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ALIGNING INDONESIA'S TRADE REGULATIONS WITH WTO OBLIGATIONS: LEGAL ANALYSIS OF POLICY SPACE AND COMPLIANCE

MENYELARASKAN REGULASI PERDAGANGAN INDONESIA DENGAN KEWAJIBAN WTO: ANALISIS HUKUM RUANG KEBIJAKAN DAN KEPATUHAN

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ABSTRAK

Artikel ini bertujuan menganalisis keterkaitan antara kebijakan publik Indonesia dan keanggotaannya dalam World Trade Organization (WTO), dengan fokus pada bagaimana hukum nasional bertransformasi untuk memenuhi kewajiban internasional dalam sistem perdagangan multilateral. Setelah meratifikasi WTO melalui Undang-Undang Nomor 7 Tahun 1994, Indonesia menghadapi berbagai tantangan dan peluang dalam menavigasi liberalisasi perdagangan global, mulai dari reformasi tarif dan non-tarif, penyesuaian regulasi di sektor jasa dan kekayaan intelektual hingga strategi diplomasi ekonomi dan sengketa dagang internasional. Di satu sisi, keanggotaan WTO memberikan akses pasar yang lebih luas dan mendorong reformasi regulasi domestik sedangkan di sisi lain menuntut konsistensi dengan prinsip-prinsip nondiskriminasi, prediktabilitas, dan persaingan sehat yang dapat membatasi ruang kebijakan nasional. Artikel ini juga menyoroti arah kebijakan perdagangan Indonesia ke depan, termasuk hilirisasi industri, penguatan UMKM, perdagangan digital, dan perdagangan berkelanjutan. Penulis menegaskan bahwa keberhasilan Indonesia di era perdagangan global memerlukan reformasi struktural, diplomasi ekonomi proaktif, serta sinergi antara kepentingan nasional dan komitmen internasional.
***Kata Kunci*: GATS, Hilirisasi, Hukum Internasional, Indonesia, Kebijakan Publik, Liberalisasi Perdagangan, Perdagangan Global, TRIPS, UMKM, WTO**

ABSTRACT

This article aims to analyze the link between Indonesian public policy and its membership in the World Trade Organization (WTO), focusing on how national laws are transforming to meet international obligations within the multilateral trading system. After ratifying the WTO thru Law Number 7 of 1994, Indonesia

faced various challenges and opportunities in navigating global trade liberalization, ranging from tariff and non-tariff reforms, regulatory adjustments in the service and intellectual property sectors, to economic diplomacy strategies and international trade disputes. On the one hand, WTO membership provides wider market access and encourages domestic regulatory reform, while on the other hand, it demands consistency with the principles of non-discrimination, predictability, and fair competition, which can limit national policy space. This article also highlights the future direction of Indonesia's trade policy, including industrial downstreaming, strengthening SMEs, digital trade, and sustainable trade. The author emphasizes that Indonesia's success in the era of global trade requires structural reforms, proactive economic diplomacy, and synergy between national interests and international commitments.
Keywords: GATS, Downstreaming, International Law, Indonesia, Public Policy, Trade Liberalization, Global Trade, TRIPS, MSMEs, WTO

A. INTRODUCTION

Public policy is a series of strategic actions taken by the government to regulate national life, including in the economic sphere. In the context of globalization, this policy cannot be separated from the dynamics of international trade.[1] It needs to be understood that every domestic regulation, from tariff setting to product standards, has a direct impact on Indonesia's economic interactions with other countries.

The World Trade Organization (WTO) serves as a negotiating forum for member countries to formulate global trade rules.[2] In addition, the WTO is responsible for managing trade agreements that have been mutually agreed upon. Essentially, the main function of the WTO is to ensure that trade flows smoothly, predictably, and as freely as possible, and to provide a fair and structured mechanism for resolving trade disputes between countries.

The WTO's organizational structure is hierarchical, with the Ministerial Conference as the highest decision-making body, meeting at least every two years. Below it is the General Council, which performs the day-to-day functions and acts as the Dispute Settlement Body and the Trade Policy Review Body.

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[1] D. Desrinelti, M. Afifah dan N. Gistituati, *Kebijakan Publik: Konsep Pelaksanaan*, JRTI (Jurnal Riset Tindakan Indonesia), Vol.6, No.1 (Juni 2021), p.83–88.

