

THE ROLE OF THE WORLD TRADE ORGANIZATION (WTO) IN THE TRADE CRISIS DURING THE COVID-19 PANDEMIC AND THE IMPACT OF COVID-19 ON THE WORLD TRADE ORGANIZATION (WTO)

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Abstract: Beginning with the Indonesian government's recognition of the GATT rules that have proven to have a major role in developing international trade since 1948 until now. Finally, on April 15, 1994, in Marrakesh, Morocco, the Government of Indonesia participated in signing the Agreement Establishing the World Trade Organization along with all the rules that have been agreed upon, which is manifested by ratification in Law No. 7 of 1994 concerning Ratification of the Agreement Establishing the World Trade Organization Globalisation, especially in the path of international trade, can have an impact on international markets which affect competitiveness and economic improvement. However, there are obstacles at the time of covid-19 which led to the crisis faced globally which also had an impact on Indonesia. The problem in this study is the role of the WTO in dealing with the impact of the global economic crisis that hit the world. This research uses doctrinal research. The result of this research is that the WTO issued a crisis management system by securing a series of trade initiatives called the Geneva Package, which the rules of the WTO actually have obstacles, including the lack of government commitment in improving the business world due to problems in development, coupled with the lack of readiness of human resources, both entrepreneurs, professionals, and government officials. For this reason, it is necessary to harmonise and synchronise laws and regulations, both national and international, while still prioritising national interests

Keywords: COVID-19; Economic Crisis; Global; World Trade Organization.

INTRODUCTION

It started with the Indonesian government's recognition of GATT rules, which have been proven to have a significant role in developing international trade from 1948 until now. Finally, on April 15, 1994, in Marrakesh, Morocco, the Indonesian Government participated in signing the Agreement Establishing the World Trade Organization along with all the regulations that had been agreed upon together, which were realized by ratification in Law no. 7 of 1994 concerning Ratification of the Agreement Establishing the World Trade Organization Globalization, especially in international trade routes, can have an

impact on international markets which affect competitiveness and economic improvement, however, there are obstacles during Covid-19 which give rise to the characteristics faced by the global economy. It also has an impact on Indonesia. The problem in this research is the role of the WTO in dealing with the effects of the global economic crisis that hit the world.

The WTO reported its global trade forecast report on March 31, 2021. The decline in world trade that WTO economists feared in 2020 was smaller than thought. Trade in goods fell by 5.3% last year compared with the 9.2% decline

predicted by the WTO forecast report last October. (*Statistics on Merchandise Trade*, no date) This is better than expected due to the rapid steps taken by various governments to provide fiscal and monetary assistance to help mitigate some of the negative economic impacts of the pandemic. These policies helped stem the global decline. WTO members have also broadly “refrained” from protective policies that could narrow trade, cancel restrictive measures at the pandemic's start, or introduce new trade liberalization policies (*Sinergi dan Inovasi Memperkuat Ketahanan dan Kebangkitan Menuju Indonesia Maju*, 2022). The 2021 trade forecast predicts an 8% increase in goods trade, driven by cooperation in various parts of the world. Fiscal injections in the US also stimulate the economies of other countries. Asian countries' export levels are expected to increase accordingly. (*Statistics on Merchandise Trade*, no date)

However, the relatively positive short-term outlook for global trade is undermined by regional disparities, continued service weakness, and the slow pace of global vaccines, especially in 3rd world countries. COVID-19 remains a significant threat to international trade. Trade plays an essential role in ensuring the availability and affordability of vital medical goods, medical products and health services.

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Establishing the World Trade Organization. (*Undang-Undang Nomor 7 Tahun 1994 tentang Pengesahan Agreement Establishing The World Trade Organization*, no date) The ratification of Law Number 7 of 1994 concerning Ratification of the Agreement Establishing the World Trade Organization confirms that Indonesia is ready to be directly involved in multilateral trade and is prepared to bear all the consequences that occur as a result of the agreement, including implications in the form of government submission. Indonesia regarding the rules in the World Trade Organization (WTO), the effects of market openness to trade in goods and services from other WTO member countries. (Shofie, 2003) Or consequences in the form of readiness to face the negative impacts of multilateral trade.

