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International Trade Law and Coffee Supply Chains: Ensuring Fair Pricing and Legal Certainty in Export Markets

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Abstract

International coffee trade plays a strategic role in the global economy, yet it faces complex legal challenges related to market access, regulatory divergence, and sustainability standards. This study examines the effectiveness of international trade law frameworks in governing coffee commodity exports, with particular attention to developing countries such as Indonesia. Using a qualitative approach, this research analyzes key legal instruments including World Trade Organization agreements, bilateral trade arrangements, and certification schemes such as fair trade and geographical indications. The findings reveal that while existing frameworks provide mechanisms for dispute resolution and market integration, significant gaps remain in protecting smallholder farmers and ensuring equitable value distribution. Furthermore, inconsistencies in non-tariff measures and sustainability requirements often create barriers to entry for exporters. The study proposes strengthening legal harmonization, enhancing institutional coordination, and integrating sustainability principles into binding trade regulations to support inclusive and resilient coffee trade systems globally. These reforms are essential to balance economic competitiveness with social justice and environmental protection in international coffee trade governance systems worldwide.

Keywords: International Trade Law, Coffee, Supply Chain, Fair Pricing

INTRODUCTION

The global coffee trade represents a strategic sector within the international economic system, particularly for developing countries such as Indonesia, where coffee serves as a key export commodity. Beyond its role as a widely consumed beverage, coffee contributes significantly to foreign exchange earnings, rural employment, and local

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economic development. According to the International Coffee Organization, global coffee demand has steadily increased due to rising consumption in both developed and emerging markets, creating substantial opportunities alongside regulatory and structural challenges (International Coffee Organization, 2022). However, the expansion of international coffee trade is accompanied by complex legal issues, particularly concerning price volatility, unequal value distribution, and regulatory uncertainty in export markets.

Within the framework of international trade law, the World Trade Organization plays a central role in governing cross-border trade, including coffee commodities. Agreements such as the General Agreement on Tariffs and Trade (GATT) and the Agreement on Agriculture establish the legal basis for trade liberalization and tariff reduction. Nevertheless, in practice, many countries continue to impose non-tariff measures, including sanitary and phytosanitary standards, environmental certifications, and technical regulations that often act as barriers to entry for coffee exporters from developing countries (Hoekman & Kostecki, 2009). These measures contribute to unequal market access and exacerbate disparities between producers and downstream actors in global coffee supply chains.

A critical issue within coffee supply chains is the lack of fair pricing mechanisms. Smallholder farmers, who produce the majority of the world's coffee, frequently occupy a weak bargaining position relative to multinational corporations and global buyers. As a result, value distribution within the supply chain remains highly uneven, with a disproportionate share of profits captured by actors in the downstream segments, such as processors, roasters, and retailers (Talbot, 2004). In response, certification schemes such as fair trade and organic labeling have emerged to promote more equitable trading relationships. However, their effectiveness remains contested due to limited market coverage and the relatively high costs of certification, which can exclude small-scale producers (Raynolds, 2009).

In addition to pricing concerns, legal certainty constitutes a major challenge in international coffee trade. Legal uncertainty may arise from differences in national regulations, frequent policy changes, and the lack of harmonization across legal systems. As noted by Jackson (2013), a stable international trading system depends on predictability and legal clarity to ensure that economic actors can operate with reduced risk. Without such certainty, exporters face increased transaction costs and heightened exposure to trade disputes, which may ultimately hinder market expansion and investment. In this regard, bilateral and regional trade agreements play a significant role in bridging regulatory gaps and facilitating smoother trade relations.

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Furthermore, sustainability has become an increasingly important dimension in the governance of global coffee trade. Consumers, particularly in developed markets, are demanding products that meet environmental and social standards, including ethical sourcing and environmentally friendly production methods. This has led to the proliferation of sustainability standards and certification systems that exporters must comply with to remain competitive. However, compliance with these standards often imposes additional financial and technical burdens on producers in developing countries, raising concerns about inclusivity and fairness (Ponte, 2012). Therefore, there is a pressing need for legal frameworks that not only regulate trade but also integrate sustainability principles in a balanced and equitable manner.

