

## **Analysis of the Application of Mandatory National Standards of Indonesia (SNI) The Case Of SNI for Wheat Flour**

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### **Abstrak**

Nowadays, trade has become more liberalized, tariff has steadily fallen but many of non-tariff barriers (NTBs) to international trade remain or even increase. Regulatory measures such as technical standards on quality offering protection for human, animal, or environment. However, the purpose sometimes blur with the interest of domestic industry. Thus it can be the impediment of trade, which can decrease welfare. Indonesia also has its own standards, the National Standards of Indonesia (SNI).

One of the standards is SNI for wheat flour, which application has been mandatory by Government. The purpose of the regulation is to increase nutritious value of society, however to some extent it is intertwined with the purpose of protecting domestic industry by using SNI as technical barriers, even though it is equally imposed to both domestic and foreign producers.

This thesis shows that until 2006 the application of mandatory SNI for wheat flour in Indonesia did not act as technical barriers, although this thesis shows that the application of mandatory SNI has caused an increase in production cost and transaction cost of both local and foreign wheat flour producers.

The increase in domestic production cost with the raw materials approach calculates only 0.01 percent from total cost of raw material. While the effect of increase in costs for foreign producer, by using quantity of export approach, shows that countries with high export to Indonesia are not strongly affected and they keep on exporting.

Increases in transaction costs come from the certification cost, certification procedures and quality control mechanism. There is around 380% difference in certification fee between domestic and foreign producer. There are also other potential transaction costs that might incur both to domestic producers or importers such as lobbying cost, queuing cost, information cost and even bribery cost.

In average, the quantity of imported wheat after the implementation (2002-2006) increased for around forty percent, although during the first two years of the application it experienced a slight decrease. However, the increase in quantity of Imported wheat flour did not very much influence its market share in domestic market. Data shows that the market share of imported wheat flour did not experience any increase during 2002-2006. On the other hand, the average productions of domestic industry has increased for around fifty percent during 2002-2006, while its market share still take a dominant position with more than eighty percent.

Finally, this research show that the increase in production costs and transaction costs due to the application

of mandatory SNI is not significance in influencing domestic production/ quantity of import and market share.