**Gunung Djati Conference Series, Volume 56 (2025)**
**Seminar Nasional Ekonomi dan Bisnis Islam Tahun 2025 ISSN: 2774-6585**

# GENERAL AGREEMENT ON TRADE AND TARIFFS, ASEAN ECONOMIC COMMUNITY AND THE OMNIBUS LAW: IMPLICATIONS FOR INDONESIA'S COFFEE EXPORT AND IMPORT POSITION IN ASEAN

**[1]Budiman, [2]Aang Kusmawan**
*[1,2] UIN Sunan Gunung Djati Bandung*
*Email: kusmawanaang@gmail.com*

**Abstract**

Indonesia is a member of the World Trade Organization (WTO). After joining the WTO, Indonesia has continued to develop various international trade schemes with a number of countries. This article attempts to analyze the dynamics of Indonesia's coffee exports and imports through a supply and demand theory approach. Statistical data is used to analyze the current dynamics of Indonesia's coffee exports and imports. The results of the study show that to boost coffee exports and imports in ASEAN, Indonesia has issued a number of tariff exemption regulations. However, the value of Indonesia's exports and imports still lags far behind Vietnam's. The main issue with Indonesia's coffee production is the low productivity and comparative advantage of its coffee products.

**Keyword:** General Agreement on Trade and Tarrifs, Masyarakat Ekonomi ASEAN, Productivity

*Abstrak*

Indonesia adalah salah satu negara anggota *World Trade Organization (WTO).* Setelah bergabung dengan WTO, Indonesia terus berupaya mengembangkan berbagai skema perdagangan internasional dengan sejumlah negara. Artikel ini mencoba menganalisis dinamika ekspor dan impor kopi Indonesia, melalui pendekatan teori permintaan dan penawaran. Data statistik digunakan untuk menganalisis kondisi dinamika ekspor dan impor kopi Indonesia terkini. Hasil kajian menunjukkan, bahwa untuk menggenjot ekspor dan impor kopi di ASEAN, Indonesia telah mengeluarkan sejumlah regulasi pembebasan tarif. Namun demikian, valuasi ekspor dan impor Indonesia masih kalah jauh dari Vietnam. Masalah utama produksi kopi Indonesia adalah pada rendahnya produktivitas serta keunggulan komparatif produk kopi tersebut.

**Kata Kunci:** General Agreement on Trade and Tarrifs, Masyarakat Ekonomi ASEAN, Produktivitas

## INTRODUCTION

In 2020, the Government of the Republic of Indonesia made a policy that was considered phenomenal and controversial, namely the issuance of Law of the Republic of Indonesia Number 11 of 2020, concerning Job Creation. This law is known as the Omnibus Law. It is called the Omnibus Law because it contains several themes (Suntoro & Nureda, 2022). One of the themes discussed is international trade, which was later derived into Government Regulation No. 29 of 2021 on the Implementation of Trade, specifically regarding international trade. Additionally, in

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

the context of international trade licensing, as a derivative of the law, the government introduced the concept of the Commodity Balance (NK). Literally, the NK is an integrated database containing national aggregate supply and demand for goods (Gupta, 2022). In practice, the NK will be used as a basis for controlling the pace of international trade and as a key consideration in granting import and export permits, taking into account data on surplus or deficit in aggregate supply and demand

However, long before the Omnibus Law was issued, in the context of international trade, the Indonesian government had issued a number of technical regulations governing international trade within the ASEAN region. One of these was a policy on import tariffs issued in the form of Minister of Finance Regulation No. 208 of 2012 concerning the Application of Import Tariffs within the framework of the ASEAN Trade in Goods Agreement (ATIGA). This Minister of Finance Regulation establishes incentive policies in the form of import duty exemptions for many sectors, including agricultural commodities imported from ASEAN countries.

Looking back at the history of international trade, Indonesia's involvement in the international trade process began when Indonesia joined the World Trade Organization (WTO) in 1995. As is well known, the origins of the WTO actually date back to 1940, when European countries were striving to rebuild their economies in the aftermath of World War II, which had devastated their economic infrastructure. To restore economic activities at that time, particularly international trade, a free trade agreement known as the General Agreement on Tariffs and Trade (GATT) was established, which later evolved into the WTO in 1995 (Kadarukmi, 2013; Krugman, 2003).