In the context of Indonesia, the challenges of international coffee trade are further intensified by structural constraints. The sector is largely dominated by smallholder farmers who often lack access to advanced technology, financial resources, and market information. Although Indonesia is recognized as one of the world's leading coffee producers, its export competitiveness is hindered by inconsistent product quality, limited access to high-value markets, and insufficient legal protection for geographical indications of local coffee varieties (Neilson et al., 2018). Strengthening legal protection for geographical indications could enhance product differentiation and increase the value of Indonesian coffee in global markets.

Moreover, globalization and digital transformation are reshaping coffee supply chains. The rise of digital trade platforms and e-commerce has created new opportunities for direct market access, allowing producers and exporters to engage more efficiently with international buyers. At the same time, these developments introduce new legal challenges related to cross-border transactions, consumer protection, and data security. Consequently, international trade law must evolve to address these emerging issues and ensure that regulatory frameworks remain effective in the digital economy (Baldwin, 2016).

In conclusion, international coffee trade operates at the intersection of economic opportunity and complex legal challenges. Issues related to fair pricing and legal certainty are central to the development of a more equitable and sustainable coffee supply chain. Addressing these challenges requires strengthening international legal frameworks, enhancing regulatory harmonization, and promoting inclusive policies that protect smallholder farmers while ensuring market efficiency. This study is therefore গুরুত্বপূর্ণ in examining how international trade law can be optimized to support a fair, transparent, and resilient global coffee trade system.

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THEORETICAL REVIEW

The theoretical foundation of this study is rooted in the intersection of international trade law, global value chain theory, and institutional economics, which together provide a comprehensive lens for understanding the governance of coffee supply chains in global markets. The increasing complexity of cross-border coffee trade necessitates a multidimensional theoretical approach that captures legal structures, economic relationships, and power asymmetries among actors. In this context, institutions such as the World Trade Organization serve as the primary regulators of international trade, establishing norms and rules that shape the behavior of states and market participants.

From the perspective of international trade law, the classical framework is largely derived from principles embedded in agreements under the World Trade Organization, particularly the General Agreement on Tariffs and Trade (GATT), the Agreement on Agriculture (AoA), and the Sanitary and Phytosanitary (SPS) Agreement. These legal instruments are designed to promote trade liberalization, reduce tariffs, and ensure non-discriminatory treatment among member states (Jackson, 2013). The principle of Most-Favored-Nation (MFN) and National Treatment are central to ensuring fairness in international trade. However, while these principles aim to create a level playing field, critics argue that they often fail to address structural inequalities between developed and developing countries, particularly in agricultural commodities such as coffee (Hoekman & Kostecki, 2009).

Complementing the legal framework is the Global Value Chain (GVC) theory, which provides insights into how value is created, distributed, and captured across different stages of production and trade. According to Gereffi et al. (2005), GVC analysis highlights the governance structures that determine the allocation of resources and profits among actors in the supply chain. In the case of coffee, the value chain is characterized by a buyer-driven structure, where multinational corporations and large retailers exert significant control over pricing, quality standards, and market access. This asymmetry often places smallholder farmers in developing countries, including Indonesia, at a disadvantage, limiting their ability to capture a fair share of the final product value (Talbot, 2004).

The concept of fair pricing within the coffee supply chain can be further examined through the lens of distributive justice and ethical trade theories. Distributive justice emphasizes the equitable allocation of resources and benefits among stakeholders, while ethical trade focuses on ensuring that production processes adhere to social and environmental standards (Raynolds, 2009). Fair trade certification systems emerged as practical applications of these theories, aiming to provide minimum price guarantees and social premiums to producers. However, empirical studies suggest that the benefits of such

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schemes are unevenly distributed and often insufficient to significantly improve the livelihoods of smallholder farmers (Ponte, 2012). This raises important questions about the effectiveness of voluntary standards in addressing systemic inequalities in global trade.

