



## The Government's Strategy to Face the Challenges of Global Trade and the Impact of the Existence of the WTO on Indonesia

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**ABSTRACT-** One of the main objectives of international trade agreements is the replacement that can solve trade problems by the World Trade Organization (WTO), which is present as an international organization that houses efforts to liberalize trade and also makes regulations to organize global trade in order to overcome trade problems that can be done by preventing using trade institutions, the WTO considers it does not have sufficient legitimacy to approve and consider the labor sector transition process. The Indonesian government undertakes a selective control strategy by prioritizing raw materials for supporting export and investment purposes, simplifying ministerial regulations on export-import, intensifying support for regions and industries or export-oriented investment, thereby enabling, facilitating, making agreements, and making plans. regencies) will later enter into the global interaction cell in the WTO working relationship but the absence of approval and coordination in the formulation of each policy and WTO approval is a special problem for Indonesia and the WTO.

**Keywords:** World Trade Organization (WTO), Strategy, Impact

### I. INTRODUCTION

Global or international trade is the exchange of goods and services as well as other factors that cross the borders of a country, and have an impact on the domestic and global economy. Indonesia is a country rich in natural resources in both agriculture and plantations [1]. International trade can occur due to interdependence between one country and another. This dependence is due to the fact that the state cannot fulfill all the needs required by its people, both for consumption and industrial purposes.

One of the main objectives of international trade agreements is to reduce or eliminate trade barriers. Liberalization of world trade with the pattern of international cooperation has positive implications for world economic growth. A good development policy must contain three elements, namely ecological security, livelihood security and food security. A sustainable agriculture is an agricultural system that bases itself on the sustainable use of natural resources (land, water and other biodiversity). But it seems that the liberalization of trade in agricultural products will change the three basic aspects of the ecological resilience policy of an agricultural system and not make agriculture free [2].

The World Trade Organization (WTO) exists as an international organization that houses efforts to liberalize trade and also makes regulations to regulate global trade. The goal is to reduce trade barriers in each country. In March 1994, in Marrakech, Morocco, GATT was renamed to WTO, from a freelance organization to a world organization with a permanent structure.

Furthermore, the most important function of the WTO is to smoothen the implementation of administration and further enhance the objectives of the agreement to form the WTO itself and other agreements related to it. In addition, the WTO will be a negotiation forum for its members in fields related to multilateral trade, a forum for dispute resolution and conducting a review of trade policies.

Indonesia as a country with a large population, on the other hand, has diverse natural and food resources capable of meeting its food needs sovereignty and independently. This condition cannot be realized when free trade (free trade) or trade liberalization (trade liberalization) begins to be applied in international trade which has consequences for Indonesia to follow suit. Free trade or trade liberalization is an economic concept that refers to the ongoing sale of products between countries without being subject to export-import taxes or other trade barriers [2].

In macro-economic theory, the relationship between exports and the level of economic growth or national income is an identity equation because exports are part of the level of national income.

However, in development economic theory, the relationship between the two variables is an interesting special case to be discussed, especially on an empirical plane. In the perspective of development economic theory, the problem of the relationship between the two variables is not focused on the problem of identity equality itself, but is more focused on the problem, whether exports for a country are able to drive the economy as a whole and ultimately result in prosperity for society [3].

It is hoped that free trade or regional cooperation can lead to efficiency and increase welfare. It cannot be denied that trade cooperation will also increase competition among members. However, if this is addressed wisely, the benefits that can be obtained include increased specialization and increased trade itself. With the comparative advantage of each country, each country can focus on the production of goods that have a comparative advantage so that there will be a reallocation of production factors.

In the end, it will create a balance of cheaper prices and more output so as to provide greater welfare to the countries involved. [4]. It is interesting to see the Government's Strategy in facing the Global Trade Challenge and the Impact of the WTO on Indonesia.

