

**Legal Analysis and Socio-Economic Implication Post-
Trade Dispute Decision between Indonesia-Brazil in the
World Trade Organization (WTO)**

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ABSTRACT

Indonesia participates actively in international trade and is a member country of the World Trade Organization (WTO). In this case, Indonesia made regulations regarding guarantees for halal products, this became an obstacle to importing Brazilian chicken meat. Because of that, Brazil suffered a loss and sued Indonesia for restricting trade. The regulation is also considered to violate existing WTO policies. Dispute settlement is carried out by an institution under the auspices of the WTO, namely the Dispute Settlement Body (DSB). In its decision, Indonesia was declared guilty and violated the provisions in force at the WTO. The result of the lawsuit decision is that Indonesia must revise regulations related to inhibiting the entry of chicken meat products from Brazil. If Indonesia does not ratify or does not want to adjust its regulations regarding the import and export of goods, there will be sanctions that will have a major impact on Indonesia's international relations.

Keywords: *International Trade, WTO, DSB, Import*

1. INTRODUCTION

International trade is trade carried out between countries or national governments and other countries that are undergoing a trade relationship in accordance with the agreement between the two parties carrying out international trade. (Serlika Aprita, 2020) Every country definitely needs cooperation with other countries to help each other in meeting the needs of that country, because this cannot be done alone so cooperation with other countries is needed. Relations between countries have to follow a system of rules that regulate the rights and obligations of each country. This relationship is characterized by international cooperation.

International trade is a process of exchange based on the voluntary will of each country. The motive is to obtain trade benefits or gains. Trade is a crucial economic activity today, and there are no countries in the world that are not involved in trade, whether it be inter-regional, intercontinental, or inter-country trade. The definition of international trade is a relationship of economic activity between countries, realized through the exchange of goods or services on a voluntary and mutually beneficial basis. Various motives or reasons prompt countries or legal entities (trade actors) to engage in international trade transactions. The current reality is that international trade has become the backbone for countries to achieve prosperity and strength, as widely proven in the history of world development.

These international trade activities require a forum that has been established, namely the World Trade Organization (WTO). The function of this organization is to facilitate administration and further improve the original objectives of the formation of the WTO itself and other related agreements. (Hata, 2006) International trade activities have actually existed since 1948, namely the establishment of the General Agreement on Tariffs and Trade (GATT). GATT functions as a forum that oversees dispute resolution, negotiations and international trade regulations in the field of goods. GATT is still used as a guideline to smooth the course of international trade for countries that ratify the WTO.

The WTO manages international trade disputes by involving international members, which are handled by an institution under the auspices of the WTO, namely the Dispute Settlement Body (DSB). DSB functions to resolve disputes about world problems. The WTO in its efforts to prohibit member countries from resolving disputes unilaterally and the DSB asks the losing party to accept the policies made by the WTO and compensate the winning party for losses in the dispute. (Hadris, 2014)

The case study that will be discussed is regarding the analysis of the resolution of disputes over imports of Indonesian and Brazilian chicken meat in international trade. In this case, the two countries, namely Indonesia and Brazil, which import chicken meat can be deemed to be in compliance if they show a health risk and take decisions that can reduce the consequences. -consequences must be taken and there is no other alternative. Both parties are involved in a chicken export dispute carried out by Brazil against Indonesia. This happened because Indonesia implemented a strategy to stop export activities, so it is considered to impose restrictions on imports of Brazilian chicken meat and is being sued for violating several policies in force at the WTO.

2. RESEARCH METHODOLOGY

This research methodology will commence with a legal analysis of the Indonesia-Brazil trade dispute decision at the WTO, focusing on the interpretation and legal implications embedded in the decision. The first step involves identifying relevant international laws and the multilateral trade regulatory framework to gain a comprehensive understanding of this dispute. Subsequently, the study will examine the socio-economic impact of the decision on both countries, evaluating changes in the economic sector, employment, and its social ramifications. This methodology will also encompass statistical data analysis, and a literature review to comprehend the broader consequences of this trade dispute decision within the legal and economic context.

3. DISCUSSION

Indonesia is one of the member countries that ratified the WTO and all forms of trade-related agreements that are regulated in policies carried out with other member countries. Indonesia does not limit imports of chicken meat from Brazil, it only ensures that the meat and chicken products are safe, healthy and halal. The policy issued by Indonesia regarding the import of chicken meat by Brazil concerns safety and the importance of halal products that will circulate in the community. Indonesia, which has a predominantly Muslim population, makes halal products a mandatory requirement. Regulations regarding halal product guarantees in Indonesia are contained in Law number 33 of 2014 concerning Halal Product Guarantees in Article 4 which states "Products entering, circulating and traded in Indonesian territory must be halal certified", this is an obstacle in importing a product. in the scope of international economics. (Muksalmina, 2022)

This resulted in the cessation of several chicken meat import activities by Brazil. So Brazil opposed this and sued Indonesia because it had implemented trade protection which violated several provisions in force at the WTO. Brazil stated that applying discrimination in the labeling of halal products was the wrong way and was considered to have closed market access for it. Therefore, Indonesia is considered to have violated the rules in force at the WTO.