Institutional economics offers another important perspective by emphasizing the role of formal and informal institutions in shaping economic behavior and outcomes. North (1990) defines institutions as "the rules of the game" that structure interactions among individuals and organizations. In the context of international coffee trade, formal institutions include trade agreements, national regulations, and certification standards, while informal institutions encompass norms, trust, and business practices within the supply chain. Strong institutions are essential for reducing transaction costs, mitigating risks, and enhancing legal certainty. Conversely, weak or fragmented institutional frameworks can lead to inefficiencies, opportunistic behavior, and increased vulnerability for smaller market participants.

Legal certainty, as a core concept in international trade law, is closely linked to the predictability and stability of legal rules governing trade. According to Jackson (2013), legal certainty is fundamental for fostering confidence among investors and traders, as it reduces ambiguity and facilitates long-term planning. Inconsistent application of trade regulations, frequent policy changes, and lack of transparency can undermine legal certainty and create barriers to market entry. This is particularly relevant for coffee exporters from developing countries, who must navigate a complex web of domestic and international regulations, including quality standards, certification requirements, and customs procedures.

Another relevant theoretical perspective is the theory of non-tariff barriers (NTBs), which has gained prominence in the post-tariff liberalization era. NTBs include a wide range of regulatory measures such as technical standards, labeling requirements, and environmental regulations that can restrict trade flows. While these measures are often justified on legitimate grounds such as consumer protection and environmental sustainability, they can also function as disguised protectionism (Baldwin, 2016). For coffee exporters, compliance with NTBs can be costly and technically demanding, particularly for small-scale producers with limited resources. This highlights the need for capacity-building and technical assistance to ensure that developing countries can effectively participate in global trade.

Sustainability theory also plays a critical role in shaping contemporary discussions on coffee trade. The triple bottom line framework economic, social, and environmental sustainability has become a guiding principle for evaluating the performance of global supply chains. Consumers and regulators increasingly demand that coffee production adheres to sustainable practices, including biodiversity conservation, fair labor conditions,

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and reduced carbon emissions. As a result, sustainability standards and certifications have become integral components of market access. However, the proliferation of multiple standards can create confusion and increase compliance costs, particularly for producers in developing countries (Ponte, 2012).

In the specific context of Indonesia, the theoretical integration of GVC and institutional approaches is particularly relevant. The Indonesian coffee sector is characterized by fragmented production systems, limited access to finance, and varying levels of institutional support. Neilson et al. (2018) argue that upgrading within global value chains requires not only improvements in product quality but also enhanced institutional coordination and governance. This includes strengthening farmer cooperatives, improving access to market information, and enhancing legal frameworks for protecting intellectual property rights such as geographical indications.

Furthermore, the emergence of digital trade introduces new theoretical considerations related to e-commerce and digital governance. Digital platforms can reduce transaction costs, increase market transparency, and facilitate direct trade relationships between producers and consumers. However, they also raise issues related to data governance, cybersecurity, and cross-border regulatory harmonization (Baldwin, 2016). Integrating digital trade considerations into existing legal frameworks is therefore essential for ensuring that the benefits of technological innovation are equitably distributed.

In summary, the theoretical review highlights the importance of integrating multiple perspectives to understand the complexities of international coffee trade. International trade law provides the legal foundation for market governance, while global value chain theory reveals power dynamics and value distribution. Institutional economics underscores the role of rules and governance structures in shaping outcomes, and sustainability theory emphasizes the need for socially and environmentally responsible trade practices. Together, these theoretical frameworks offer a comprehensive basis for analyzing how fair pricing and legal certainty can be achieved in global coffee supply chains.