Formally, the Indonesian government's willingness to be involved in the WTO was followed up with the establishment of Presidential Decree Number 84 of 2002 concerning Measures to Safeguard Domestic Industry from the Impact of a Spike in Imports, Regulation of the Minister of Trade of the Republic of Indonesia Number 37 of 2008 concerning Certificates of Origin for Imported Goods which are subject to safeguards, Law Number 17 of 2006 concerning Amendments to Law Number 10 of 1995 concerning Customs and in the Decree of the Minister of Industry and Trade Number 428/MPP/Kep/10/2000 concerning the Establishment of the Indonesian Anti-Dumping Committee as well as several supporting institutions such as the Indonesian Trade Security Committee (KPPI) and the Directorate of Trade Security (DPP) and others. Based on the explanation above, the problem in this research is the Role of the WTO in the Trade Crisis during the COVID-19 Pandemic and the Impact of COVID-19 on the WTO.

METHOD

The research method used in legal writing is normative legal research or doctrinal legal research, which is library research or document study, because this research is carried out or aimed only at written regulations or other legal materials. (Soerjono Soekanto; Sri Mamudji, 2009) Doctrinal research consists of an inventory of positive law, the discovery of the principles and philosophy (dogma or doctrine) of positive law, and the discovery of law in concreto that is suitable to be applied to resolve a particular legal case (E. Saefullah Wiradipradja, 2016). This research is normative legal research, so the data analysis method is qualitative, not in the form of numbers. In this research, the author uses a statutory approach by examining the hierarchy and principles in statutory regulations related to the problems studied and answering the legal issues studied by the researcher. (Marzuki, 2016)

ANALYSIS AND DISCUSSION

A. The impact of COVID-19 on the World Trade Organization (WTO)

International trade is the exchange of goods and services and other factors that cross a country's borders, and impact the domestic and global economy. International trade has a significant influence on the economy of each country. International trade is the exchange of goods and services and other factors that cross a nation's borders and impact the domestic and global economy.

The threat of a health and economic crisis also caused significant turmoil in financial markets at the pandemic's start. Volatility in global financial markets began to increase at the start of the spread of COVID-19, triggered by concerns about the economic impact of China, which is the

leading supporter of global growth. Volatility intensified as Covid-19 escalated in many countries. The CBOE Volatility Index (VIX), as an indicator that reflects investor anxiety, touched an all-time high in mid-March 2020, when the spread of COVID-19 was escalating in Europe and the United States. Investor panic triggered capital flight and a shift in demand towards safe assets such as gold, US Treasury bonds, and the American dollar (US). Developing countries are again the ones most cornered in a situation like this. The IMF estimates that capital outflows from the financial markets of emerging market countries reached US\$ 100 billion in a relatively short time, or the equivalent of 0.4% of their Gross Domestic Product or GDP, much faster and deeper and exceeding other periods of stress such as the GFC and Taper Tantrums.

In 2020, the WTO did not fail to explain that global trade is expected to fall by 18.5%, where the WTO Secretariat information note (2020) published an information note examining the impact of the Covid-19 pandemic on world agricultural trade and noted that although it was also affected, the global agricultural sector was relatively still more resilient than other sectors. The initial steps are focused on ensuring food availability, followed by policies that seek to improve supply chains and help producers adapt to the "new normal" situation."