As a consequence of Indonesia's accession to the WTO, the ability to adapt to international trade is urgent, including the need to implement a number of regulations to support the implementation of international trade. In practice, a number of policies created as a logical consequence of participation in the WTO include regulations on the removal of import tariff barriers, protection of the domestic market, and strategies to create a broader market for Indonesian exports (Kadarukmi, 2013). Furthermore, Indonesia has gradually issued a number of software tools related to the follow-up to international trade agreements in a region with other countries, known as Free Trade Areas (FTAs). To date, Indonesia has 17 international trade agreement schemes (BKF, 2013).

## LITERATURE REVIEW

This paper discusses the concept of international trade theory based on developing schools of thought, then analyzes the extent to which the theory has been applied in Indonesia. The application of international trade theory in Indonesia will be linked to regulations related to international trade, such as the Job Creation Law and its various derivative regulations.

The theory of international trade is based on David Ricardo's thinking, which stems from the basic concepts of absolute advantage and comparative advantage for a country in conducting international trade (Jones & Weder, 2017). Absolute advantage occurs when a country is able to produce a commodity more efficiently than other countries. Absolute advantage allows countries to specialize in the production of certain goods that they produce at a lower cost (Gandolfo, 2014).

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

Comparative advantage occurs when a country is able to produce goods or services at a lower cost than other countries, even though it does not have an absolute advantage in the production of those commodities. Comparative advantage allows for specialization in the production of goods or services that have high productivity and efficiency.

The principles of absolute advantage and comparative advantage in international trade theory provide a basis for trade to take place, but the usefulness of these principles is limited by their assumptions. The assumptions underlying the theories of absolute and comparative advantage are that labor is the only input used in production, so the price of the product is determined by the labor costs required to produce it. (Silvia Amanda & Aslami, 2022)

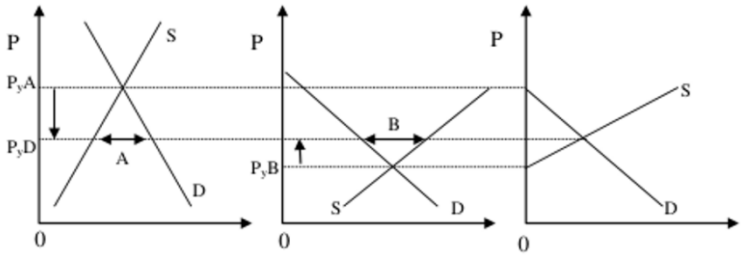
However, this view was criticized by another international economic thinker, Hekscher Ohlin (HO). He emphasized the importance of considering other factors of production in every production process, especially different input factors. One example of a difference in input is different natural conditions. Specifically, examples of these different natural conditions include soil conditions and fertility. In the subsequent process, differences in soil fertility will affect the productivity of crops grown on that land. These differences in inputs in the production process then form the foundation of the theory proposed by Heckscher and Ohlin (Akther et al., 2022).

Di sisi lain, teori permintaan dan penawaran juga mengungkapkan pandangan mengenai proses terjadinya perdagangan internasional. Terjadinya perdagangan antar negara terhadi karena adanya perbedaan derajat permintaan *(demand*) dan derajat penawaran *(suplly) antar* negara. Lebih lanjutnya, adanya tingkat permintaan antar negara disebabkan oleh adanya perbedaan pendapatan dan selera konsumen di swtiap negara, dan lain-lain yang nantinya akan mempunyai pengaruh terhadap permintaan dan pola konsumsi masyarakat. Adanya perbedaan tingkat penawaran diantara negara-negara disebabkan oleh perbedaan jumlah dan kualitas faktor produksi, tingkat perkembangan teknologi yang digunakan, eksternalitas, dan factor lain-lain yang mempengaruhi produksi dan penawaran.(Bharat et al., 2023)

Some basic assumptions used in supply and demand theory that drive international trade are as follows:

1. Perfectly competitive markets,
2. Fixed production factors,
3. Zero transport costs,
4. Full employment,
5. No technological changes that cause changes in supply,
6. Production is carried out under conditions of increasing production costs,
7. No capital flight.