[2] A. N. Nasution, A. Arafah, A. U. Ritonga, D. Puspita, R. Syahdila dan D. Sakuntala, *Peran Organisasi Perdagangan Dunia (WTO) dalam Menjaga Keseimbangan Ekonomi Indonesia*, Trending: Jurnal Manajemen dan Ekonomi, Vol.3, No.2 (Februari 2025), p.13–22.

There is also a specific council that handles trade in goods, services, and intellectual property.[3]

The decision-making process at the WTO is primarily based on the principle of consensus, where a decision is considered valid if no member state formally rejects it. This mechanism ensures that every policy produced has been approved by all parties. Although there are voting options, in practice you rarely find this mechanism, and consensus remains the primary choice.

The most fundamental basic principle of the WTO is non-discrimination, which is divided into Most-Favoured-Nation (MFN) treatment and National Treatment. For Indonesia, the MFN principle ensures that its export products are not discriminated against in the markets of other member countries. You must understand that the principle of national treatment requires imported products to be treated the same as domestic products after entering the market.

Furthermore, the WTO promotes freer trade thru negotiations for the gradual reduction of trade barriers. The principle of predictability is also relevant, as member states bind their tariff commitments. For policymakers, this creates a stable and transparent business environment, enabling long-term planning for Indonesia's export and import activities. The principle of promoting healthy competition is also crucial, with the WTO providing rules against unfair practices such as export subsidies and product dumping. Its relevance to Indonesia is the availability of policy instruments to protect domestic industries. Additionally, you will also see how the WTO promotes development thru flexibility for developing countries to adapt to global rules.

Indonesia's involvement in the multilateral trading system began long before the WTO was formed, specifically as a signatory to the General Agreement on Tariffs and Trade (GATT) since 1950.[4] This early participation demonstrates a historic commitment to the global trading order. Furthermore, Indonesia later became one of the founding members of the WTO when the organization was officially formed on January 1, 1995.

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[3] J. Valencia, *The Role And Authority Of The World Trade Organization (WTO) Towards International Dispute Settlement Seen From The Case Of Indonesia's Nickel Ore Exports With The European Union (EU)*, Jurnal Hukum Sehasen, Vol.10, No.2 (Oktober 2024), p.361–370.

[4] D. Prananda, *Sejarah dan Perkembangan Perdagangan Bebas Internasional,* Dharmasisya, Jurnal Program Magister Hukum FHUI, Vol.2, No.3 (Januari 2023), p.14.

As a form of formal commitment, Indonesia ratified the Agreement Establishing the World Trade Organization thru Law Number 7 of 1994. This legal step serves as the foundation for implementing all WTO agreements into the national regulatory framework. The ratification legally binds Indonesia to a set of rules, rights, and obligations as a member of the multilateral trading system.[5] This regulation serves as the legal framework that integrates all of Indonesia's commitments under the WTO into the national legal system. In other words, any trade policy made after this must align with the principles and rules of the WTO that have been ratified.

Since ratification, Indonesia has actively participated in various negotiation forums, including the ongoing Doha Development Agenda (Doha Round). Its trade policy is also reviewed periodically thru the Trade Policy Review mechanism.[6] Furthermore, Indonesia is implementing the WTO dispute settlement system while continuing to fight for its national interests, signifying a dynamic and strategic role in the global trade arena.

Significant changes have been made to legislation in the areas of customs, intellectual property rights, and sanitation standards. This process demands cross-sectoral coordination among relevant ministries and agencies to ensure that all national regulations do not conflict with binding international obligations. This legal framework also provides a basis for the judiciary to interpret domestic trade disputes related to WTO rules. Despite being bound, Indonesia still has policy space to formulate regulations in the national interest. This flexibility is utilized to protect vulnerable industries and achieve development goals, as long as it does not violate core commitments. Therefore, based on the above background, the author has chosen to conduct research with an article titled "Harmonizing Indonesian Trade Policies with World Trade Organization (WTO) Principles: Between Global Commitment and National Interests."

