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International Trade in Perspective Investment Law in Indonesia

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ABSTRACT

Globalization has significantly changed international trade law and investment in countries like Indonesia. To improve people's welfare through international trade and foreign investment, because the more significant the output, the greater the foreign exchange that comes in, so that it becomes a source of income for the state treasury. To accelerate the national economy's growth and realize Indonesia's political and economic sovereignty, investment must be increased to transform economic potential into economic power. This study employs a normative juridical research approach, namely a procedure to identify the rule of law, legal principles, and legal doctrines about foreign commerce and investment in Indonesia. The problem of this research is 1). How is international trade regulation from the perspective of investment law in Indonesia? 2). What forms of international trade and investment are based on Law Number 25 of 2007 concerning Investment? This research resulted in the following conclusions: Regulations should be in international trade and investment, and regulations on taxes and agreements set forth by investment companies. The Forms of International Trade are divided into 2, namely bilateral trade and multilateral trade..

I. Introduction

The economic growth rate of a nation provides insight into that nation's economy. The greater a nation's economic growth, the stronger its economy. Improving a country's economic conditions will have a favorable effect on its aggregate demand and supply. Economic expansion belongs to macroeconomic issues [1]. The inhabitants of a nation will attempt to expand their production capacity by maximizing the available factors of production. The production factors are capital, labor, and land. Enhanced investment in capital, personnel, and other resources will raise production capacity even further [2].

Multiple definitions of economic growth exist. Economic growth is a measure of an economy's development. This measure is crucial for measuring the effectiveness of the stimulating elements in implementing economic strategies. Economic growth is the expansion of a nation's production of goods and services. However, it is difficult to define economic growth through the measurement of diverse types of production data. Therefore, the standard metric is always the level of national income [3].

International trade has a significant impact on the growth and development of a nation's economy since countries compete on international markets. One of the benefits of international trade is that it enables nations to specialize in the production of inexpensive goods and services [4]. In addition, international trade can result in an increase in state revenue, foreign exchange reserves, capital transactions, and employment possibilities.

In the age of globalization, international trade is one of the tools used to promote economic expansion. Historically, international trade happens when a country's resources are scarce. A country's resource shortage can be alleviated because it acquires these scarce materials from other nations via trade routes. In current era of globalization, however, the purpose of international trade has shifted to the pursuit of profits that will fuel economic expansion. Several theories, including the theory of absolute advantage, the theory of comparative advantage, and the Heckser-Ohlin theory, explain international trade [5].

The theory of absolute advantage explains that trade will increase profits if implemented using a free trade mechanism. Economic actors will carry out specialization to increase efficiency to increase the benefits of free trade. Specialization should be based on absolute advantage, namely the ability to produce at low costs. The notion of comparative advantage was created to address a flaw in the theory of absolute advantage [6]. The drawback of the absolute advantage argument is that it cannot answer the question of what happens if a nation controls all traded goods.

The achievement of economic growth is a nation's highest priority. The government will use a variety of economic initiatives to assist the attainment of economic growth rates and serve as an indicator of the level of community welfare and prosperity. Economic growth is an indicator of the success of economic development in a society [7]. This economic growth reflects a country's economic condition continuously towards a better condition during a specific period. In general, economic growth can be seen from the increase in income resulting from the increased production of goods and services. Generally, this economic growth is synonymous with increased production capacity, which is realized by increased national income [8].

Concerning the production of these goods and services, international trade certainly greatly influences a country's economic growth. If a country exports more than it imports, its national income will increase so that later it will positively affect economic growth[9]. The benefit of international trade is that it enables countries to specialize in exporting goods and services.

Without international commerce, money, labor, and technology cannot be separated from economic growth. Capital resources are crucial for the realization of development. This resource is utilized as an investment (investment). This is vital for supporting economic growth and employment possibilities. Government, public (private), foreign loans, and foreign private investment are all viable sources for investment capital. Here we present data on Indonesia's economic growth from 2020 and predictions for 2023, which will grow a lot due to massive international trade:

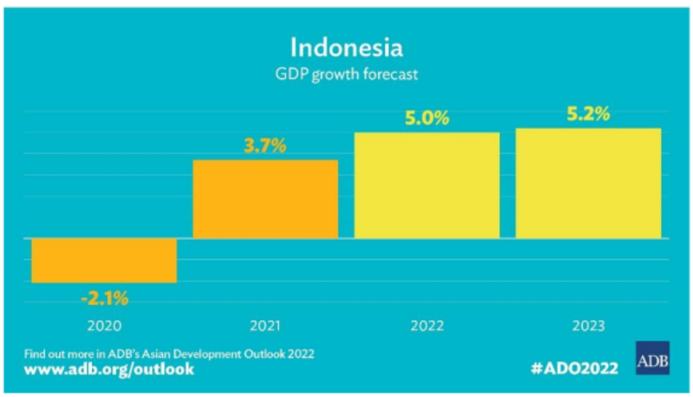

Fig. 1.Indonesia's Economic Growth 2020-2022 and Predictions for 2023
Source: Asian Development Outlook (2022)

A research published in April 2022 by the Asian Development Bank (ADB) forecasts that Indonesia's GDP would expand by 5.0% in 2022 and 5.2% in 2023 as domestic demand returns. According to the Asian Development Outlook (ADO) 2022, Indonesia's consumer expenditure and manufacturing activity continue to increase as a result of increased incomes, employment, and confidence. Investment is aided by a rise in demand, an improvement in the investment climate, the business climate, and the recovery of credit.