### **The role of the WTO in global trade**

In essence, the WTO multilateral trade cooperation agreement can be defined as the result of a free trade agreement on the exclusive rights of signatory countries in formulating and implementing trade policies in an open economic system. In this era of globalization, people see the world as a single place, especially in the trade sector. Since the entry into force of the WTO, every trade law, policy and or action must refer to and be guided by the WTO Agreement. In other words, the WTO agreement is also an agreement from the international community regarding the standardization of policy-making, legislation and trade measures [4].

The implementation of GATT / WTO, there was a change in the policy orientation from Inward Looking to Outward Looking, which brought various consequences for all parties, both for the government and for the business world to be more persistent in facing competition. All of these require increasing various efforts, including increasing activities in international trade relations in order to secure national policies in the trade sector, particularly the implementation of export-import.

The trading system within the framework of the WTO is a rule-based system with mutually agreed upon multilateral agreements which are integrated and single undertaking. This includes the existence of a single unit in the dispute resolution system with a higher level of effectiveness compared to most other international organizations.

The multilateral trading system with the complexity of rules and disciplines contained in the WTO agreements requires a correct and comprehensive understanding, not only for the purpose of increasing intellectual knowledge but for dealing with problems that arise and are increasing in international trade relations, especially those that related to Indonesia. Included in this relationship are efforts to create a trade system that is fairer and more balanced in trade relations between nations in the world.

Besides that, according to Van den Bossche et al [5] the deepening of WTO law is very relevant in the midst of the global economic crisis that has hit the world, the issue of global warming and the rise of free trade agreements between member countries. The WTO as a multilateral organization can provide solutions and arrangements for the linkages between international trade and problems currently facing the world.

### **Position and Strategy of the Government of Indonesia**

If we look at the current phenomenon, the use of the WTO multilateral trading system by Indonesia since 2010 shows a continuing downward trend. Law No. 7/1994 regarding the ratification of the WTO Agreement is increasingly being neglected. WTO multilateral trade provisions are no longer even a consideration in the formulation of national economic policies. On the other hand, the use of the trade aspect as an instrument to pursue the objectives and mission of national policies has not been carried out in an integrated manner.

There is still a general understanding that WTO provisions are not an integral part of the system, but are instead considered an external disturbance that endangers national interests. In the Trade Related Investment Measures / TRIMS Committee Session which is held twice a year at the WTO, Indonesia has dominated the session agenda several times in a row, namely in 2015 and 2016.

Indonesia has tied 1,341 tariff lines for agricultural products (9 digits) in the WTO. The average (mode) for the tariff is 40 percent, except for rice (bound rate 160%), sugar (95%), alcoholic drinks (150%) and milk (210%). Only two commodities that get SSG (special safeguard), namely milk and cloves, but it is not clear whether the importance of these two types of commodities is chosen. With SSG, the government can stop imports when the volume of imports has passed or the price drops to a level of concern (import surging).

Indonesian trade appears to be concentrated in petroleum and manufactured products. In addition, the agricultural sector appears to be weakly "exposed" to trade, contributing very little to total exports and imports, a result of Indonesia's diversification of exports towards product manufacturing [6]. However, the problem is that the government has never used the government and does not take advantage of this potential with the rates used (applied rates) much lower than the numbers bound in the WTO [7].

According to Kadarukmi [8], the government's position, especially in providing support in terms of political and legal aspects in bilateral, regional and multilateral forums, is very much needed to develop market penetration activities. The active role of the government, for example in the GATT / WTO forum is one of the important things. Coupled with lobbying efforts bilaterally. This role is expected to reduce or counteract pressure from the governments of developed countries on Indonesia's export activities.

### **Government of Indonesia Strategy**

To face the challenges of global trade, the strategy carried out by the government according to the Directorate General of International Trade Negotiations (2019) is ratifying 13 agreements that conclude and completing 11 international trade agreements. Selectively controlling imports by prioritizing supporting raw materials for export and investment purposes, intensifying support for regions and industries or export-oriented investment. he said. Simplify ministerial regulations on export-import.