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[5] E. V. Setyoningsih*, Implementasi Ratifikasi Agreement on Trade Related Aspects of Intellectual Property Right (Trips Agremeent) terhadap Politik Hukum di Indonesia*, Jurnal Penegakan Hukum dan Keadilan, Vol.2, No.2 (September 2021), p.117–129.

[6] U. Ukas, L. Husna, dan Z. Arman, *Kebijakan Perdagangan Internasional dalam Pembangunan Hukum Ekonomi Nasional*, Jurnal Cahaya Keadilan, Vol.11, No.02 (Oktober 2023), p.14–29.

This research uses a normative legal method with a doctrinal approach to analyze the relationship between Indonesian public policy and international obligations within the WTO global trading system.[7] The main focus of this study is on national laws and regulations related to international trade commitments, including Law Number 7 of 1994 as the basis for WTO ratification. Data were obtained thru a literature review of primary legal materials such as WTO agreements (GATT, GATS, TRIPS) and national regulations, as well as secondary legal materials such as academic journals, policy reports, and academic literature. This research is descriptive-analytical, aiming to describe how WTO principles such as non-discrimination and national treatment are adopted in Indonesian positive law. The analysis was conducted systematically to identify normative gaps and policy space that Indonesia still possesses. Thus, this research is expected to contribute conceptually to the formulation of fair, adaptive, and sustainable trade policies in the global era.

B. DISCUSSION

1. Implementation of WTO Regulations in Indonesian Positive Law

After joining the WTO, Indonesia is committed to gradually lowering and binding its import tariffs. This obligation is a fundamental part of the accession package to improve market access and trade predictability.[8] This marks a significant shift from a protectionist regime toward liberalization. Its implementation is carried out thru a tariff reduction schedule covering various product sectors.

Despite being committed to liberalization, Indonesia still maintains protection for sensitive sectors, especially agriculture. This policy is implemented thru Tariff Rate Quotas. Specifically, it allows for a certain quantity of imports at a low tariff, while volumes above the quota are subject to higher tariffs to protect vulnerable domestic producers.[9]

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[7] T. A. S. Negara, *Normative Legal Research In Indonesia: Its Originis And Approaches*, Audito Comparative Law Journal (ACLJ), Vol.4, No.1 (Februari 2023), p.1–9.

[8] H. R. Ibrahim, dan H. Halkam, *Perdagangan Internasional & Strategi Pengendalian Impor*, Lembaga Penerbitan Universitas Nasional (LPU-UNAS), Jakarta, 2021.

[9] V. Azrimultiya, *Peran Kebijakan Pemerintah dalam Ekspor dan Impor pada Sektor Agrikultur dan Manufaktur di Indonesia*, Ikraith-Ekonomika, Vol.8, No.2 (Juli 2025), p.518–533.

The general tariff reduction has increased competition in the domestic market but has also provided cheaper imported raw materials for industry. Over time, Indonesia's tariff policies have continued to evolve beyond WTO commitments. Furthermore, thru Regional Trade Agreements (RTAs), Indonesia often implements deeper tariff cuts, creating increasingly complex and layered tariff structures.[10]

As tariffs decrease, Indonesia is increasingly utilizing Non-Tariff Measures (NTMs) as an instrument for trade regulation. It needs to be understood that NTMs, such as mandatory Indonesian National Standards (SNI), aim to protect consumers and the environment.[11] However, the implementation of this policy also has the potential to become a technical barrier to trade if it is considered more restrictive than necessary to achieve legitimate policy objectives. A prime example is the strict implementation of sanitary and phytosanitary (SPS) policies for imported agricultural products, aimed at preventing the spread of pests and diseases. Meanwhile, Indonesian positive law tends to emphasize the importance of halal certification, which is now a mandatory requirement for many products. This policy, although crucial for the domestic market, is often considered a technical barrier by Indonesia's trading partner countries.

Within the WTO framework, the application of these technical barriers is governed by the Technical Barriers to Trade (TBT Agreement) and the SPS Agreement (Agreement on the Application of Sanitary and Phytosanitary Measures). Indonesia has the right to set technical standards, but you must ensure that these regulations are non-discriminatory and based on scientific justification.[12] Transparency of information and notification to the WTO are key to mitigating potential trade disputes that may arise from these policies.