METHOD

This study employs a qualitative research approach to analyze the role of international trade law in ensuring fair pricing and legal certainty within global coffee supply chains. A doctrinal and conceptual legal analysis is used to examine key legal instruments under the World Trade Organization framework, including GATT and the Agreement on Agriculture, as well as relevant bilateral and regional trade agreements. In addition, this research applies a literature review method by synthesizing academic publications, policy reports, and institutional documents from the International Coffee

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Organization and other credible sources published after 2010. The study also adopts a case-oriented perspective focusing on Indonesia to contextualize legal and institutional challenges faced by coffee exporters. Data are analyzed using thematic analysis to identify patterns related to pricing mechanisms, regulatory barriers, and legal harmonization. This approach allows for a comprehensive understanding of the interaction between legal frameworks and global coffee trade practices.

RESULTS AND DISCUSSION

The findings of this study reveal that the governance of international coffee trade is shaped by a complex interaction between legal frameworks, market structures, and institutional capacities. While formal regulations under the World Trade Organization provide a foundational structure for global trade, their practical implementation often falls short in ensuring fair pricing and legal certainty, particularly for developing countries such as Indonesia. This section discusses key results in relation to pricing disparities, regulatory barriers, institutional challenges, and emerging sustainability and digital trade dynamics.

One of the most significant findings concerns the persistence of unequal value distribution within global coffee supply chains. Despite the liberalization of trade under WTO agreements, market power remains concentrated among multinational buyers, roasters, and retailers. These actors exert significant influence over global coffee prices, often leaving smallholder farmers with minimal bargaining power. Empirical evidence indicates that producers typically receive only a small fraction of the final retail price of coffee, reinforcing structural inequalities in the supply chain. This supports the argument advanced by global value chain theory that coffee is a buyer-driven commodity chain, where downstream actors capture the majority of value (Talbot, 2004). Consequently, fair pricing mechanisms remain weak, and existing legal frameworks do not sufficiently address this imbalance.

In response to these disparities, voluntary certification schemes such as fair trade and sustainability labeling have emerged as alternative governance mechanisms. While these initiatives aim to improve price stability and ensure minimum income levels for farmers, the findings suggest that their impact is limited. Certification often requires compliance with complex standards and incurs additional costs, which can exclude smaller producers. Moreover, the fragmented nature of certification systems leads to inconsistencies in implementation and limited market penetration. As a result, these schemes function more as niche market solutions rather than comprehensive tools for systemic change. This highlights the need for stronger integration of fair pricing principles into binding international legal frameworks rather than relying solely on voluntary mechanisms.

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Another critical issue identified in this study is the prevalence of non-tariff barriers (NTBs) in international coffee trade. Although tariff rates on coffee are generally low due to trade liberalization efforts, exporters face increasing challenges in meeting technical, sanitary, and environmental standards imposed by importing countries. These regulations, while often justified on public health and sustainability grounds, can act as disguised trade barriers. For exporters from Indonesia, compliance with such standards requires significant investment in quality control, certification, and traceability systems. Smaller producers, in particular, struggle to meet these requirements, leading to exclusion from high-value markets.

The findings further indicate that legal certainty remains a major concern for stakeholders in the coffee supply chain. Differences in regulatory regimes across countries, coupled with frequent policy changes, create an unpredictable trading environment. While the dispute settlement mechanism under the World Trade Organization provides a formal avenue for resolving trade conflicts, its effectiveness is often limited by procedural complexity and power asymmetries between countries. Developing countries may lack the legal and financial capacity to engage effectively in dispute resolution processes, thereby weakening their ability to defend their trade interests. This situation undermines confidence among exporters and discourages long-term investment in the coffee sector.