The Covid-19 pandemic has undoubtedly impacted health and the economy in various parts of the world. Multiple countries are moving quickly to issue policies, including economic stimulus to provide financing for handling the pandemic and its impact. This stimulus was provided to control the outbreak on the health side and as a form of anticipation of

the economic impact, which is expected to be very severe. In the crisis caused by this pandemic, state or government stimulus and intervention are urgently needed to encourage an economy that is not functioning correctly due to severe shock or shock. Funding is also required because there is an urgent and non-negotiable need to strengthen the health system, such as conducting testing, providing ventilators, increasing hospital capacity, developing vaccines, etc (*Pengaruh Covid atas Kondisi Sosial Global 2020*, no date).

The IMF estimates that more than 193 countries have launched economic stimuli to deal with the COVID-19 pandemic and its impacts. The total value of the inspiration reached USD 11.7 trillion, or the equivalent of 12% of world GDP. This shows the seriousness of all countries in the world in facing the negative impact of COVID-19, including on the economy. The form, value and scope of stimulus implemented by various countries continue to adjust during the pandemic. The health and economic crisis caused by COVID-19, which has different characteristics from previous problems and is very uncertain, creates conditions that require policymakers to continue making necessary adjustments.

B. The Role of the WTO in the Trade Crisis during the COVID-19 Pandemic

In the concept of international trade, one significant source of law is the provisions of the GATT/General Agreement on Tariffs and Trade (General Agreement on Tariffs and Trade), which in its course gave birth to the WTO (World Trade Organization). GATT was formed through an agreement between 23 countries in October 1947. The birth of the WTO in 1994 made GATT an annex to the WTO so that WTO member countries were automatically bound by the WTO's provisions and were referred to as

members of GATT or WTO. Apart from tariffs and trade, GATT is also a general rule for conditions relating to Agreements on Services (GATS), Capital Investments (TRIMs) and agreements on Intellectual Property Rights (TRIPS). (Adolf, 2005)

The World Trade Organization is a means of encouraging free trade that is orderly and fair, its task is to enforce the principles that are the pillars of the World Trade Organization, where the trade liberalization that is being rolled out aims to encourage member countries to be able to follow the rules of the WTO. To see the flow of which party benefits from liberalized WTO regulations, it is possible to open market entry and exit for WTO member countries by determining tariffs as a tool to protect foreign products so that they can enter the decentralized market, decisions from business actors that have been decentralized regarding the quantity and how to process a product so that business actors are given free space to make decisions regarding their business activities. (Jur Udin Silalahi; et.all, 2011)

The WTO is, in fact, a continuation and development of GATT, which aims to create healthy competition in international trade for its members. Meanwhile, philosophically, the WTO aims to improve living standards and incomes, guarantee the creation of jobs, increase production and trade, and optimize the use of world resources. (*WTO dan Sistem Perdagangan Dunia*, no date) The WTO, a continuation of GATT, as the same principles and objectives in creating order in international trade. (Barutu, 2015)

The WTO aims to assist producers of goods and services, exporters and importers in carrying out their activities (Barutu, 2015). In principle, the objectives of the WTO are not much different from the objectives of GATT 1947, which was its predecessor. After the formation of the WTO, the objectives of GATT 1947 were also included in the preamble to the WTO

agreement. (*Marrakesh Agreement Establishing the World Trade Organization*, no date)

According to Van De Bossche, the ultimate goal of the WTO is:

- a. Improve living standards;
- b. Achieving a state of full employment (no unemployment).
- c. Real income growth and adequate demand
- d. Payment for production and trade of goods and services.

The WTO has several functions, such as supporting the regulation, implementation, and administration of agreements that have been reached to realize the targets of this cooperation. The WTO is a place for member countries to negotiate regarding agreements that have been reached, regulates the implementation of the accords when experiencing trade disputes, and finally creates a global economic policy framework with the IMF and World Bank.