Next, Indonesia's commitment to trade in services is regulated thru the WTO's General Agreement on Trade in Services (GATS). In this regard,

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[10] W. Azizah dan B. N. Baik, *Memahami Liberalisasi Perdagangan: Dampak dan Implikasinya dalam Konteks Ekonomi Global*, Jurnal Akademik Ekonomi dan Manajemen, Vol.1, No.4 (Desember 2024), p.251–265.

[11] N. Novita, *Strategi Pengembangan Produk Pertanian Indonesia Menghadapi Hambatan Non-Tarif Perdagangan Internasional*, ASA: Agribusiness and Sustainable Agriculture, Vol.1, No.1 (Juni 2025).

[12] S. Sukananda, *Analisis Pengaturan Standardisasi Produk di Indonesia Ditinjau dari Ketentuan Technical Barriers To Trade (TBT) Agreement*, DIVERSI: Jurnal Hukum, Vol.4, No.2 (Desember 2019), p.149–179.

Indonesia has submitted a list of specific commitments detailing the level of market access for foreign service providers. This commitment covers various sectors, such as financial services, telecommunications, and transportation, although it is often still accompanied by limitations to protect national interests.[13] The level of liberalization in the service sector is not uniform across all fields. Sectors like telecommunications and finance show relatively higher levels of openness compared to professional services or education. The government strategically implements limitations, for example, in the form of restrictions on foreign capital ownership or specific qualification requirements for professional workers from abroad.

As time goes on, Indonesia continues to renew its commitments, often thru regional trade agreements that go beyond GATS. The Indonesian government must pay attention to the rapid development of digital services trade, which demands a new regulatory framework. The main challenge for Indonesia is to balance market opening to attract investment with the urgent need to build the capacity and competitiveness of domestic service providers.

In terms of enforcing intellectual property rights, Indonesia, as a WTO member, is obligated to implement the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). This obligation has prompted Indonesia to completely reform its IPR legal framework.[14] This process involves revising and creating new laws covering copyright, patents, trademarks, and trade secrets to align with international protection standards.

Concrete implementation is evident in the amendment of various laws, such as the Patent Law and the Trademark Law, as well as the strengthening of relevant institutions. This has made the role of the Directorate General of Intellectual Property (DJKI) even more vital in the administration of IPR registration and services. This effort is also supported by increasing the capacity of law enforcement officers to combat violations such as product piracy and counterfeiting.

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[13] S. F. Hanifah, A. Azhar, N. Aulia dan F. Rivai, *Komitmen Indonesia dalam Liberalisasi Jasa Telekomunikasi: GATS, AFAS, dan ASEAN+*, Intermestic: Journal of International Studies, Vol.5, No.2 (Mei 2021), p.312–333.

[14] T. I. Erbakan, *Analisis Implementasi The Agreement On Trade-Related Aspects Of Intellectual Property Rights Pasal 31 dan Pasal 31 Bis Terkait Praktik Kebijakan Compulsory License pada Produk Obat Paten di Negara Berkembang,* Skripsi, Universitas Tanjungpura, 2022.

The main challenge in implementing TRIPS is balancing intellectual property rights protection with public interest, particularly in access to medicines. In practice, Indonesia utilizes the flexibility of TRIPS, such as compulsory licensing mechanisms, for health issues. This policy is designed to encourage innovation and technology transfer without sacrificing public access to essential needs such as affordable pharmaceuticals.[15]

Regarding foreign investment, although the WTO does not have a comprehensive investment agreement, Foreign Direct Investment (FDI) policies are closely linked thru the Agreement on Trade-Related Investment Measures (TRIMs). It should be noted that TRIMs prohibit trade-distorting actions, such as local content requirements.[16] Therefore, FDI regulations in Indonesia should not impose such conditions on foreign investors. In line with the spirit of liberalization, Indonesia has reformed its investment policies to attract more FDI, for example, by simplifying licensing and eliminating the Negative Investment List (DNI). This is effectively a form of FDI in the service sector, opening up wider markets for foreign companies.

Nevertheless, Indonesia continues to utilize the existing policy space to regulate FDI in the national interest. In this regard, the Indonesian government still maintains ownership restrictions in strategic sectors. The challenge is to balance creating an attractive investment climate with ensuring that FDI provides maximum benefits to the domestic economy, including thru technology transfer and the creation of quality jobs.

