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Implementation of the GATT State Rates Policy on International Trade

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Abstract

Tariff policy can be interpreted as a systematic arrangement of duties levied on goods and services that cross national borders. The purpose of this research is to find out how the implementation of tariffs or international agreements related to international trade, especially the General Tariffs and Trade (GATT) agreement. This research uses quantitative research methods through a descriptive research approach. The results of this study are GATT countries usually use a lot of tariff policies to protect domestic production and also to attract revenue to the country. Even though it is permissible, the use of these tariffs is still subject to GATT provisions and many rules and agreements issued by GATT.
Keywords: Tariff policy, International Trade, GATT

Introduction

International trade is one of the important things, especially in the economy of every country, it is useful for the welfare of its people (Wang, 2019). In addition, international trade also has an important role because each country cannot fulfill its needs by relying on what is in the country. In this era of globalization, international trade does not only face the existence of tariff policies, but also the emergence of non-tariff policies which are increasingly being implemented. According to (Budiasih 2019), non-tariff measures (NTMs) are non-tariff actions that can economically affect international trade in goods, change trade volume and trade prices, or both (Worku et al., 2016). This tariff policy is taken by the government by applying high tariffs to import certain types of goods (Crivelli, 2016). Most of the actions taken by NTMs are in the areas of Sanitation and Plant Protection (SPS) and Technical Barriers to Trade (TBT). The widespread acceptance of the SPS and TBT guidelines is due to the increasing awareness of global consumers about health issues. Where, this health problem along with increasing income requires high quality and safe products. In many cases, the application of SPS and TBT guidelines to agricultural commodities such as vegetables, animals and processed foods is driven by the potential direct or indirect human health impacts of these product groups. On the other hand, the application of this non-tariff policy makes exporting countries uneasy (Orefice, 2017). Therefore, Indonesia relies on this international trade activity which will be used as an engine of economic growth.

Literature Review

International economic policy can be said as an action or economic policy used by officials, verbally or non-verbally which has an impact on trade and international payments related to monetary policy and fiscal policy. Ekananda (2015), defines international trade as a trading activity based on the agreement of both parties which is used between people in a region, whether it is carried out between one person to another, or someone on the authority of an area or the authority of an area with different regional authorities (Li et al., 2023).

International Trade Theory

Salvatore (2014), put forward several theories of International Trade as follows:

1. Theory of Mercantilism, the concept of Mercantilism by Victor de Riqueti and Marquis de Mirabeau in 1763 and was popularized and coined for the first time by Adam Smith in 1776. Adherents of Mercantilism believe that the state can obtain prosperity by conducting international trade based on funds with finances owned and trade calculations between foreign countries. This philosophy seeks to gain benefits for the country by weakening the strength of other countries, especially in the economic field.

2. Adam Smith's philosophy of absolute advantage, trade between two countries is based on absolute advantage, Adam Smith argued that trade is carried out liberally and freely without any intervention from the government, so that the two countries that transact benefit from specialization between the two countries through agreements in trade.
3. The theory of comparative advantage, the comparative theory introduced by David Ricardo regarding the law of comparative advantage that there is a country that has the same commodities as another country but one of these countries is less efficient in its production, the two countries can benefit from each other with their different advantages.

Types of International Trade

1. Exports and imports, both of which are no strangers to international trade activities, exports mean selling goods abroad while imports mean importing or bringing in goods from abroad.
2. Barter, namely transactions carried out by exchanging goods from other countries with equivalent values and prices.

3. Consignment, consignment sales are carried out by entrusting goods to certain parties or to the free market or goods sales exchange. Delivery and consignment sales are carried out if there is no definite buyer abroad.

4. Border Crossing, trade between countries that are interrelated and close together and aims to make it easy for the people to carry out international trade transactions.

Tariff Policy

Customs policy can be understood as the systematic imposition of customs duties on goods and services that cross national borders. Import and export taxes are levied to increase wages for the import of goods. For domestic users, this method can minimize the demand for imported goods because the fees are quite high. From the point of view of exporters, customs duties undermine the competitiveness of products in the target country's market. Tariffs can also increase government tax revenue.