In summary, the operational process of international trade from the perspective of supply and demand theory can be seen in the following diagram:




Copyright © ries This is open access article distrib .org/licenses/by/4.0

Country A Country B Global

Image Description:

A = Excess Demand for commodity Y in country A (equal tocountry A's imports)
PyA = Equilibrium price of commodity Y in country A, before world trade
B = Excess Supply of commodity Y in country B (equal to
country B's exports)
PyB = Equilibrium price of commodity Y in country B, before world trade
PyD = Equilibrium price of Y in the world market, after world trade

When international trade occurs, the price of commodity Y in country A is PyA, while the price of commodity Y in country B is PyB. The price of commodity Y in country A is significantly higher than the price in country B. If production is assumed to have constant production costs, then country B can sell commodity Y in unlimited quantities at price PyB. Meanwhile, country A cannot sell commodity Y below price PyA. Under such conditions, there is excess demand in country A and excess supply in country B.

## METHOD

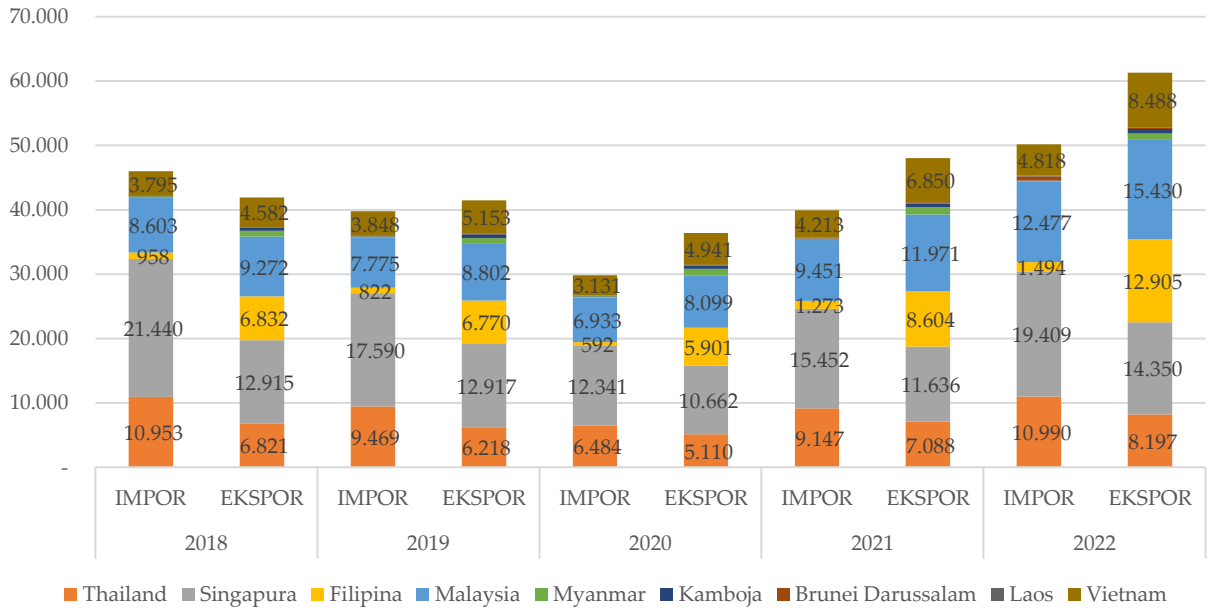
This research is qualitative in nature, categorized as literature research, with all data obtained from literature/library research, in the form of books, articles, journals, and other sources relevant to the concept of Islamic economics. Data analysis was conducted using content analysis techniques, which involve systematically dissecting and analyzing the content of written information in depth to uncover the messages behind that information.

