

Revisiting Bilateral Agricultural Trade : A Literature Review on the Food and Agricultural Trade Dynamics Between Australia and Indonesia

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Abstract: This paper provides a comprehensive literature review on the agricultural trade relationship between Australia and Indonesia. Anchored in their economic complementarity and regional proximity, this bilateral trade has evolved into a strategic partnership. Through a thematic synthesis of recent studies and policy documents, this review highlights key developments, regulatory frameworks, and economic impacts of trade in food and agricultural commodities. The analysis underscores the significance of trade agreements such as the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), the challenges posed by sanitary and phytosanitary (SPS) measures, and the potential of digital innovation and sustainability to shape future trade. This review aims to provide insights for policymakers and researchers by contextualising agricultural trade as a pivotal aspect of regional cooperation and food security.

Keywords: Agricultural trade, Australia, Indonesia, IA-CEPA

1. Introduction

Bilateral agricultural trade between Australia and Indonesia represents one of the most vital economic linkages in the Indo-Pacific region. Australia, endowed with advanced agri-technology and surplus production capacity, exports key commodities such as beef, wheat, and dairy products. Indonesia, on the other hand, with its tropical climate and large consumer base, exports coffee, spices, and palm-based products while relying on imports to ensure food security (Rusak et al., 2021; Ahn and Gnutzmann-Mkrtchyan, 2019). This review examines the key trade drivers, historical milestones, institutional arrangements, and future trajectories of agricultural trade between the two countries.

2. Methodology

A structured literature review (SLR) approach was adopted to synthesise findings from scholarly publications, policy papers, and trade data from 2000–2025. The selection criteria included relevance to the Australia–Indonesia trade context, publication credibility, and policy relevance. Thematic analysis was used to categorise findings into five domains: historical evolution, trade composition, economic impact, policy frameworks, and future challenges.

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3. Historical Evolution of Bilateral Trade

Trade relations between Australia and Indonesia have transitioned from colonial-era exchanges to modern institutional frameworks. Early engagement was influenced by Dutch colonial trade routes, while Australia's post-WWII export orientation shaped its outward economic policies (Dick et al., 2002). The bilateral partnership was institutionalised through frameworks such as the Australia–Indonesia Development Area (AIDA) in the 1990s and culminated in the ratification of the IA-CEPA in 2019 (Heap and Kingsley, 2020). Geography also facilitates trade efficiency, with Australia's proximity to major Indonesian ports reducing logistical costs (IMF, 1994).

Composition and Trade Patterns

Australian Exports

Australia's exports to Indonesia primarily consist of live cattle, boxed beef, wheat, dairy, and horticultural products. These exports respond to Indonesia's food consumption trends and gaps in domestic production (Ahn and Gnutzmann-Mkrtchyan, 2019; Rusak et al., 2021). However, fresh produce and dairy are subject to SPS scrutiny and quota systems.

Indonesian Exports

Indonesia exports niche agricultural commodities such as coffee, cocoa, palm oil, and tropical fruits. These products cater to Australia's diverse food market and support Indonesia's rural export base (Aung, 2012). However, their penetration is limited by quality control and logistics fragmentation.

Trends and Specialisation

Trade remains concentrated in key commodity classes, making it vulnerable to price and demand shocks. Recent efforts under IA-CEPA aim to promote trade diversification and mutual capacity building (Pratama and Yuliana, 2020).

Policy Frameworks and Regulatory Environment

IA-CEPA

The IA-CEPA has created significant trade opportunities by eliminating tariffs and fostering service-sector integration. It includes provisions for skills development, investment protection, and joint innovation (Heap and Kingsley, 2020). However, implementation remains uneven across sectors.

SPS Measures and Technical Barriers

Sanitary and phytosanitary (SPS) measures continue to present hurdles for exporters. Australia faces SPS restrictions on horticulture and dairy products, while Indonesian exporters confront technical barriers and certifications (Disdier and Fontagné, 2010). Harmonisation and mutual recognition remain strategic policy goals.

Trade Facilitation and Exchange Rate Volatility

Trade liberalisation is complicated by exchange rate volatility and import licensing regimes. These policy instruments affect transaction costs and export competitiveness, particularly for price-sensitive commodities (Rahman, 2000).

Economic Impact

Agricultural trade contributes significantly to Australia's GDP and rural employment, particularly through export-driven growth (Rusak et al., 2021). For Indonesia, imports of agricultural staples enhance food price stability and address structural supply deficits (Oktaviani and Drynan, 2000). The multiplier effects of trade include infrastructure development, private investment, and knowledge transfer.

Future Challenges and Opportunities

Sustainability

Both countries face climate risks that threaten agricultural productivity. Australia's exposure to drought and Indonesia's environmental degradation from monoculture expansion require coordinated sustainable practices (Lawrence et al., 2013; Jaffee and Henson, 2004).

Inclusive Trade

To maximise the benefits of trade, both nations must invest in inclusive agricultural development. This includes support for smallholder integration, gender equity, and rural SME participation (Calicioglu et al., 2019).

Digital Innovation

Technological adoption, including blockchain for traceability and digital customs procedures, offers potential to reduce non-tariff barriers and improve transparency (Miao et al., 2020).

4. Conclusion

The Australia–Indonesia agricultural trade relationship has matured through historical ties, institutional agreements, and economic complementarities. While IA-CEPA provides a foundation for deepening cooperation, regulatory disparities and environmental challenges persist. Future trade policies must align economic integration with sustainability, digital transformation, and inclusive growth strategies. This literature review serves as a knowledge base for advancing policy dialogues and research on Indo-Pacific agricultural trade.

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