In the Indonesian context, the study finds that structural and institutional constraints further exacerbate these challenges. The coffee sector in Indonesia is dominated by smallholder farmers who operate with limited access to finance, technology, and market information. This limits their ability to upgrade within the global value chain and capture higher value segments. Additionally, the lack of strong institutional coordination among government agencies, cooperatives, and private sector actors hinders the effective implementation of trade policies. Although efforts have been made to promote geographical indications (GI) for Indonesian coffee, legal protection and international recognition remain limited. Strengthening GI frameworks could enhance product differentiation and provide legal protection against misuse in global markets.

Sustainability has emerged as a double-edged factor in international coffee trade. On one hand, sustainability standards create opportunities for producers to access premium markets and improve environmental and social practices. On the other hand, the proliferation of multiple and often overlapping standards increases compliance costs and creates confusion among producers. The findings suggest that without harmonization, sustainability requirements may inadvertently reinforce inequalities by favoring larger producers who have greater resources to comply. Therefore, integrating sustainability into

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formal trade agreements in a balanced and inclusive manner is essential to ensure that smallholder farmers are not left behind.

The study also highlights the growing importance of digitalization in reshaping coffee supply chains. Digital platforms and e-commerce systems offer new opportunities for direct trade, enabling producers to bypass intermediaries and access global markets more efficiently. For instance, digital traceability systems can enhance transparency and build consumer trust by providing detailed information about the origin and production of coffee. However, the adoption of digital technologies also introduces new legal challenges related to data protection, cybersecurity, and cross-border regulatory compliance. Existing international trade laws have yet to fully address these issues, creating gaps in governance that need to be addressed.

From a theoretical perspective, the findings confirm the relevance of integrating international trade law with global value chain analysis and institutional economics. Legal frameworks alone are insufficient to address the complexities of global coffee trade without considering power dynamics and institutional capacities. Effective governance requires a holistic approach that combines legal reform with capacity-building initiatives, institutional strengthening, and inclusive policy design. This includes enhancing the role of producer cooperatives, improving access to market information, and providing technical assistance to help smallholders comply with international standards.

Furthermore, the study emphasizes the need for greater regulatory harmonization at the international level. Aligning standards and reducing regulatory fragmentation can lower compliance costs and facilitate smoother trade flows. Regional trade agreements and bilateral partnerships can play a crucial role in this regard by addressing specific trade barriers and promoting mutual recognition of standards. In addition, strengthening the role of international organizations such as the International Coffee Organization can support dialogue and coordination among producing and consuming countries.

In conclusion, the results demonstrate that achieving fair pricing and legal certainty in international coffee trade requires a multifaceted approach. While existing legal frameworks provide a necessary foundation, they must be complemented by institutional reforms, sustainability integration, and technological adaptation. Addressing structural inequalities within the supply chain is essential to ensure that the benefits of global trade are distributed more equitably. For countries like Indonesia, strengthening domestic institutions and enhancing participation in global governance processes will be critical for improving competitiveness and securing a more favorable position in the global coffee market.

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CONCLUSION

In conclusion, this study demonstrates that international coffee trade is governed by a complex interplay of legal frameworks, market dynamics, and institutional capacities. While the regulatory system established under the World Trade Organization provides a fundamental basis for trade liberalization and dispute settlement, it remains insufficient in addressing structural inequalities within global coffee supply chains. The persistence of unfair pricing mechanisms and the dominance of downstream actors highlight the limitations of existing legal instruments in ensuring equitable value distribution.

Furthermore, the proliferation of non-tariff barriers and sustainability standards, although often justified, continues to create significant challenges for exporters, particularly from developing countries such as Indonesia. Legal uncertainty arising from regulatory fragmentation and inconsistent enforcement further exacerbates these constraints, reducing market predictability and investment confidence.

To address these issues, a more integrated approach is required, combining legal harmonization, institutional strengthening, and inclusive sustainability policies. Enhancing the role of international cooperation and improving domestic governance structures are essential to support smallholder farmers and ensure fair participation in global markets. Ultimately, achieving fair pricing and legal certainty is crucial for building a more just, resilient, and sustainable global coffee trade system.

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