## RESULTS AND DISCUSSION

Between 2018 and 2022, Indonesia's import-export statistics showed a positive trend, with both exports and imports tending to increase. In terms of imports, the data shows that Singapore was the largest source of imported products to Indonesia during the 2018-2022 period. After Singapore, the next largest importers were Malaysia, Thailand, and the Philippines.

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

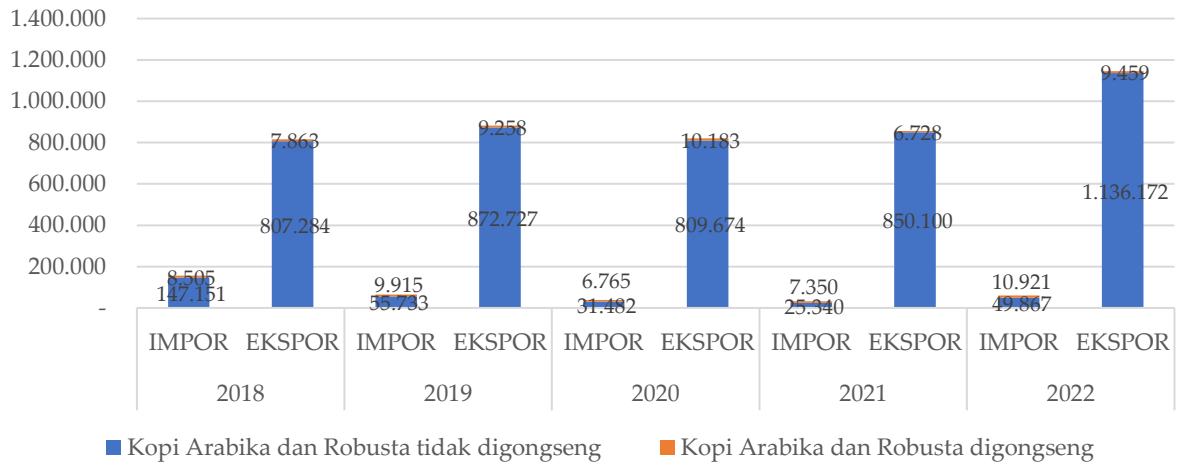
Graph 1 Statistics on Exports and Imports Coffee in ASEAN for the Period 2018-2022




Source: BPS, Data processed

From the general data on exports and imports, within the ASEAN region, Indonesia has become the country with the highest increase in coffee exports throughout the period 2018-2022. In 2018, the value of Indonesia's coffee exports reached 7 million US dollars, then increased to 9 million US dollars in 2022. However, in addition to being a coffee-exporting country, Indonesia is also recorded as a coffee-importing country. During the 2018-2022 period, the value of Indonesia's imports tended to increase, although its valuation was significantly smaller than that of its exports.