Based on cancellation decisions and regulations, there are various rates and definitions based on different perspectives:

1. The nominal tariff is a tax for special goods as stated in the Indonesian Import Tariff Book (BTBMI).
2. The effective protection tariff is the increase in value added (VAM) in manufacturing caused by the difference between the nominal tariff of finished goods or CBU (completely assembled) and the nominal tariff of imported raw materials/raw materials or CKD (completely knocked down).
3. Burden rate is the ratio used for pre-production overhead allocation.
4. The effective rate of interest is the market interest rate at the time the bonds are issued.
5. The base rate is a tariff that determines different costs.
6. The discount rate is the interest rate which is charged so that the total profit will be deducted at the maturity date of the bond.
7. The tax rate (tax rate) is the cost of taxes applied to income tax costs to total income when accrued.
8. The marginal tax rate is the largest tax made on wp income.
9. The transit rate (cut back rate) is the cost of transit cargo.

Research Method

This research uses quantitative research methods through a descriptive research approach. According to (SUGIYONO 2017), the descriptive research method is a research method in which it is independent of one or more variables (stand alone or independent) without comparing the variable itself or changing its relationship with other variables which is carried out to determine the existence of a variable.

Discussion

Trade war by definition is the increased cost to a country when it has trouble selling. The age strategy should be allowed in the GATT as opposed to non-tariff protective behavior. GATT usually uses various tariff strategies in order to maintain domestic production and attract revenue attention to the country. Even though it is permissible, the making of these tariffs is still subject to GATT provisions, such as the imposition or application of tariffs that are not both limited in nature and subject to GATT / WTO trade obligations. The use of import duties is the authority of the state, especially according to the principle of reciprocity between countries, but as a result of the trade war between the United States and China it has a broad impact on the finances of less developed countries, one of which is Indonesia, even though the WTO has several principles which safeguard the needs of underdeveloped countries. One important source of law on international trade is the General Agreement on Tariffs and Trade (GATT). Member States have the right to protect domestic products in export-import operations by creating international trade barriers, including trade barriers known in the Convention on Tariffs and Trade, namely:

1) Tariff barriers
Tariff is a type of tax which is imposed from an import duty official which is imposed on imported goods which can be clear and varied.
Where is the GATT principle, when this activity must be carried out, it must be through tariffs. The aim of the activity is to make the scope of protection transparent and to reduce the trade distortions it causes.

Tariff and Trade Agreements are international agreements made between several territories. International agreements related to international trade are mainly the General Tariffs and Trade (GATT) agreements related to the import duties of each country or the amount of import duties imposed as import duties, which were previously considered to be very disruptive to the smooth running of international trade relations, because the amount is different between countries. region among other regions. Without harmonization and harmonization or harmonization of tariffs, the movement of goods will not be smooth, it can even become a kind of obstacle.
The agreement is called a "circle" or mund, and meetings are held in the following countries
1. Customs and trade special approvals
The General Agreement on Tariffs and Trade (GATT) is an international customs and trade agreement which is bound by 120 countries. GATT's goal is to create an orderly and suitable international trade environment, to foster sustainable commerce for investment and employment, and to create a healthy business environment to foster economic growth and execution in various regions. The rules and agreements developed and issued by GATT are carried out according to the principles and basis of the agreement as follows:

A. The principle of non-discrimination (the fundamental principle of GATT) is that international trade must be based on the principle of not insulting. In addition, each country must treat imported products and domestic products (national meat) equally.

B. Tariff protection (tariff protected). In principle, GATT allows measures to protect domestic industries only through tariffs (improvement of import duties) and not through other trade actions (digital trade customs actions).

C. Stable business (stable business base). In order to create a stable international trade, we are preparing a customs bond through negotiation (of the tariff). Tariff binding is done in such a way that each member country is not allowed to change product tariffs in such a way as to make it possible to predict commercial terms.

D. The target is fair trade competition (fair advertising).
race). Creating fair trade (long term), GATT also regulates procedures for handling operations which are said to be fraudulent, for example dumping and assistance.

E. Quantitative barriers (quantitative import restrictions). The prohibition of quantitative restrictions is a fundamental requirement of the GATT. However, there are exceptions for activities in the field of trade under certain conditions, such as balance of payments and infantry activities. Quantitative measures are applied to overcome some difficulties in any case within the deadline.

F. Postponement of liabilities and contingencies (pledges and contingencies). A member can request an exception or postponement (exemption) from fulfilling certain obligations if problems occur in that country. In addition, GATT also allows state action to prohibit imports in order to protect domestic industries (protection).

G. Regional trade agreements. GATT (GATT Article XXIV, Territorial Application-Border-Traffic-Customs and Free Trade Areas) allows regional cooperation between several allied territories to eliminate trade barriers.

