

CHAPTER I

INTRODUCTION

A. Background

Globalization has affected the entire world to compete each other in many kinds of aspects including trade or economy. No one can neglect the idea of cooperation which uphold whether individually, group or even state, globalization created a wider meaning of cooperation which not only talking about politics or cultural things, how every actor in international arena can cooperate each others to get wealth or increasing their economy.

The cooperation could be built as bilateral and multilateral relations. As of the examples is bilateral relations among the European Union and Indonesia that have made an outward-looking partnership in advancing human rights and democracy, thriving trade links, concerning on climate change and terrorism, and expanding relations among people to people.

Speaking about European Union position in global trade, it is the largest economy in the world a GDP per capita of €25 000 for its 500 million consumers.¹The EU is also the most open to developing countries which managed properly. One of the examples is the EU imports more from the developing countries compared to Canada, US, China and Japan, excluded fuels. European Union is also the strongest supporter of the Doha Development Agenda at the

WTO. The WTO has recognized their openness as mentioned on the trade policy review of the WTO Secretariat in 2011 for being well maintained their openness and transparency of its investment and trade regime. In another hand, Indonesia is one of the best trade partners from developing countries, and the EU as the largest economy regime over the world. Both has gained a mutual trade relation in 2009 by signed a Partnership Cooperation Agreement.

The WTO was set up in 1995, based in Geneva which existed to replace another international organization named the General Agreement on Tariffs and Trade (GATT).²The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between countries. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. In addition to creating the WTO, the Uruguay Round has been succeed to extend the trading rules to services, agriculture, investment, textiles, intellectual property, and improving dispute settlement procedures.³ The WTO then became a market-oriented economic institution as a result.

Basically, there are at least ten things the WTO can do such as cut living cost and living standards, settle disputes and reduce trade tensions, stimulate economic growth and employment, cut the cost of doing business internationally, encourage good governance, help countries develop, give the weak a stronger

²http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm, access on July 3rd 2013

voice, support the environment and health, contribute to peace and stability, and be effective without hitting headlines.

Developing countries tend to face difficulties in benefiting as they should in trading system globally since many countries simply doesn't have the human with great capability, great enough institutional and infrastructural capacity to participate effectively in international trade. Without that, countries would not be able to expand the quantity and quality of goods and services that they can supply to world markets at competitive prices.

The WTO is one of International Organizations which uphold the idea of equality and fairness especially in trade relations. Every single member should be treated equally without any kind of discriminations or some similar things. The membership in the WTO has two consequences, rights and duties that have to be balanced. Each country should open their market and follow all trading rules that have been exists since the first very beginning.

Meanwhile, speaking about membership in the WTO, there are some countries who can get involve in taking care the problems that might occur during the relations among other countries since the problem is quite complicated, those countries are Canada, European Union, Japan, and United States. They named as Quadrilaterals or Quad.

As the members, every country can propose a proposal or project to the WTO as long as it has the same purpose with the WTO which has been decided together by the members. In 23 January 1995, US proposed a new rule to

... of the import gasoline from

Venezuela instead of US's national gasoline. But that proposal then was rejected by the WTO in 19 August 1997 since it harmed Venezuela because of unfairness.⁴ Another example is Indonesia-Certain Measures Affecting the Automobile Industry or National Car which also rejected.

Another example is EU's proposal policy concerning anti-dumping measures imposed on imports of biodiesel into the EU from Indonesia (also with Argentina at the same case) by launching Council Implementing Regulation No. 1194/2013 in 19 November 2013. This thing caused diesel product from Indonesia is much expensive compared to EU domestic product (from 0%-9,6% to 8,8%-20,5%).⁵ Indonesia claims that these measures are inconsistent with the EU's obligations under the Anti-Dumping Agreement. Indonesia then proposed this case into Dispute Settlement of the WTO in Geneva since its backlash the idea of equality as well as the concerning of WTO in its principles (National Treatment, MNF, about the equality in term of lowering a trade barriers or open up a market should be equal among all its trading partners. Indonesia proposed objections toward the European Court of Justice.

⁴Sekilas WTO Edisi Ketiga, Direktorat Perdagangan dan Perindustrian Multilateral & Direktorat Jenderal Multilateral Ekonomi, Keuangan dan Pembangunan Departemen Luar Negeri

⁵About Ekspor Biodiesel Dihambat, Indonesia Adukan Uni Eropa ke WTO, accessed in 21 July 2014.

In 2006, the European Union initiated a program called Trade Support Program -1.⁶ The proposal then accepted by the WTO and afterwards implemented between February 2006 and April 2008. Then the program has continued to the second part, namely TSP II which has been started from 2009-2014. The program initiated by EU called TSP -1 was agreed and accepted to be implemented but the program initiated by US or National Car project which did not accepted might be questionable considering both are increasing the advantages for the countries in global trade.

This writing is trying to analyze the WTO role in trading sector development of Indonesia by implementing Trade Support Program -1 (TSP -1) between February 2006 and April 2008, also the reason behind the supports.