Graph 2 Statistics on Indonesian Exports and Imports for the Period 2018-2022



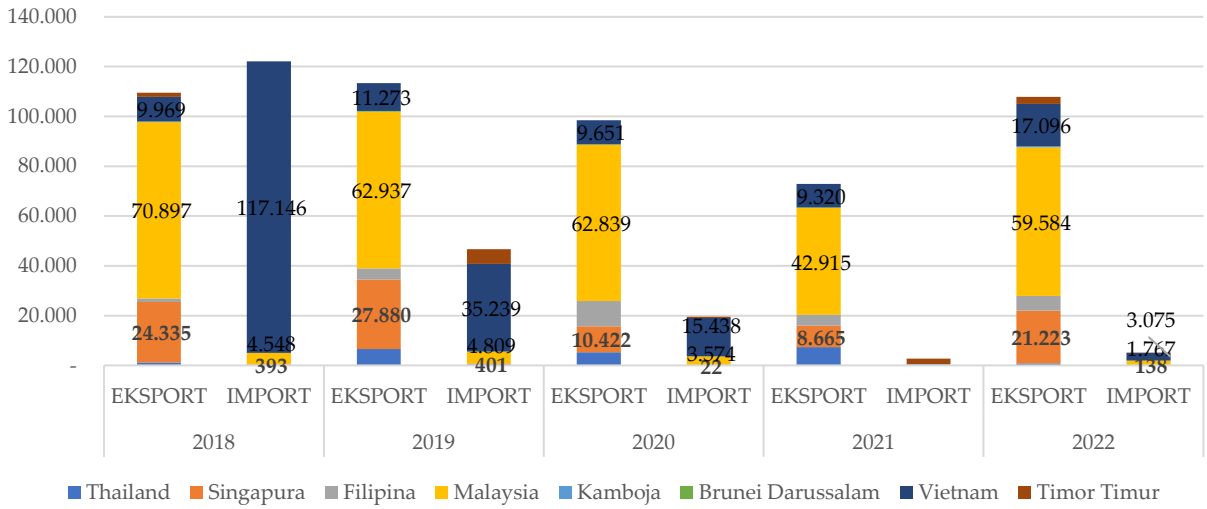

Source: BPS, Data processed

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

Meanwhile, on the export side—specifically, when linked to destination and origin countries—the highest destination country for Indonesian coffee exports from 2018 to 2022 was Malaysia. Although the valuation tended to decline during the 2018–2022 period, it remained higher than that of other countries. After Malaysia, the next largest export destination was Singapore. Although the valuation trend has been declining, the volume is still significantly larger than exports to other countries such as the Philippines, Cambodia, and Brunei Darussalam.

On the import side, the largest coffee importer to Indonesia is Vietnam. Although only recorded over four years, from 2018 to 2022, and showing a declining trend, the volume of coffee imports from Vietnam is still far greater than that from other countries.The data above shows that Malaysia is the main destination for coffee exports in ASEAN. However, more detailed data shows that the amount of exports to Malaysia is not the highest amount of imports in that country.

Graph 3 Statistics on Exports and Imports Indonesian Coffee in ASEAN for the Period 2018-2022




Source: BPS, Data processed

Based on Malaysia's international trade statistics, it is known that Indonesia's coffee exports rank second in Malaysia after Thailand. However, based on the valuation, although Indonesia ranks second, the value of Indonesia's coffee exports is much smaller than that of Vietnam's coffee exports. In 2021, the value of Vietnam's coffee exports to Indonesia reached 248 million US dollars, while the value of Indonesia's coffee exports to Vietnam only reached 80 million US dollars. In other words, the value of Vietnam's coffee exports in Malaysia is three times larger than the value of Indonesia's coffee exports in Malaysia.

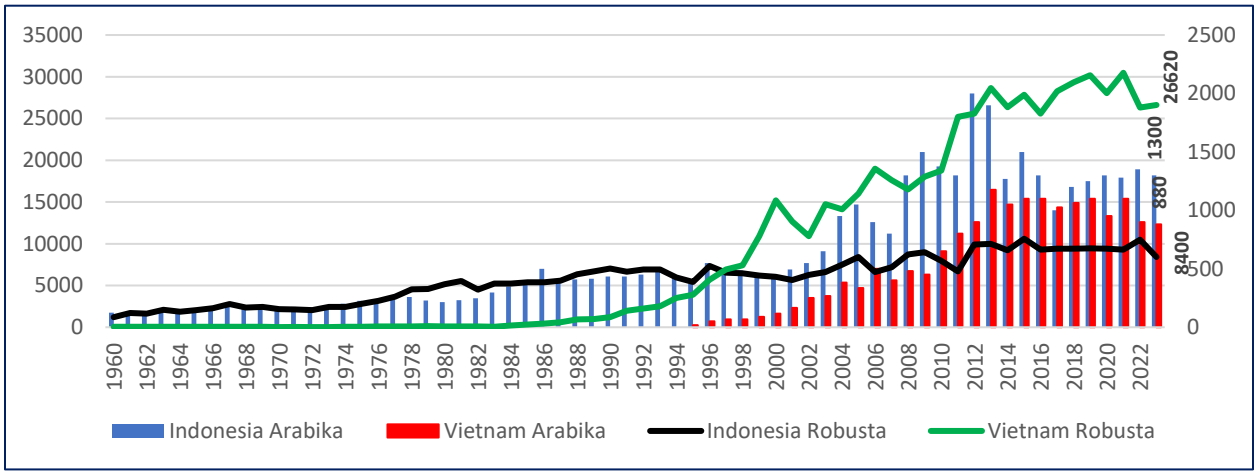
It is also important to note that Indonesia's coffee exports to Vietnam are driven by two factors. First, externally, although Vietnam's exports to Malaysia are much larger, Malaysia is not the country's main export target. Vietnam's primary export target is European countries. Second, the level of loyalty among Malaysian consumers toward Indonesian coffee is very high, so no matter how high Vietnam's coffee exports may be, Indonesian coffee will always hold a special place in the hearts of Malaysian consumers (Suhardiman, 2018).