Indonesia's commitment to trade in services is regulated thru the WTO's General Agreement on Trade in Services (GATS). Indonesia has submitted a list of specific commitments detailing the level of market access for foreign service providers. This commitment covers various sectors, such as financial services, telecommunications, and transportation, although it is often still accompanied by

[15] C. S. T. Kansil dan J. J. I. Panelewen, *Menyeimbangkan Kewajiban Global dan Kepentingan Nasional: Dampak Perjanjian TRIPs terhadap Kebijakan Hak Paten di Indonesia*, Jurnal Hukum Lex Generalis, Vol.5, No.4 (April 2024).

[16] A. P. Pratama, *Dampak dari Trims Agreement terhadap Perekonomian Domestik Pasca Reformasi: Kajian Pengembangan Hukum*, Jurnal Hukum, Politik dan Ilmu Sosial, Vol.2, No.4 (Desember 2023), p.257–269.

limitations to protect national interests.[17] The level of liberalization in the service sector is not uniform across all fields. Sectors like telecommunications and finance show relatively higher levels of openness compared to professional services or education. The government strategically implements limitations, for example, in the form of restrictions on foreign capital ownership or specific qualification requirements for professional workers from abroad.

As time goes on, Indonesia continues to renew its commitments, often thru regional trade agreements that go beyond GATS. The Indonesian government must pay attention to the rapid development of digital services trade, which demands a new regulatory framework. The main challenge for Indonesia is to balance market opening to attract investment with the urgent need to build the capacity and competitiveness of domestic service providers.

2. Benefits and Challenges of WTO Membership for Indonesia

The WTO is a multilateral trading organization that aims to create an open, fair, and predictable global trading system. Indonesia has been a member of the WTO since January 1, 1995. Indonesia's participation in the WTO is expected to strengthen the national economic position on the global stage, expand market access, and boost economic growth thru free trade.[18] However, behind these hopes, benefits and drawbacks emerged that had to be faced as a consequence of membership.

Membership in the WTO provides the main benefit of wider market access and predictability for Indonesian export products. Furthermore, Indonesia can leverage the rules-based trading system to avoid discrimination. Additionally, the dispute settlement mechanism allows Indonesia to challenge unfair trade policies of developed countries, creating a more equitable playing field in global trade.[19]

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[17] N. Najmi dan M. Magdariza, *Prinsip Most-Favoured Nation dalam Perdagangan Jasa Menuju Liberalisasi Perdagangan*, UNES Journal of Swara Justisia, Vol.6, No.4 (Januari 2023), p.589–602.

[18] E. M. L. Panjaitan dan P. G. M. Simbolon, *Penyelesaian Sengketa pada World Trade Organization dan Solusi terhadap Kekalahan Indonesia pada DS 592 dalam Perspektif Kepentingan Indonesia*, Jurnal Hukum To-Ra: Hukum Untuk Mengatur dan Melindungi Masyarakat, Vol.9, No.2 (Agustus 2023), p.192–202.

[19] B. Widyatmoko, M. S. Yayusman, A. B. Bismoko dan N. N. Atmaja, *Peran Entitas Perantara dalam Penerapan Hambatan Perdagangan Nontarif pada Rantai Pasok Komoditas Primer Indonesia ke Pasar Eropa*, LPEM FEB Universitas Indonesia (Lembaga Penyelidikan Ekonomi dan Masyarakat, Fakultas Ekonomi dan Bisnis UI), Depok, 2022.

One of the main benefits of WTO membership is the opening up of international market access. Thru the Most-Favoured Nation (MFN) and National Treatment principles, Indonesia is entitled to non-discriminatory treatment in global trade. This provides an opportunity for Indonesian products to compete in the global market with lower tariff and non-tariff barriers. A real example is the increase in Indonesian exports to major trading partner countries such as the United States, the European Union, Japan, and China, particularly in the manufacturing, agricultural, and fisheries sectors.

As a WTO member, Indonesia can use the Dispute Settlement Body (DSB) to legally resolve trade disputes. For example, in the biodiesel dispute between Indonesia and the European Union, Indonesia filed a complaint with the WTO to challenge the anti-dumping policy it considered unfair.[20] This mechanism provides protection against harmful trade practices and serves as a strategic instrument of international legal diplomacy.