Inflation, which averaged 1.6% last year, is projected to increase to 3.6% in 2022 as a result of stronger economic development and higher commodity prices, but will remain within the Bank Indonesia's goal range. Inflation is anticipated to decline to 3.0% in 2023 as commodity price rises moderate. However, increased prices for Indonesia's exports of commodities will compensate for lower export volumes, maintaining a balanced current account and producing additional money.

One of the economic activities that can be used as a growth driver is International Trade, which is exchanging goods or services between individuals and individuals, individuals and the Government, or between one country and another in the world market, and aims to meet needs and seek profit. International trade is incoming and outgoing capital flows from a country [10]. Due to cost disparities in the international trade process, factors of production may migrate from exporting countries to importing countries when international trade occurs in the form of export and import operations. Each nation plays a crucial role in enhancing global well-being, and no nation does not engage in international trade. According to the Republic of Indonesia's Constitution from 1945, the country is required to establish international trade rules in order to increase market access and protect and secure national interests. These interests are organized according to the principles of economic democracy, including cooperation, efficiency with justice, sustainability, environmental consciousness, independence, and a balance between progress and national economic unity.

On the one hand, international trade is highly advantageous for many parties, but on the other, it also results in numerous losses. International trade plays a crucial part in the global industrialization process. Trade gives prospects for a nation's economic progress. The General Agreement on Tariffs and Trade / World Trade Organization (GATT/WTO) strives to liberalize market elements for goods and services from other nations so that the welfare of all countries is realized through a more efficient allocation of the world's resources.

The link between international trade and investment is inseparable from investment activities, with international trade activities opening international markets widely. This market openness will encourage changes in multinational business patterns by investing. International trade is one instrument that drives economic growth. Historically, international trade happens when a country's resources are scarce. A country's resource scarcity can be alleviated by acquiring scarce resources from other nations via trading routes. In the current period of globalization, however, the objective of international trade has shifted to acquiring benefits that will stimulate economic growth [11].

International trade is the exchange of products and services between the economical subjects of two different nations. The economic topics vary and may include the general public, import corporations, export companies, industrial companies, state companies, government agencies, or people. Therefore international trade has an important role, especially for Indonesia as a developing country, by providing direct benefits to the trade sector for the entire national production and also contributing to the provision of employment opportunities for the community.

According to Bogojevic & Zou (2021), international trade provides several advantages, including facilitating the spread and development of technology, and people can enjoy an increasing variety of consumer products. Manufacturers place a more comprehensive market share and the possibility to lower production costs with a larger production scale. Competence from abroad can reduce domestic companies' market power and take advantage of people's welfare. To achieve social welfare, development is needed, namely economic development and increasing positive economic growth.

II. Methods

The research method used is the standard legal research procedure. In order to solve legal issues, normative legal research is the process of acquiring the rule of law, legal concepts, or legal teachings. Legal research comprises a compilation of enacted statutes. It is backed by a statutory regulatory strategy that examines all laws and those connected to the discovered legal issues/problems.

III. Result and Discussion

A. *International Trade Arrangements in the Perspective of Investment Law*

The regulations governing international trade aim to 1. Expand the market (trading area) and increase production; 2. Increasing the country's foreign exchange through product exports to other countries; 3. Increasing the growth of the economic sector, stabilizing the price of goods, and absorbing a large number of workers; 4. Transferring modern technology to help improve efficiency in the production process; 5. Encouraging the formation of human resources which are increasingly proficient, skilled, and superior to keep up with technological developments. In carrying out national development, especially in the economic sphere, it is necessary, among other things, to continue increasing, expanding, stabilizing, and securing markets for all goods and services, including investment and intellectual property rights related to trade, as well as international trade. In addition to accelerating national economic development and realizing Indonesia's political and economic sovereignty, it is essential to increase investment in order to transform economic potential into actual economic power by leveraging local and foreign capital. Indonesia has a number of international trade rules and regulations regarding investment legislation and export and import activities, such as:

a. Law Number 7 of 1994 concerning Ratification of the Agreement Establishing the World Trade Organization;

b. Law Number 25 of 2007 concerning Investment;

c. Law Number 7 of 2014 concerning Trade; Regulation of the Minister of Trade of the Republic of Indonesia Number 19 of 2021 concerning Export Policies and Arrangements;

d. Regulation of the Minister of Trade of the Republic of Indonesia Number 17 of 2021 concerning Exporters and Importers with Good Reputations;

e. Regulation of the Minister of Trade of the Republic of Indonesia Number 7 of 2021 concerning the Stages and Procedures for Making International Trade Agreements.