Knowing the role of the WTO in general in the previous explanation illustrates that the WTO is the axis of the countries that are members of the organization. The policy of the WTO, which applies its principles in the realm of international trade, is marked by the application of the principles regulated in the 1994 GATT, which was then followed by the agreement on TRIPs and GATS, which are multilateral, thus having an influential impact on member countries. The WTO can bring high and profitable opportunities for developed countries, but for developing countries, it is driven by various challenges that require a particular amount of time to enjoy. (Jur Udin Silalahi; et.al, 2011)

The outbreak of COVID-19 in 2020 resulted in a large relaxation of monetary policy and impacted the trade sector. Trade

tends to fall sharply in industries with complex value chain relationships, especially electronics and automotive products. At the beginning of 2020, before the pandemic, various parties still saw that 2020 was a year of global economic recovery. The IMF even estimates that the world will grow by 3.3%, higher than global economic growth in 2019, which reached 2.9%.

Even though it is still very vulnerable to being influenced by various economic dynamics such as falling productivity, protectionism and trade wars, no one expects an economic storm to come and occur due to health issues. Covid-19 has drastically changed the world's socio-economic face and the direction of the global economy, which was initially optimistic about improving towards a recession. The rapid transmission that caused fatalities and the unprecedented mitigation efforts created significant changes in interactions at the individual level up to the institutional/state level. Massive restrictions on movement and interaction have consequences for the economy. Unavoidable policies such as lockdowns, physical distancing, travel bans/regulations, and others have resulted in a significant decline in economic activity, which has enormous implications (*Pengaruh Covid atas Kondisi Sosial Global 2020*, no date).

The economic shock from the COVID-19 pandemic invites comparisons with world financial crises that have occurred in previous years, such as in 1930, the most significant world economic crisis in history. The unemployment rate that year reached 25%. Some compare it to the financial crisis in 2008. Banks in America experienced huge losses because borrowers could not repay their loans. However, the current situation is different from previous crises because the current

economy will be very dependent on public health conditions, what steps the government will take, and uncertainty about the exact economic impact. However, World Trade Organization economists believe the decline will likely exceed the trade slump caused by the global financial crisis of 2008. Estimates for a recovery in 2021 are also uncertain, with the outcome largely dependent on the duration of the outbreak and the effectiveness of policy responses. World trade is expected to fall between 13% and 32% in 2020. (*Statistics on Merchandise Trade*, no date)

The WTO reports that the role of e-commerce during this pandemic can be an experience and lesson from the COVID-19 crisis. Many countries can engage in global cooperation in e-commerce, which can help facilitate the movement of goods and services across goods, narrow the digital divide, and increase opportunities for small businesses. The existence of social distancing policies has resulted in an increase in online transactions or an increase in sales in e-commerce. Especially in selling medical supplies, household necessities, and food products. The increase in demand also applies to internet and cellular data services. Operators and the government must immediately adapt to changes in online activities. However, to carry out expeditions for e-commerce there are obstacles due to limited transportation. With this pandemic, it is necessary to carry out evaluations to bridge the digital divide in all countries. Apart from that, this commitment also contains the importance of implementing export restriction policies in a targeted, appropriate, transparent manner and by WTO standards. (Christian Elleby; et.al, 2020)

There are many obstacles experienced by small producers and consumers, especially in developing and less developed countries. Then, there is a

need to improve adequate and affordable technology services so that they can keep up with current developments. E-commerce can help alleviate some of the challenges faced in fighting COVID-19. E-commerce can be a platform for encouraging stronger international cooperation and further policy development for online purchasing and supply. E-commerce is a solution for consumers regarding the sustainability of small trade so it can be a solution for consumers and can support small businesses.

According to the OECD Trade-In Value Added (TiVa) database, the share of foreign value added in electronics exports is about 10% for the United States, 25% for China, more than 30% for Korea, greater than 40% for Singapore and more than 50% for Mexico, Malaysia and Vietnam. Social distancing may disrupt production imports, which has temporarily caused factories to close in China and is also happening in Europe. COVID-19 has most directly impacted services trade through transportation, travel restrictions, and hotel closures. Unlike goods, no service inventory can be withdrawn and restocked later. As a result, the decline in services trade during the pandemic may be lost forever. However, some services may benefit from the crisis. This applies to information technology services.

