the government, through the Ministry of Agriculture and the Ministry of Trade, reject imported chicken leg quarters not meeting halal requirements (Tribun Bisnis, 2018). Various aspirations from breeders and their associations were accommodated and fought for by the DPR RI, considering that its constituents were breeders and poultry associations.

### **Third Consideration: Protecting Domestic Workers**

The third consideration in the society-centered approach is the issue of domestic labor in the chicken farm industry, tied to the Indonesian Government's implementation of the trade barrier policy against imports of chicken leg quarters from the US. Production requires more than just land and capital; labor is also one of its elements. Even production activities will only run with labor, as in the case of chicken farms.

Even though both Indonesia and the US are chicken meat-producing countries, there is still trade between them. According to Spiegel (1995, p. 286), "even though countries can produce the same goods or services, many trades occur because states have different allocations of resources." Differences in the allocation of resources in each country also caused this phenomenon. Indonesia has excelled in the availability of the number of workers, but the US has become much more prominent in capital allocation. It was one of the reasons why the price of chicken leg quarters in the US was much lower than in Indonesia, despite Indonesia having a larger quantity of labor and relatively lower labor costs.

The chicken farming sector's workforce will be affected positively and negatively if something is to happen to domestic chicken producers. The workforce will benefit from expanding and profitable employment

opportunities when the chicken farming business grows and develops well. However, the opposite can also happen when chicken farms experience pressure and sluggish sales; for example, due to the entry of imported chicken products from other countries, the fate of the workforce becomes unclear, and the threat of termination of employment.

According to Mankiw (2003, p. 53), international trade is only partially free because of the need to safeguard labor. Similarly, Salvatore (1995, p. 108) asserted that the availability of more affordable foreign workers is one of the considerations in policies protecting domestic workers. Salvatore's conceptualization that US labor was less expensive than Indonesian chicken farm labor indicated that Indonesian protections for domestic workers were primarily meaningless. However, safeguarding the workforce is essential since the chicken industry employs thousands of permanent and honorary workers. BPS estimated that before the prohibition was repealed, there were 17,143 workers in Indonesia whose livelihoods depended on and worked for chicken farming companies (Badan Pusat Statistik, 2018).

### **STATE-CENTERED APPROACH IN INDONESIA'S NON-TARIFF TRADE BARRIER POLICY ON CHICKEN LEG QUARTERS**

Spatial and temporal aspects always bind a policy issued by any government. The spatial context provides an overview of where the policy is applied. In contrast, the time context demonstrates when the policy is formulated, determined, and implemented, including how long it will be enforced. By understanding the context of time, a clear picture of the agenda-setting of a government-issued policy can be obtained. Misinterpretations and misunderstandings of why the government establishes and enforces a policy are possible if the temporal context is ignored.

In 2000, the Indonesian Government began imposing a trade barrier policy on imported chicken leg quarters from the US. This policy was valid within the scope of the exclusive jurisdiction of the Government of the Republic of Indonesia through the Decree of the Director General of Livestock and Animal Health No. 71

of 2000 concerning the Import of Animal Products. Meanwhile, the policy has been in force since stipulated in 2000. Over time, the decree has undergone several revisions. However, as previously explained, this policy was valid until the WTO decision period in 2017, even though there have been several changes to the Minister of Agriculture regulations as the legal basis for its implementation.

### **First Consideration: Crisis Management on the Livestock Economy**

The Indonesian Government implemented the trade barrier policy on imports of chicken leg quarters from the US when the country struggled with the effects of the 1997 economic crisis. The crisis began with the fall of the baht currency against the US dollar. Afterward, it spread to various other countries in Asia, including Southeast Asia, such as Singapore, Malaysia, and Indonesia.

The fall of the rupiah's value severely affected the Indonesian economy. In only a single year, the value of the rupiah against the US dollar went from roughly IDR 2,350 to 16,000 (Museum Bank Indonesia, 2007). The various policies pursued became a dilemma because, at that time, they were necessary—raising interest rates, transferring funds from state-owned enterprises to Bank Indonesia, and tightening the government budget—all of which contributed to widespread distrust of banking institutions and busy withdrawals of funds from the bank (Museum Bank Indonesia, 2007).

The government issued important policies in various fields to save the economy from the downturn brought on by the crisis. One of the crucial policies taken by Indonesia to reduce the adverse effects of the economic crisis in agriculture, especially livestock, was the policy of trade barriers against imports of chicken leg quarters from the US.

The economic crisis of 1997 was blamed for the failure of numerous Indonesian businesses, especially those involved in chicken farming. Before the collapse of 1997, chicken farming in Indonesia was booming. According to data from the Directorate General of Livestock, the number of chicken farming companies that survived the crisis was only around 30-50%

(Sudaryanto, 1998). Furthermore, a study discovered that most chicken farmers who experienced significant losses went out of business. Some breeders, notably those adept at running their operations, made it with only a bare minimum of profit (Saptana, 2013).