WTO membership encourages Indonesia to undertake regulatory reforms, particularly in terms of transparency, information openness, and simplification of export-import procedures. Examples include strengthening institutions in the field of export-import regulations and establishing the National Single Window system.[21] Additionally, the reforms help improve the investment climate, increase bureaucratic efficiency, and strengthen Indonesia's integration into the global supply chain.

Furthermore, by adhering to WTO standards and rules, Indonesian businesses are encouraged to improve production efficiency, product quality, and innovation capacity. This contributes to increasing the competitiveness of Indonesian products in the global market, especially for industries with high export potential such as textiles, electronics, and agriculture.

[20] L. I. P. Dewi, I. M. Yudana, dan D. G. S. Mangku, *Penyelesaian Sengketa Dagang Internasional atas Kebijakan Report Palm Oil Oleh Uni Eropa terhadap Indonesia Ditinjau dari World Trade Organization*, Jurnal Komunitas Yustisia, Vol.5, No.2 (Oktober 2022), p.102–119.

[21] G. P. D. Mahardika, *Implementasi Trade Facilitation Agreement untuk Meningkatkan Ekspor oleh Usaha Mikro Kecil Menengah Dikawasan Nusa Tenggara Barat*, Tesis, Universitas Islam Indonesia, 2024.

On the other hand, this membership brings its own challenges in the form of increased competition from imported products that put pressure on domestic industries, especially MSMEs. It needs to be realized that the commitment to liberalization often limits the government's policy space to implement necessary protection. As a result, sectors that are not prepared for global competition risk deindustrialization or a significant decline in competitiveness.

Overall, the cost-benefit analysis is dynamic and highly dependent on the adaptability of domestic policies. This means that without structural reforms, increased industrial capacity, and innovation, the benefits of market access will be difficult to maximize. Therefore, the main challenge is to transform potential losses into a catalyst for comprehensively enhancing national economic competitiveness.

Additionally, with trade liberalization, Indonesia has become increasingly dependent on the global market. When a global crisis occurs or partner countries implement protectionist policies, Indonesia's exports can be seriously impacted. For example, a slowdown in the Chinese economy or the US-China trade war could disrupt demand for Indonesian export products. This dependence makes the national economy vulnerable to external shocks, especially in primary sectors such as palm oil, coal, and rubber.[22]

Another challenge is that increasingly open global competition makes it difficult for Indonesian small and medium enterprises (SMEs) to compete with cheaper and higher-quality imported products. The WTO restricts protectionist policies such as industrial subsidies or import restrictions, thus limiting the government's ability to protect developing national industries. A real example is the textile and footwear industry, which is under pressure due to the influx of cheap products from China and Vietnam.[23]

Regarding public policy, the WTO limits the space for countries to implement public policies, including environmental, health, and the food policies.

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[22] T. Rastuti dan A. A. D. Khoirudin, *Politik Hukum Indonesia dalam Menghadapi Retaliasi Perang Dagang China terhadap Amerika Serikat Berdasarkan Prinsip Proteksionisme: Indonesia's Legal Policy in Responding to China's Trade War Retaliation Against the United States Based on the Principle of Protectionism*, LITIGASI, Vol.26, No.1 (April 2025), p.26–66.

[23] A. Rafi, R. P. Darmawan dan R. Wikansari, *Peran Pemerintah Meningkatkan Perdagangan Internasional Khususnya Ekspor*, Jurnal Ilmu Ekonomi, Vol.2, No.3 (Desember 2023), p.1–10.

For example, a ban on the export of raw materials like nickel or coal could be challenged by other countries as a violation of free trade principles. This creates a dilemma between the interests of sustainable national development and compliance with international trade rules.

Although the WTO champions the principle of equality, in reality, developing countries like Indonesia are often in a weak bargaining position. Developed countries tend to be more dominant in setting the negotiation agenda and have stronger negotiating capacity. Indonesia often struggles to advocate for important issues such as the elimination of agricultural subsidies in developed countries or the protection of local products.