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

Another supporting factor is the impact of the international trade agreement between Indonesia and Malaysia, whereby Indonesia, as an ASEAN country, has implemented free trade since 1993 through the Common Effective Preferential Tariff (CEPT) agreement scheme, which has gradually reduced tariffs to zero percent, except for goods that are considered sensitive and highly sensitive. (Putra Raharjo & Asmara, 2023)

From these statistics, it can be concluded that within the ASEAN region, particularly in terms of coffee exports to Malaysia, Indonesia lags behind Vietnam. Historically, the roots of this lag can be traced through the statistical history of coffee production between Vietnam and Indonesia. The statistical data can be seen in the graph below.

Graph 4 Trend on Coffe Production Indonesia and Vietnam 1960-2022




Source: US Department of Commerce, Data processed

From the statistical data above, it is known that Indonesian coffee production began in 1960, while Vietnam only started producing coffee in 1996, two years after the end of the war with the United States. However, from 1960 to 2000, Indonesian coffee production, especially Robusta coffee, tended to be flat without any production spikes until 2002. In contrast, for Arabica coffee, starting in 2000, Indonesia was able to achieve significant production increases,

However, the surge in Arabica coffee prices has been overshadowed by a significant increase in Vietnam's Arabica coffee production. This significant increase in Vietnam's coffee production comes from Robusta production. The surge in Vietnam's Robusta coffee production is in contrast to Indonesia's Robusta coffee production, which has tended to stagnate. Since 2000 until now, Vietnam has been able to surpass Indonesia's Robusta production. Therefore, it is only natural that Vietnam has become the largest coffee exporter and surpassed Indonesia. The key to Vietnam's success in winning the international trade market lies in the productivity of their coffee.

The productivity of Robusta coffee plants in Vietnam is far superior to that of Indonesia, even though the area of land used for Robusta coffee production in Indonesia is much larger. As a point of comparison, the production cost for 1 ton of Robusta coffee in Indonesia is only 574 US dollars, while in Vietnam it reaches 1,087 US dollars. However, despite the higher production cost

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

per ton in Vietnam compared to Indonesia, Vietnam's coffee production volume is three times greater than Indonesia's, reaching 2,400 kg of coffee beans, while Indonesia only reaches 800 kg of coffee beans. With this simple calculation, the projected net margin per hectare for Indonesia is only 873 US dollars, while Vietnam can achieve up to 1,447 US dollars. As a note, to date, the total area of coffee plantations in Indonesia is far larger than that in Vietnam. In 2018, the total area of coffee plantations in Vietnam reached 618,879 hectares, while in Indonesia it reached 1,241,514 hectares.

In addition to low productivity, Indonesian coffee also struggles to compete in the international market, especially in the United States, due to high export costs. Indonesian coffee has yet to be able to promote the special taste of its products. In the global market, taste is an important factor that drives consumers to buy coffee available on the market. The increasing consumer demand for pesticide-free coffee products, or more commonly known as organic coffee (Sallsha & Efendi, n.d.), as an indication of a shift in market taste, appears to have not been fully understood by Indonesian coffee producers, despite it being a clear opportunity for efforts to increase coffee exports in the global market.

