International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Legal Framework of International Trade and Its Impact on Indonesia's Export Commodity Competitiveness

Cory Kartika Putri[1], Ahmad Nuradi[2], Wachid Maulana[3], Andi Adri Agus[4], Annie Myranika[5]

[1] Magister Ilmu Hukum; Syekh-Yusuf Islamic University, Tangerang - Banten
[2] Magister Ilmu Hukum; Syekh-Yusuf Islamic University, Tangerang - Banten
[3] Magister Ilmu Hukum; Syekh-Yusuf Islamic University, Tangerang - Banten
[4] Magister Ilmu Hukum; Syekh-Yusuf Islamic University, Tangerang - Banten
[5] Magister Ilmu Hukum; Syekh-Yusuf Islamic University, Tangerang - Banten

E mail : Cory_kartika@yahoo.com ahmadnuradi17@gmail.com wachidmaulana0@gmail.comandiardiagus9@gmail.com, amyranika@unis.ac.id

Abstract

This study examines the legal framework of international trade and its impact on the competitiveness of Indonesia's export commodities in the global market. As global trade becomes increasingly regulated through multilateral agreements, regional trade frameworks, and national policies, legal structures play a crucial role in shaping market access, trade efficiency, and competitive advantage. This research adopts a normative juridical approach, analyzing international trade agreements, domestic regulations, and relevant legal doctrines affecting Indonesia's export performance. The findings indicate that while international trade law provides opportunities for market expansion, it also imposes regulatory challenges such as compliance with non-tariff measures, sustainability standards, and technical barriers to trade. Indonesian export commodities, including palm oil, fisheries, and agricultural products, often face legal constraints related to environmental regulations, certification requirements, and trade restrictions in importing countries. Furthermore, inconsistencies between national regulations and international obligations may hinder the optimization of export potential. This study highlights the importance of legal harmonization, regulatory reform, and strategic trade policies to enhance Indonesia's export competitiveness. Strengthening institutional capacity and aligning domestic laws with international standards are essential to

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

overcoming legal barriers and maximizing opportunities in global trade. The research contributes to the discourse on the role of law in fostering sustainable and competitive export development.

Keywords: International Trade Law; Export Competitiveness; Indonesian Commodities; Trade Regulations; Non-Tariff Barriers

INTRODUCTION

The evolution of international trade over recent decades has been marked by increasing global economic integration, driven by the liberalization of markets and the expansion of cross-border economic activities. This transformation has been facilitated by the development of international trade law, which provides a structured legal framework to regulate trade relations among nations. Through multilateral agreements and institutional mechanisms, international trade law ensures predictability, transparency, and fairness in global commerce. As a result, countries are better positioned to participate in global markets, although they must also comply with increasingly complex regulatory requirements (World Trade Organization [WTO], 2023).

In this context, export competitiveness has emerged as a crucial determinant of a country's economic performance in the global market. Export competitiveness refers to the ability of a country to produce and market goods that meet international standards while maintaining efficiency and profitability. Indonesia, endowed with abundant natural resources, possesses significant potential in export commodities such as palm oil, fisheries, and agricultural products. However, despite this potential, Indonesia's export performance has not been fully optimized due to various structural and regulatory constraints. Studies suggest that export competitiveness is not solely determined by production capacity but is also heavily influenced by regulatory compliance and alignment with international standards (UNCTAD, 2021).

The international trade legal framework, particularly under the multilateral trading system governed by the WTO, plays a dual role in shaping export performance. On one hand, it provides opportunities for market access through principles such as non-discrimination, most-favored-nation treatment, and tariff reduction. On the other hand, it imposes obligations that require exporting countries to adhere to a wide range of legal and technical standards. These include sanitary and phytosanitary measures, technical barriers to trade, and environmental regulations. Research indicates that the increasing

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

complexity of global trade regulations poses significant challenges for developing countries in maintaining their export competitiveness (Hoekman & Kostecki, 2009).

One of the most significant challenges in contemporary international trade is the proliferation of non-tariff measures (NTMs). Unlike tariffs, which have generally declined due to trade liberalization, NTMs have become more prominent as regulatory instruments. These measures include product standards, certification requirements, labeling rules, and environmental regulations. While NTMs are often justified on the grounds of safety and quality assurance, they can also function as disguised trade barriers. For Indonesia, the implementation of NTMs by importing countries has had a substantial impact on export performance, particularly for commodities that require strict compliance with international standards. Empirical studies confirm that NTMs significantly affect the trade flows of developing countries, including Indonesia (Cadot et al., 2018).

In addition to regulatory barriers, sustainability concerns have become increasingly influential in shaping global trade policies. Developed countries, in particular, have introduced stringent environmental standards that exporting countries must meet. These standards are especially relevant for natural resource-based commodities, which are often associated with environmental and social impacts. Indonesian palm oil, for example, has faced various restrictions in international markets due to concerns over deforestation and sustainability practices. While such measures aim to promote environmentally responsible trade, they also create additional compliance challenges for exporters. Studies suggest that sustainability-related regulations can serve both as barriers and as incentives for improving product quality and environmental performance (OECD, 2020).