H. The main conditions for the region have not improved (special conditions for developing countries). GATT also recognizes the existence of special conditions imposed on developing countries in accordance with GATT Rin IV (Trade and Development). Part IV recognizes the need for developing countries to be able to treat their products better when entering world markets.

I. Consultation, mediation and dispute resolution

2. Geneva Round (1)

The Geneva Round (1) or the Geneva Road is the first part of international trade negotiations or agreements that were held involving 23 countries. During these negotiations, multilateral agreements were signed to form the Treaty. An agreement reached to balance world trade requires the efforts of all countries to reduce differential tariffs, import quotas and other trade restrictions.

3. Annecy Tour

This negotiation is a continuation of the Geneva negotiations after the establishment of GATT. The results to be achieved should mainly be in the form of efforts to formulate an ideal and

uniform tariff reduction idea together.
4. Torquay Roundabout

The Torquay Round is the third round of the series. International trade under the GATT, held in April 1951 in Torquay, England, involved 58 countries. The results reached at the Torquay negotiations highlight the efforts of various parties. form the ideal concept for reducing tariffs.

5. Tour of Geneva (2)

The Second Geneva Round, or Geneva Round, was the fourth round of international trade at GATT, which was held in Geneva and involved 26 countries. The second round in Geneva strengthened the results of previous negotiations with a similar substance, namely reducing tariffs.

6. Dillon's Round

The Dillon Round or Dillon Round is the fifth standard of the GATT International Trade Round. This name is taken from the name of the assistant secretary of state of America, C. Douglas Dillon, who started the negotiations. The negotiations took place in Geneva, Switzerland. Negotiations began in 1960 and ended in March 1962. 26 countries participated in the negotiations and the European Economic Community (EEC) or EEC was also a participant. One point of conclusion is that in 1963 about 50 GATT member countries controlled 50 percent of all world trade and exchanged more than 65,000 different concessions. Another conclusion, for that it is necessary to form a customs union.

7. Kennedy Circle

The Kennedy or Kennedy Round is the sixth round of international trade under the GATT agreement, named after US president John F. Kennedy, who initiated the international negotiations. Implementation took place in Geneva, Switzerland, opened in May 1964 and ended in June 1967, followed by 50 countries.

8. Tokyo tour

The Tokyo Round, also known as the Tokyo Round, was the seventh round of international trade negotiations under the GATT, which took place between 1973 and 1979 and involved 102 countries. The Tokyo Round resulted in six agreements known as Codes or Tokyo Round Codes. The Agreement on Technical Barriers to Trade (Sundar Code) is an agreement according to which the government and other parties shall not create unnecessary trade barriers in the development and formulation of technical regulations and standards.

9. Uruguay Round

The Uruguay or Uruguay Round were international trade negotiations under GATT which began in Punta del Este, Uruguay in 1987 which ended in 12 months 1995. These nine points brought many GATT countries. The importance of this activity is to minimize some of the obstacles to foreign trade, increase the role of GATT when advancing profitable trade activities, advance GATT's responsibility for foreign finance, promote joint activities in order to advance commercial political relations, especially international trade relations. other economic policymaking. and a multilateral framework of principles and rules for trade in services, including an extension of the discipline that enables the further development of the individual service sector. The Uruguay Round is expected to reduce the overall customs policy. The author states that these activities can be implemented properly and steadily, GATT can add to the economic development of the region when it is $200 billion to $800 billion. clarification of issues related to carbon regulation and subsidies. The general principle of leasing in Uruguay is open negotiation for all members according to the commitments agreed in the Uruguay Round Principles and the GATT

h) initiation of negotiations, decision-making and implementation of results as one package (one invoice): balanced concessions on all issues.

Conclusion

International economic policy can be said as an action or economic policy which is used by officials, carried out verbally or non-verbally which has an impact on international trade and payments where customs policy can be understood as the systematic imposition of customs duties on goods and services that cross national borders. Cost and Trade agreements are international agreements which are used in several territories.

International agreements which are related to international trade are mainly the General Tariffs and Trade (GATT) agreements related to each country's import duties or the amount of import duties imposed as import duties, which were previously considered to be very disruptive to the smooth running of international trade relations, due to other magnitudes in a region between different regions. The Tariff and Trade Agreement is an international agreement which is used in several areas. The international agreement which is related to international trade is mainly the General Tariffs and Trade (GATT) agreement.

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