Then the increase in the role of free trade agreement centers (FTA centers) in five regions, namely Jakarta, Bandung, Surabaya, Makassar and Medan in the context of utilizing the FTA / CEPA which is already in the implementation stage. The next step is to intensify trade missions to non-traditional markets and use of trade agreements, as well as the foreign trade representative (attaché / ITPC) to be more active as a business agent [9].

The medium-term strategy is the settlement of trade disputes in the dispute settlement body (DSB) of the WTO in order to secure Indonesian trade policies and access to products abroad and to optimize the use of Trade Remedies instruments in order to protect domestic industries including safeguarding export barriers in foreign markets.

Economic integration is also needed, regional economic integration is a process in which several economies in a region agree to remove barriers and facilitate the flow of goods, services, capital and labor. Reducing and even eliminating tariffs and non-tariff barriers will accelerate regional economic integration in line with the smooth traffic of goods, services, capital and labor. With trade liberalization, both international and regional, trade barriers can be reduced and even eliminated.

Then another need, namely economic diplomacy to achieve economic prosperity, has become an increasingly important part of foreign policy in various countries, and one part of this economic diplomacy is trade diplomacy.

Foreign trade is one of the important variables of economic growth in an economy; It is not surprising that all countries strive to promote trade cooperation with the aim of stimulating economic growth. The ease with which this goal can be achieved by encouraging domestic exports and reducing the volume of imports as understood by mercantilist economists.

On the other hand, an increasingly open trade policy, as currently implemented by Indonesia, has increased the risk of external shocks to the domestic economy, particularly to the welfare of the Indonesian people. How big the impact will be channeled, and through which route, is an empirical question that is important to know, both for business people, and also for the government, especially in designing policies [10]. Negotiations critical to success in facilitating trade in the WTO, including binding commitments to specific trade facilitation measures, will support ongoing unilateral efforts to improve trade-related procedures and systems [11].

Nezky [12] another thing is related to the international trade tax (PPI), changes in the DJI (Dow Jones Industrial Average) play a more important role in explaining changes in PPI compared to JCI, EXCRATE (exchange rate), and IP (Production Index). The financial crisis that hit the United States (US) could lead to a global recession and this was due to the significant role of the United States in the world economy. The economy of the United States of America is one of the largest economies in the world. This is reflected in the value of its GDP which reached USD 15.5 trillion at the end of 2011 or a quarter of the total world GDP. The United States trade balance is always in deficit.

This is due to the high population of the United States, which reaches 306 million, so that the demand for clothing, food and shelter is high. On the other hand, three-quarters of the population work in the tertiary sector (service industry) and not in the secondary sector (manufacturing industry) or the primary sector (mining, fisheries and agriculture), so they cannot meet the high domestic primary needs.

Although Indonesia is not the main country of origin for imports from the United States, Indonesia is one of the main countries of origin for imports from the United States for natural rubber, crude oil and bauxite aluminum, industrial organics chemicals, refined tin and aluminum products, rubber processed products, and processed products. palm oil, fishery products, and textiles.

### **The impact of the existence of the WTO for Indonesia**

The possible impact that the WTO will have on governance in Indonesia will be greatly influenced by the role determined by the central government. This relates to the prevailing laws and regulations regarding foreign relations, security issues, finance handled by the center, relating to financial matters regulated by permits from foreign countries to the state to obtain funds from bilateral or multilateral work. Apart from that, parts of the global community will not stop with the construction of these laws.

There are so many loopholes that could allow the development of cooperative trade relations, which helps to be aware of the central government. It must be accepted, slowly but surely the regions (any province, city / district), will enter into the global cell that is supported in the WTO working relationship. This is related to instruments issued by the global regime which is a collection of world giant corporations (TNCS / MNCs) that control the economic development path, namely finance (finance) which is controlled by the money market, trade (trade) which is managed by the SAP (structural adjustment) program) WTO [13].