## CONCLUSION

Based on the above description, it can be concluded that there is still a policy gap regarding the regulation of international trade, particularly for coffee commodities. The policy gap in question is that, on the one hand, the government has issued the latest regulations on international trade, but the main problem in international coffee trade is not actually the regulation of import costs, but rather the efficiency and effectiveness of coffee production itself.

In addition to policy gaps, another obstacle is that efforts to increase coffee productivity have not been accompanied by strengthening comparative advantages, which include special taste as part of Indonesia's coffee product branding. This should be taken into consideration when formulating Indonesia's strategic plan to respond to the recent increase in global market demand for organic Arabica coffee.

Finally, there is the issue of Indonesia's coffee production focus. Although Indonesia is known as the best producer of Arabica coffee, its production is very small. On the other hand, Robusta coffee production is still considered the mainstay product. This production focus strategy is certainly a major challenge in the development of coffee in Indonesia.

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

**Bibliography**

1. Akther, T., Voumik, L. C., & Rahman, Md. H. (2022). The pattern of international trade between Bangladesh and USA: Heckscher–Ohlin and Rybczynski analysis. *Modern Supply Chain Research and Applications*, *4*(3), 162–176. https://doi.org/10.1108/mscra-03-2022-0011
2. Bharat, B., Kumar, V., Sharma, S., Sehgal, S., & Jakhar, B. (2023). Literature Review on Theories of International Trade and Policies Behind Modern World Trade. *Journal of Indonesian Applied Economics*, *11*(2), 184–192. https://doi.org/10.21776/ub.jiae.2023.011.02.6
3. Boediono, 2002. Ekonomi Mikro : Seri Sinopsis Pengantar Ilmu Ekonomi. Yogyakarta : BPFE,
4. Gandolfo, G. (2014). *Springer Texts in Business and Economics International Trade Theory and Policy*. http://www.springer.com/series/10099
5. Jones, R. W., & Weder, R. (2017). *200 Years of Ricardian Trade Theory Challenges of Globalization*.
6. Krugman, P. R. (2003). *International Trade*. www.myeconlab.com
7. Putra Raharjo, B., & Asmara, K. (2003). Analisis Ekspor Kopi Indonesia ke Malaysia: Peluang Perdagangan Kopi Antar Negara. *Jurnal Ilmiah Wahana Pendidikan, Oktober*, *2023*(20), 117–124. https://doi.org/10.5281/zenodo.8401707
8. Sukirno, Sadono, 2010, Mikro Ekonomi Teori Pengantar, Jakarta : Rajawali Pers.
9. Sallsha, O., & Efendi, B. (2020). *Competitiveness of Indonesian and Vietnamese Coffee to the United States Market in 2015-2019* (Vol. 8).
10. Silvia Amanda, N., & Aslami, N. (2022). Analisis Kebijakan Perdagangan Internasional. In *Journal Economy And Currency Study (JECS)* (Vol. 4, Issue 1).
11. Suntoro, A., & Nureda, K. R. (2022). Omnibus Law: Dominasi Kekuasaan Eksekutif Dalam Pembentukan Legislasi. *Veritas et Justitia*, *8*(1), 109–139. https://doi.org/10.25123/vej.v8i1.4340
12. Outlook Kopi Indonesia 2018
13. Outlook Kopi Indonesia 2019
14. Outlook Kopi Indonesia 2020
15. Outlook Kopi Indonesia 2021
16. Outlook Kopi Indonesia 2022
17. Peraturan Pemerintah Nomor 29 Tahun 2021, tentang Penyelenggaraan bidang Perdagangan

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0

18. Peraturan Menteri Keuangan Nomor 208 Tahun 2012 tentang Penerapan Tarif Biaya Masuk dalam kerangka ASEAN Trade in Goods Agremeent (ATIGA).
19. Undang-undang Republik Indonesia Nomor 11 Tahun 2020, tentang Cipta Kerja
20. www.bps.go.id
21. www.commerce.gov/data-and-reports

Copyright © 2025 The Authors. Published by Gunung Djati Conference Series This is open access article distributed under the CC BY 4.0 license - https://creativecommons.org/licenses/by/4.0