The result of the lawsuit's decision is that Indonesia must revise regulations relating to blocking the entry of chicken meat products from Brazil. The Ministry of Trade then issued a regulation, namely Minister of Trade Regulation Number 29 of 2019 concerning Provisions for the Export and Import of Animals and Animal Products. And the Ministry of Agriculture also issued Minister of Agriculture Regulation Number 23 of 2018 with amendments to Minister of Agriculture Regulation Number 34/Permentan/Pk.210/7/2016 concerning the supply of paper, meat, offal and their processed products into the territory of the Unitary State of the Republic of Indonesia.

This regulation is adjusted with the aim of maintaining Indonesia's relations in international trade with other countries. If Indonesia does not ratify or is unwilling

to adjust its regulations regarding the import and export of goods, there will be sanctions that will have a very big impact on Indonesia's international relations. Apart from that, other countries can carry out retaliations at any time by making it difficult for Indonesian export activities to enter the countries concerned, so this has a big influence on Indonesia's trade activities with other countries.

In this case, Indonesia stated its intention that it did not want to hinder or limit the route of importing chicken meat, only that Indonesia wanted to ensure that if the chicken meat was exported, it had to be in the safe and halal category for consumption, with the aim of guaranteeing that the product was safe for distribution to the public. Therefore, Indonesia also stipulates that chickens that enter Indonesia alive will then be slaughtered in Indonesia by slaughtering them so that the chicken can be categorized as safe and halal so that its health is guaranteed. (Fairuzzaman, 2018)

This dispute is resolved through the dispute resolution institution under the auspices of the WTO, namely the Dispute Settlement Body (DSB). This dispute resolution body functions to hold discussions in resolving trade dispute cases that arise in a member country that has a conflict. The Dispute Settlement Body (DSB) has the authority to form, adopt panels and appeals, carry out supervision in the implementation of recommendations and decisions that have been ratified. (Ade, 2012)

In handling trade disputes by the Dispute Settlement Body (DSB), several steps are taken, namely:

- a. Consultation, which is the first stage in better dispute resolution because it produces the best solution that benefits both parties. These are the steps that must be taken if a country feels that there are losses arising from the WTO agreement;
- b. Formation of a Panel, this stage can be carried out when the initial stage, namely consultation, is deemed unable to resolve the existing dispute;
- c. WTO Appellate Body, for parties who lose and are dissatisfied with the formation of the panel, they can appeal;

- d. Recommendation, a regulation that is contrary to WTO policy recommends that member countries in dispute continue to implement the rules in accordance with policy and implement these recommendations, and
- e. Implementation supervision, this supervision is carried out by the Dispute Settlement Body (DSB) with the aim of monitoring member countries in dispute, whether they have implemented the recommendations given.

In the final decision of this case, there are three provisions that are superior to Indonesia because Brazil cannot prove these provisions and they are not in accordance with the WTO agreement, namely:

- a. Requirements regarding halal labeling;
- b. Direct carriage conditions, and
- c. Prohibition on importing chicken meat and chicken products

Meanwhile, Brazil has four superior provisions to consider, which are not in accordance with the WTO agreement, namely:

- a. Index of products that can be imported;
- b. Conditions for using imported products;
- c. Procedures for import permits, and
- d. Postponement of the animal health certificate approval process

In this case, Brazil won at the WTO, therefore negotiations took place between Indonesia and Brazil with an agreement not to appeal. This decision was taken by Indonesia based on the results of the previous panel which found Indonesia guilty in this case. In accordance with the recommendation panel from the WTO, Indonesia changed the provisions on imports of chicken and chicken products, namely the Policy of the Minister of Agriculture and the Policy of the Minister of Trade, contrary to the WTO decision.

In negotiations carried out by both parties, namely Indonesia and Brazil, Indonesia offered Brazil not to import chicken meat to Indonesia on the pretext of excess stock. This offer was accepted by Brazil, but Brazil wants to export beef to Indonesia and carry out cooperation that benefits both.

4. CONCLUSION

The cause of the dispute between Indonesia and Brazil was due to the existence of regulations in Indonesia regarding halal product guarantees in Indonesia contained in Law number 33 of 2014 concerning Halal Product Guarantees in Article 4 which states "Products entering, circulating and traded in Indonesian territory must be certified. halal", this is an obstacle in importing Brazilian chicken meat. Therefore, Brazil suffered losses and then sued Indonesia because it had imposed trade restrictions. This regulation is also considered to violate existing WTO policies. Apart from violations of WTO policy, Indonesia's reason for establishing this policy is not to limit meat import trade activities with Brazil, but rather to provide certainty to consumers, namely Indonesian citizens, that meat imported from Brazil is healthy and halal so that it is safe for consumption by Indonesian citizens, the majority of whom Muslim.

Dispute resolution is carried out by institutions under the auspices of the WTO, namely the Dispute Settlement Body (DSB). The resolution process must go through several steps, namely consultation, panel formation, appeal body, recommendations and supervision. In its decision, Indonesia was declared guilty and violated the provisions in force at the WTO. Then negotiations took place between Indonesia and Brazil with an agreement not to appeal. This decision was taken by Indonesia based on the results of the previous panel which found Indonesia guilty in this case. In accordance with the recommendation panel from the WTO, Indonesia changed the provisions on imports of chicken and chicken products, namely the Policy of the Minister of Agriculture and the Policy of the Minister of Trade, contrary to the WTO decision.

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