The COVID-19 pandemic shows that the agricultural sector is vulnerable, and the farmers who have to deal with it quickly and responsively are helpless. Due to the pandemic, farmers have been forced to explore new options and ways to produce, market, and manage produce. In this case, the ability of farmers to adapt to modern technology plays an important role. The pandemic has accelerated the digitalization process, making digital solutions not only desirable but also a vital necessity.

With this economic shock, the WTO issued coordination and regulations to provide support or mitigation for the challenges faced during the Covid-19 pandemic, which the WTO agreed upon through the 12th Ministerial Conference where these regulations were contained in the "Geneva Package" which consists of seven documents viz :

- 1) Ministerial Declaration regarding WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics.
- 2) Ministerial Decision regarding the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) Waiver.

These two documents are a holistic commitment and effort of the Ministers of Trade of WTO members in responding to the current COVID-19 shock and future pandemics. "This provides certainty for WTO members regarding access to supplies of health products used to deal with the Covid-19 pandemic. "Apart from that, the TRIPS waiver or suspension of patents on vaccines is an effort to increase world vaccine production capacity, as well as expanding coverage for therapeutics and diagnostics," added Djatmiko.

- 3) *Ministerial Declaration regarding Emergency Response to Food Insecurity*
- 4) Ministerial Decision regarding the World Food Program (WFP) Food Purchases Exemptions from Export Prohibitions or Restrictions. In response to the food and poverty crisis, a threat to global trade, WTO members have made food and agricultural trade more predictable, maintained price stability, and simplified world food programs.
- 5) Ministerial Decision regarding the Agreement on Fisheries Subsidies. This

agreement prohibits subsidies that contribute to Illegal, Unreported, Unregulated Fishing (IUUF) and overcapacity and overfishing (OCOF) as in the commitment to Sustainable Development Goal (SDG) 14.6. WTO members have also committed to continuing negotiations to establish OCOF discipline.

- 6) The WTO outcome document includes a discussion of WTO reform to produce WTO members' understanding regarding the need to restore and improve the function of the WTO. Discussions on the issue of WTO reform were agreed to be carried out at the WTO General Council and its subsidiary bodies. "In discussing the dispute resolution function, WTO members are committed to holding discussions to achieve a well-functioning and fully functioning dispute resolution system by 2024.
- 7) Ministerial Decision regarding the E-commerce Moratorium and Work Program. WTO members agreed to maintain the current practice of not imposing import duties on electronic transmissions until the 13th KTM, which is targeted to be implemented before 31 December 2023. However, if the WTO's 13th KTM has not been implemented by 31 March 2024, then a moratorium on import duties on transmission of the electronic device in question will automatically stop

CONCLUSION

The role of the World Trade Organization (WTO) in the Trade Crisis during the COVID-19 Pandemic and the Impact of COVID-19 on the World Trade Organization (WTO) was carried out by the WTO issuing a crisis management system by securing a series of trade

initiatives called the Geneva Package which are the rules of The WTO has seven policies issued to handle the trade crisis during the COVID-19 pandemic, and Indonesia is one of the WTO members. In this area, Indonesia, through the Ministry of Cooperatives and Small and Medium Enterprises, supports the use of electronic trading systems or e-commerce. as a solution for cooperatives and Micro, Small, and Medium Enterprises (MSMEs) in marketing their products amid the COVID-19 pandemic. Moreover, based on surveys, there is a change in people's consumption patterns, which are shifting from offline to online. The existence of social distancing policies has resulted in an increase in online transactions or an increase in sales in e-commerce. Especially in selling medical supplies, household necessities, and food products. The rise in demand also applies to internet and cellular data services, where export restriction policies are implemented appropriately, transparently, and WTO-standardly.

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