Another critical issue in enhancing export competitiveness is the alignment between domestic regulations and international legal obligations. Inconsistencies between national policies and international commitments can lead to legal uncertainty and undermine the credibility of a country's trade regime. In Indonesia, efforts to reform trade policies and harmonize regulations with international standards have been undertaken to improve trade efficiency and competitiveness. However, challenges remain in ensuring consistent implementation across different sectors and levels of governance. Research indicates that regulatory harmonization is essential for reducing trade costs and enhancing participation in global markets (Evenett & Fritz, 2019).

Institutional capacity also plays a vital role in the effective implementation of international trade law. Strong institutions are necessary to enforce regulations, facilitate trade processes, and support exporters in meeting international requirements. In many developing countries, including Indonesia, limitations in institutional capacity, such as

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

inadequate coordination among agencies, limited technical expertise, and bureaucratic inefficiencies, can hinder the effective utilization of trade opportunities. Studies highlight that strengthening governance and institutional frameworks is a key factor in improving export performance and competitiveness (Rodrik, 2018).

Furthermore, the emergence of the digital economy has introduced new dimensions to international trade, influencing how export commodities are marketed, distributed, and regulated. Digital platforms enable businesses to access global markets more easily, reducing barriers to entry and expanding opportunities for small and medium enterprises. However, digital trade also requires the development of appropriate legal frameworks to address issues such as data protection, cybersecurity, and digital transactions. Research suggests that adapting legal frameworks to accommodate digital transformation is essential for maintaining competitiveness in the evolving global trade environment (UNCTAD, 2021).

In light of these developments, it becomes evident that international trade law plays a strategic role in shaping the competitiveness of Indonesia's export commodities. The interplay between global regulations, domestic policies, and institutional capacity determines the extent to which Indonesia can leverage its export potential. Challenges such as non-tariff measures, sustainability requirements, regulatory inconsistencies, and institutional limitations must be addressed to enhance competitiveness in the global market. Therefore, a comprehensive analysis of the legal framework of international trade and its impact on Indonesia's export commodity competitiveness is essential for identifying strategies to optimize export performance and ensure sustainable economic growth.

DISCUSSION

The legal framework of international trade plays a fundamental role in shaping the competitiveness of Indonesia's export commodities in the global market. As international trade becomes increasingly governed by complex rules and standards, the ability of a country to align its domestic regulations with global legal frameworks determines its capacity to compete effectively. Indonesia, as a resource-rich developing country, faces both opportunities and constraints within this evolving legal landscape. The interplay between international obligations, domestic policies, and market dynamics creates a multifaceted environment that directly influences export performance (World Trade Organization WTO, 2023).

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

One of the key dimensions in understanding the impact of international trade law on export competitiveness is market access. The multilateral trading system under the WTO has significantly reduced tariff barriers, enabling countries like Indonesia to expand their export markets. Principles such as most-favored-nation (MFN) treatment and national treatment aim to ensure non-discriminatory access to international markets. However, while tariff barriers have declined, non-tariff measures (NTMs) have become increasingly prominent. These measures, including technical regulations, sanitary and phytosanitary standards, and environmental requirements, often serve as critical determinants of market entry. Empirical evidence suggests that NTMs can have both trade-restrictive and trade-enhancing effects, depending on their design and implementation (Cadot et al., 2018).

For Indonesia, NTMs present a significant challenge, particularly for agricultural and natural resource-based commodities. Export products such as palm oil, fisheries, and agricultural goods must comply with stringent standards imposed by importing countries. These standards often require certification processes, traceability systems, and adherence to environmental and safety regulations. While these requirements aim to protect consumers and the environment, they also increase compliance costs for exporters. Studies indicate that developing countries often face difficulties in meeting these standards due to limited technical capacity and infrastructure, which in turn affects their export competitiveness (Hoekman & Kostecki, 2009).

In addition to NTMs, sustainability-related regulations have emerged as a critical factor influencing global trade. Environmental concerns, particularly in developed economies, have led to the adoption of policies that prioritize sustainable production practices. Indonesian palm oil, for instance, has been subject to various restrictions and certification requirements due to concerns over deforestation and environmental degradation. While such measures promote environmental accountability, they also raise questions about fairness and potential protectionism. Research suggests that sustainability standards can act as both barriers and catalysts, encouraging exporters to improve production practices while simultaneously imposing additional regulatory burdens (OECD, 2020).

Another important aspect of the legal framework is the alignment between domestic regulations and international trade obligations. Regulatory coherence is essential for ensuring that national policies support, rather than hinder, export activities. In Indonesia, efforts have been made to reform trade-related regulations and streamline administrative procedures. However, inconsistencies between national laws and

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

international commitments can create legal uncertainty, discouraging investment and reducing competitiveness. Studies highlight that regulatory harmonization reduces transaction costs and enhances the efficiency of trade processes, thereby improving export performance (Evenett & Fritz, 2019).