The WTO is the only international organization that regulates international trade and currently consists of 154 member countries. Established since 1995, the WTO runs based on a series of agreements negotiated and agreed upon by a large number of countries in the world and ratified by parliament. The purpose of the WTO agreements is to assist goods and service producers, exporters and importers in carrying out their activities. Indonesia has not optimally utilized its rights as a member of the WTO to encourage exports of domestic products to world markets. There are still many policy instruments which, if properly utilized, will provide great benefits to Indonesia's export policies, particularly the agricultural sector.

Akbar [14] stated that the most substantial problem that arises is the lack of transparency and democratization in the formulation of every policy and agreement in the WTO. Developed countries consolidate themselves to dictate and even unilaterally design and decide the outcome of negotiations without the involvement of developing countries.

In some moments, the delegates of developing countries do not have equal space and authority in making decisions. Decisions in the WTO are often enforced in the form of consensus considering that the voting or voting model will clearly corner the position of developed countries which are outnumbered by developing countries. Even the most controversial is the emergence of the term Green Room.

This term refers to small meetings which are initiated and attended by developed countries only and are held outside the official session agenda. There are four important issues during the World Trade Organization (WTO) intercession meeting initiated by India to discuss informally the continuation of the multilateral trading system managed by the WTO. His party conveyed several other important thoughts such as the multilateral trade system under the auspices of the WTO, which is the only world trade system that exists and has been reliable so far.

It can be obtained an overview that the debate on the implementation of work standards in the realm of industrial and trade liberalization is beyond the authority and scope of work of the WTO. As a trade institution, the WTO is considered to have insufficient legitimacy to regulate and oversee the dynamic processes of the labor sector.

However, some WTO members from the European Union and North America believe that this issue needs to receive mediation and follow-up from the WTO in some form. The role of the WTO is important to encourage so that doubts and criticisms from the public against the WTO so far can be reduced and the WTO regains its limited credibility to carry out the trade liberalization project.

The government remains optimistic that membership in the World Trade Organization (WTO) will continue to benefit Indonesia in international trade, even though it has disputed a number of WTO recommendations. The benefits of being a member of the WTO are greater than not being involved at all. One of the proposals that emerged was the formation of a working group with the task of examining the relevance of labor standards and free trade.

WTO in order to secure Indonesian trade policies and access to products abroad and to optimize the use of Trade Remedies instruments in order to protect domestic industries including safeguarding export barriers in foreign markets.

Economic integration is also needed, regional economic integration is a process in which several economies in a region agree to remove barriers and facilitate the flow of goods, services, capital and labor. WTO multilateral trade provisions are no longer even a consideration in the formulation of national economic policies. On the other hand, the use of the trade aspect as an instrument to pursue the objectives and mission of national policies has not been carried out in an integrated manner.

Reducing and even eliminating tariffs and non-tariff barriers will accelerate regional economic integration in line with the smooth traffic of goods, services, capital and labor. With trade liberalization, both international and regional, trade barriers can be reduced and even eliminated. Then from the perspective of this field, it can be seen that there is a kind of export and import quota policy by the WTO which has the potential to make a country like Indonesia reduce control in regulating domestic trade even though as a sovereign country the government has a big share in determining every policy that encourages local and regional economies to move and grow rapidly.

## II. CONCLUSION

The Indonesian government carries out a selective control strategy by prioritizing raw materials for supporting export and investment purposes, simplifying ministerial regulations on export-import, intensifying support for regions and industries or export-oriented investment, must be in accordance with regional (provincial or city / regency) expectations of the WTO enter the cell. This is an instrument owned by the global which is a collection of the world's giant corporations (TNCS / MNCs) that control the pulse route for economic development. However, there is a discussion discussed in this paper, namely the absence of approval and revision in the formulation of every policy and agreement within the WTO.

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