B. Research Question

This paper is trying to answer the following question :

Why did the WTO decide to support the development of Indonesia through Trade Support Program -1?

C. Theoretical Framework

Role Theory

Role theory stressed on the idea of how to run a political role, the assumption is that most of the political behavior caused by the existence of demand or hope toward the role that handled by the political actor.⁷ In other words, the hope or prejudice will create the role. This theory is basically different from the concept of social position where stressed the idea of organization elements in social scope, by means the category of the organization members, while role is a physiologic aspect of an organization which include function, adaptation and process. Moreover, role could be seen as a demand that given structurally such as norms, hope, prohibition, and responsibility. Role will depends on position of the structure and or the hope of the environment around that structure. It is so influenced by the situation and ability of the actor.

International Organization has a function as a media to communicate internationally.⁸ Then, the role of International Organization could be a guidance to take actions in certain situation in international environment. In other words, it could be said that the role of International Organization is a reaction from international situation which emerged.

⁷Mohtar Mas'ood, *Studi Hubungan Internasional Tingkat Analisa dan Teorisa*, Pusat Antar

The role of International Organization in contemporary International Relations has been recognized because of its success to overcome the problem faced by a country. The existence of the International Organization reflected the needs of human to cooperate each other also as tool to solve the problem that exist during the relations.

The role of the International Organization could be divided into three categories, such as:

1. as an instrument, which helping the actors to get the agreement, and if necessary IO can also help to overcome the problem or conflict that might be occurred anytime,
2. as an arena for consultation to formulate the international convention, treaty, protocol, agreement, and so on and so forth together,
3. as an actor which could act on its own capacity as an autonomous actor, by means not just fulfilling the interest of the member states.

According to Clive Archer, International Organization plays an important role in world politics. Still related with Mohtar Mas'oe'd explanations, an international organization could be use as an instrument for countries foreign policy which is appropriate to centric-state approach. International organization also be used for modification or ruling the countries action. Moreover,

it will show whether that international organization has its own autonomy or not.⁹

In other words, it will depend on its action.

International Organization also cooperative, says as its characteristics. By means, it should work together with the member countries. One of the examples is International Trade. World Trade Organization as has been explained previously is an international organization which concern on global trade. It absolutely has the member countries to run the programs. In the WTO, the way in making decision is taking by consensus, not by voting. This example could show that the WTO as an international organization is working cooperatively with its member countries, and not just let the (i.e.) the current Director General, Roberto Azevedo, run the program by himself or only with his staffs. Furthermore, similar with the social field, an international organization (the WTC) will work together with its member countries to give assistance and support for a country in case they are facing problems or disaster¹⁰

D. Hypothesis

The WTO supports the development of Indonesia through the Trade Support Program -1 because the program is in line with the WTO principles to liberalize Indonesia trading sector.

E. Purposes and Benefits of Research

1. Putting forward the role WTO as an International Organization which really concern toward trade issue especially for developing countries such as Indonesia for its development by participating in global trade.
2. Knowing and analyzing the reasons of the WTO in supporting the trade development of Indonesia through Trade Support Program -1 (TSP -1) as one of the parts of the Building Trade Capacity Program.
3. Describing the Role of the WTO, in this case, an actor which support Indonesia in liberalizing its trade development..
4. As one of the requirements to get a bachelor degree (S-1) in International Relations Department, Social and Politics Faculty in University of Muhammadiyah Yogyakarta.

F. Research Method

To collect data, the writer is using library research such as the materials from books, journals, newspaper, tabloid and articles. The writer will also find the data from internet about WTO, Building Trade Capacity Program – Trade Support Program -1 for Indonesia.

After collecting the data and materials, the writer will select which of these are relevant with the writing since the data have to be in line with the indication and the tendency of International Relations at the present as the research object in low politics. After selection, the next step is analyzing the data

G. Range of Research

This research is focusing on the Trade Support Program -1 as a kind of supports from WTO toward the trade development of Indonesia, which initiated by the European Union since it has been implemented between February 2006 and April 2008 and also analyzing WTO's role and its authority within the supports.

H. System of Writing

Chapter I is the formulation of background, idea of framework and proffering main problem, also giving some hypotheses and theoretical framework which is related to the case. This chapter also mentions the writing purpose, technique of collecting data, scope of research and the system of writing.

Chapter II, this part will explain about the World Trade Organization generally. In further explanation will be about its history and profile, and deeper explanation about the EU – Indonesia relations as the continuation of the chapter 1.

Chapter III, in this chapter the writer will explain about the economic condition of Indonesia as a developing country, continue with the purpose and content of the TSP -1, also the Ministerial Declarations which showing the need of the program.

Chapter IV, in this part the writer will explain on how the WTO support Indonesia in liberalizing its trading sector by showing the correlations among the TSP -1, WTO principles, Indonesia conditions and European Union Influence

Chapter V, as the last chapter of the thesis, the content will be about