Institutional capacity further influences the effectiveness of international trade law in promoting export competitiveness. Strong institutions are necessary to implement trade policies, enforce regulations, and support exporters in navigating complex legal requirements. In Indonesia, challenges such as bureaucratic inefficiencies, limited coordination among government agencies, and inadequate technical expertise can impede the effective application of trade regulations. Research indicates that improving institutional quality and governance is crucial for maximizing the benefits of international trade and enhancing export competitiveness (Rodrik, 2018).

Moreover, the role of trade agreements extends beyond market access to include provisions on intellectual property, investment, and dispute settlement. These agreements provide a legal framework that enhances predictability and reduces risks in international transactions. For Indonesia, participation in regional and bilateral trade agreements offers opportunities to diversify export markets and strengthen economic ties. However, the benefits of such agreements depend on the country's ability to comply with their provisions and leverage them effectively. Studies suggest that developing countries often underutilize trade agreements due to limited awareness and capacity constraints (UNCTAD, 2021).

The digital transformation of global trade also has significant implications for export competitiveness. Digital technologies enable businesses to access international markets more efficiently, reducing transaction costs and expanding opportunities for small and medium enterprises (SMEs). In Indonesia, the growth of digital platforms has facilitated the internationalization of local products, allowing exporters to reach a broader customer base. However, digital trade also introduces new regulatory challenges, including data protection, cybersecurity, and digital taxation. The absence of harmonized global regulations in these areas creates uncertainty for businesses operating in the digital economy (UNCTAD, 2021).

In addition to regulatory challenges, the competitiveness of export commodities is influenced by global value chains (GVCs). Participation in GVCs allows countries to specialize in specific stages of production, enhancing efficiency and competitiveness. However, integration into GVCs requires compliance with international standards and the ability to meet the demands of multinational corporations. Indonesia's participation in

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

GVCs remains limited in certain sectors due to regulatory constraints and infrastructure gaps. Research indicates that improving connectivity, reducing trade costs, and enhancing regulatory frameworks are essential for deeper integration into GVCs (WTO, 2023).

Furthermore, dispute settlement mechanisms under international trade law play a crucial role in maintaining a stable trading environment. The WTO dispute settlement system provides a structured process for resolving trade disputes between member states. For Indonesia, the ability to utilize such mechanisms effectively is important for protecting national interests and addressing unfair trade practices. However, the complexity and cost of dispute settlement procedures can limit access for developing countries. Studies suggest that strengthening legal expertise and institutional capacity is necessary to enhance the effectiveness of dispute resolution in international trade (Hoekman & Kostecki, 2009).

Another dimension that influences export competitiveness is the role of policy coherence and coordination among stakeholders. Effective trade policies require collaboration between government agencies, private sector actors, and international organizations. In Indonesia, the coordination of trade-related policies across different sectors remains a challenge, often resulting in overlapping regulations and inefficiencies. Research highlights that policy coherence is essential for creating a conducive environment for export growth and ensuring the effective implementation of trade strategies (Evenett & Fritz, 2019).

Finally, the dynamic nature of international trade law requires continuous adaptation to emerging global trends. Issues such as climate change, digitalization, and geopolitical shifts are reshaping the global trade landscape, necessitating responsive and flexible legal frameworks. For Indonesia, staying competitive in this environment requires proactive engagement in international trade negotiations, regulatory reforms, and capacity-building initiatives. The ability to anticipate and respond to changes in global trade regulations will determine the long-term sustainability of Indonesia's export competitiveness (OECD, 2020).

CONCLUSION

In conclusion, the legal framework of international trade has a profound impact on the competitiveness of Indonesia's export commodities. While it provides opportunities for market access and economic growth, it also imposes regulatory challenges that must be addressed through effective policy and institutional responses. Key issues such as

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

non-tariff measures, sustainability standards, regulatory harmonization, institutional capacity, and digital transformation shape the overall trade environment. To enhance export competitiveness, Indonesia must adopt a comprehensive approach that integrates legal, economic, and institutional strategies. Strengthening alignment with international trade law, improving governance, and fostering innovation are essential steps toward achieving sustainable and competitive export development in the global market.

REFERENCES

Cadot, O., Gourdon, J., & van Tongeren, F. (2018). Estimating ad valorem equivalents of non-tariff measures: Combining price-based and quantity-based approaches. OECD Publishing. https://doi.org/10.1787/f3cd5bdc-en

Evenett, S. J., & Fritz, J. (2019). Going it alone? Trade policy after three years of populism. Global Trade Alert. https://www.globaltradealert.org

Hoekman, B., & Kostecki, M. (2009). The political economy of the world trading system (3rd ed.). Oxford University Press.

OECD. (2020). Trade and environmental sustainability. Organisation for Economic Co-operation and Development. https://www.oecd.org

Rodrik, D. (2018). What do trade agreements really do? Journal of Economic Perspectives, 32(2), 73–90. https://doi.org/10.1257/jep.32.2.73

UNCTAD. (2021). Digital economy report 2021: Cross-border data flows and development. United Nations. https://unctad.org

World Trade Organization (WTO). (2023). World trade report 2023: Re-globalization for a secure, inclusive and sustainable future. WTO. https://www.wto.org

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.