Some of the Laws - Invitations there are many arrangements regarding international trade. Concerning Investment, Investment refers to all forms of investment activities conducted by domestic and foreign investors within the territory of the Republic of Indonesia in order to conduct business. Following international trade agreements, countries have their legal codes. Therefore, international trade law requires unification and uniformity. There may be variances between these numerous countries' legal codes. PTU must carry out legal unification and harmonization of international trade law to prevent these disparities from impeding the trade transaction's smooth operation. Efforts to unify and harmonize this law it has been quite severe, especially by the World Trade Organization (WTO), the International Institute for the unification of Private Law (UNIDROIT), The Hague Conference of International Private Law and the United Nations, especially the United Nations Commission on International Trade Law (UNCITRAL), and the United Nations Conference on International Trade and Law (UNCTAD).

B. Forms of International Trade in the Perspective of Investment Law

The existence of international trade in Foreign Investment in Indonesia can support the national economy to become more advanced and stable. This trade is carried out to meet the needs of a country that cannot be fulfilled alone. These countries need assistance from other countries in products and services. Not only that, but trade between these countries can also be a source of income so that both parties who trade benefit. The relationship between international trade and investment is inseparable. Since the Uruguay Round (Uruguay Round, 1986-1994), international commerce and investment have become inseparable disciplines, and member countries' national Investment legislation cannot conflict with international trade accords about investment. Types of international trade are divided into two (2) types: 1) Bilateral Trade; and 2) Multilateral Trade.

Bilateral trade is trade that occurs between two countries. In bilateral trade, the countries involved enjoy several privileges, such as favorable import quotas. Bilateral trade aims to expand access between the two countries markets and increase economic growth and trade. Trade in the form of cooperation between two countries. In comparison, the benefits of this bilateral trade are expanding the market share of goods between the two countries. Indonesia is a country that is active in establishing bilateral cooperation with other countries. Bilateral cooperation is a cooperative relationship carried out by 2 (two) countries.

This bilateral cooperation will provide benefits for the two countries involved. As an example of bilateral trade cooperation with Indonesia, it is divided into eight central regions: Africa, the Middle East, the Pacific, South and Central Asia, South America and the Caribbean, Western Europe, and Central and Eastern Europe. Indonesia cooperates with Malaysia; the two countries are allied and close friends. The cooperation between the two is established in various fields, one of which is the program for accepting Indonesian migrant workers (TKI) in Malaysia. By ensuring this relationship, Indonesia always promotes a form of community life that upholds the values of mutual respect and does not interfere in the internal affairs of other countries.

Multilateral trade is trade conducted between several countries. Trade in the form of cooperation with several countries. This trade drives the global economy by opening up markets for developed and developing countries. Multilateral trade cooperation, namely, the World Bank or the World Bank, is a world financial institution that assists the development of a country in improving its lives. This world financial institution was formed based on the Bretton Woods conference on December 27, 1945. The purpose of the formation of the World Bank was to assist the development and funding of member countries, introduce foreign investment, introduce long-term loans, and sort programs related to investment. Foreigners, and has several financial institutions. Indonesia also carries out international trade cooperation with many world countries. Such as natural, non-mining commodities, such as cashew nut seeds, fisheries, and forestry, are one of the mainstays of exports.

IV. Conclusion

The regulations governing international trade in Indonesia use several statutory regulations related to investment law. With several other regulations, legal unification and harmonization are needed between one regulation and another. The existence of these various national legal rules may have differences from one another. This difference is feared will affect the smooth trade transaction itself. Law No. 7 of 1994, about the Ratification of the Agreement Establishing the World Trade Organization, and Law No. 25 of 2007, about investment, are relevant to international trade.

Forms of International Trade from the perspective of Investment Law, relations between international trade and investment cannot be separated because, since the Uruguay round of 1986-1994, international trade and investment have become two inseparable disciplines and member country regulations in the field of investment cannot be justified in violation of international trade agreements pertaining to investment. Bilateral and multilateral trade are two separate forms of international commerce. Bilateral trade is commerce done between two countries. Trade cooperation between the two nations constitutes bilateral trade, such as Indonesia's bilateral trade cooperation with Malaysia. These two countries are intertwined in various fields, one of which is the program for accepting Indonesian workers (TKI) to Malaysia.

Meanwhile, multilateral trade cooperation is trade carried out by several countries. Forms of multilateral trade cooperation such as the World Bank or the World Bank, which is a world financial institution that assists finances from a country to improve the lives of its citizens. Forms of cooperation between Indonesia and many world countries, such as non-mining natural commodities in the form of cashew nuts, fisheries, and forestry, are the mainstay of exports.

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