Several state-issued policies failed to help economically-affected chicken farms. As mentioned in the previous section, the state issued policies of granting credit, reducing production costs, and buying corn for farmers. However, these policies failed to prevent the bankruptcy of chicken farmers; only about 30% survived the economic crisis.

When internal policies to combat the impacts of an economic downturn fail, the state must resort to external policies, such as enacting laws to stabilize circumstances outside the country. The trade barrier policy against imports of chicken leg quarters from the US was one of the crisis management policies issued by Indonesia to ward off the invasion.

### **Second Consideration: Reducing State Foreign Exchange Expenditures**

According to Salvatore (1995, p. 108), a country's balance of payments issues or deficits can be a consideration for applying trade barriers to foreign products. In conditions of the balance of payments difficulties, a country can take a way out by reducing the payment burden for imported products, especially consumer products. With reduced payments for imported products, there will be savings in foreign exchange spending while at the same time reducing the burden on the balance of payments (Salvatore, 1995, p. 108). In line with Salvatore, several countries also need restrictive trade policies through non-tariff instruments to overcome the adverse effects of the free market, especially the balance deficit, placing a heavy burden on the economy due to debt (Beghin, 2006).

At that time, Indonesia experienced a crisis, forcing it to adopt a policy of austerity measures. Indonesia worked to save on state foreign exchange spending, considering its economic situation was slump (Bahri, 2017). In 2000, Indonesia was struggling to escape the harmful effects of the economic crisis beginning in 1997.

At that time, the Indonesian economy was in difficult times. Hence, financially, the state had to increase its revenues and save on state foreign exchange spending.

The policy of trade barriers to importing chicken leg quarters from the US directly impacted the country's foreign exchange spending (United States Department of Agriculture, 2016). Theoretically, the country's foreign exchange spending will increase when it imports goods abroad (Beghin, 2016). Therefore, the state must reduce purchases of imported goods to lower its foreign exchange spending. Under these conditions, if it were possible for the state to reduce or even eliminate purchases of imported goods, Indonesia would do so.

The Indonesian Government, through the Ministry of Agriculture, deemed it necessary to reduce imports of chicken leg quarters from the US by issuing a trade barrier policy through halal certification. Theoretically, a halal certificate will be required for chicken leg quarters imported from the US to enter Indonesia, although they can do so. However, imported chicken thigh products from the US struggled to conform to halal standards since the domestic chicken business was built to serve all other markets except the global halal market. The Indonesian Government utilized this gap to justify enacting a non-tariff barrier on US chicken leg quarters imports.

## CONCLUSION

This research identified two approaches—the society-centered and the state-centered— as driving Indonesia's implementation of a non-tariff trade barrier on US chicken leg quarter imports through halal certification. These two considerations are interrelated because Indonesia is a democracy. The society-centered approach directly tries to appease its citizens, while the state-centered approach comes indirectly from the society's aspirations. Hence, it is clear that a democratic country's state-centered approach is also society-centered, although indirectly. Such an interrelation is a consequence of being a democratic republic, where the will of the state is roughly the aggregation of the people's wills.

The Indonesian Government has taken a socially-centered approach to protect the beliefs of its predominantly Muslim population, domestic chicken

producers, and the domestic chicken farm workforce. Of these three society-centered considerations, protecting public confidence was a consideration put forward legally to the US and relevant stakeholders. Meanwhile, the Indonesian Government did not explicitly demonstrate two other considerations: protecting producers and chicken farm workers.

Amid the economic crisis, the Indonesian Government employed a state-centered approach to enforce the trade barrier against imports of chicken leg quarters from the US and save the country's foreign exchange spending. When Indonesia initially instituted this barrier policy in 2000, after it had weathered its economic crisis, it made sense to do so because of a desire to conserve public spending in foreign currency.

Indonesia's various considerations in applying the trade barrier policy to imports of chicken leg quarters from the US have shifted following the underlying situation. As a financial crisis hit Indonesia, it became more crucial to deal with and preserve its foreign exchange than to analyze the potential adverse effects of adopting the non-tariff trade barrier through halal certification. However, after the economic crisis subsided, concerns about maintaining public trust in the non-tariff trade barrier became more pressing.

Society-centered and state-centered approaches were two mutually complementary considerations in carrying out a trade barrier policy against imports of chicken leg quarters from the US. The country's considerations in implementing its trade barrier were also based on material reasons. However, this research unveiled that Indonesia's primary consideration for implementing a trade barrier policy for chicken leg quarters imports from the US was the immaterial reason for protecting people's beliefs. Thus, the policy of non-tariff trade barriers implemented by the Indonesian Government has been considered weak by the WTO due to subjectivity from the perspective of the Indonesian Government. Hence, Indonesia's non-tariff trade barrier to imports of chicken leg quarters from the US through halal certification only lasted about 17 years, from 2000 to 2017.

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