3. Prospects and Future Direction of Indonesian Trade Policy

In the face of the dynamics of globalization and changes in the world economic order, Indonesia must be able to strategically navigate the direction of its trade policy. As a WTO member, Indonesia has an obligation to align national policies with the principles of free and non-discriminatory trade, without neglecting national interests such as industrial development, food security, and the empowerment of Micro, Small, and Medium Enterprises (MSMEs).[24] The future of Indonesia's trade policy prospects depends on the government's ability to adaptively, creatively, and strategically integrate national economic development strategies with WTO rules.

Indonesia's future trade policy direction will be heavily influenced by new global trends such as digitalization, the green economy, and supply chain resilience. There will be a shift in focus from traditional issues to modern ones such as e-commerce, carbon standards, and data governance. Policies must be adaptive to capitalize on opportunities while mitigating the risks from these global economic dynamics.

Future policy direction will also strongly emphasize increasing added value thru downstream processing of natural resource-based industries. This strategy aims to reduce dependence on raw material exports and increase state revenue.

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[24] E. Pudyastiwi, dan A. Djatmiko, *Usaha Mikro, Kecil dan Menengah (UMKM) Indonesia dalam Menghadapi Perdagangan Bebas di Asean*, Jurnal Pendidikan Kewarganegaraan Undiksha, Vol.8, No.2 (Mei 2020), p.138–156.

With the right policy design, downstreaming can still be done while considering flexibility within WTO regulations, such as exemptions based on scarcity (Article XX GATT).[25] This requires Indonesia to develop a strong legal argument to ensure the export ban policy is not deemed discriminatory.

Regarding the diversification of export markets and products, where Indonesia's export dependence on raw commodities and traditional markets (US, EU, China) remains high, the government needs to encourage product diversification toward medium-high technology manufacturing sectors (e.g., automotive, electronics), followed by expansion into non-traditional markets thru trade agreements (FTAs and CEPAs), for example, with Africa, Latin America, and the Middle East. This is in line with the WTO's spirit of gradual trade liberalization based on multilateral agreements.

The above-mentioned things can be realized thru the strengthening of MSMEs and digital trade, where MSMEs are the backbone of the national economy, but in reality, they still face obstacles in exporting and market access. Therefore, it is necessary to utilize e-commerce for exports (cross-border digital trade), facilitate compliance with international standards (SPS and TBT at the WTO), and improve access to export financing. Furthermore, the WTO supports digital trade thru initiatives such as the joint statement initiative on e-commerce, which Indonesia can leverage.

Sustainable trade also needs to be considered, given that climate change and sustainability issues will increasingly determine global trade flows, including carbon tariff schemes, eco-labeling, and preferences for green products. This can be done, for example, by promoting green trade thru sustainable product certification (e.g., ISPO for palm oil). Adjusting national regulations to avoid violating WTO principles while still maintaining the right to sustainable development (Article XX GATT – Exceptions: environment, public health).

Essentially, the direction of Indonesia's future trade policy must be able to balance the needs of the national development and international commitments within the WTO framework. Synergy between trade policy, economic diplomacy,

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[25] D. N. Tsirwiyati, *Transformasi Industri Kelapa Sawit: Hilirisasi Berkelanjutan Menghadapi Daya Saing Global dan Ekonomi Hijau*, Jurnal Esensi Hukum, Vol.6, No.2 (Desember 2024), p.27–45.

and economic structural transformation is key for Indonesia to remain relevant and sovereign in the ever-evolving global trading system.

C. CONCLUSION

As a WTO member, Indonesia retains policy space to implement national policies, particularly through non-tariff measures and exceptions provided for under the WTO. In the context of export bans, such policies are generally prohibited; however, they may still be justified provided they meet the conditions for exceptions, such as those outlined in Article XX of the GATT, particularly for the purposes of development and the management of natural resources. Moving forward, Indonesia needs to strengthen its national regulations to make them more adaptive by explicitly incorporating limits, criteria, and the legal basis for strategic trade policies to prevent them from being easily challenged in international forums. The harmonization of national laws and WTO obligations must be positioned as a strategy, not merely formal compliance. In this way, Indonesia can remain in line with WTO rules while maintaining its economic sovereignty through the utilization of legal flexibility, the strengthening of diplomacy, and the formulation of policies based on national interests.

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