Limited State Sovereignty In Setting Regulations Relating To Economic Matters

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Abstract

Sovereignty is one of the main elements in the establishment of a country. Sovereignty should be the full right of a state without restrictions and without intervention from other groups or countries outside the country. Globalization that brings the world into one unit inevitably makes world countries become integrated with each other. Globalization has brought various policies that have led to the introduction of free markets. The enactment contains certain provisions and standards that must be implemented by each country that is a party to the agreement. This reduces the state's ability to be sovereign because there are restrictions and interventions from various groups in setting economic rules. This study aims to analyse the limitations of a country's economic sovereignty with the existence of free trade. The method used in this study is descriptive qualitative. The data used is secondary data sourced from the literature review. Data collection is carried out by literature observation. The results showed that the existence of free trade reduces state sovereignty due to restrictions and interventions in forming economic regulations in the country of these. Indonesia as one of the participating countries in free trade, also reaps the impact of limited sovereignty because the formation of economic regulations must refer to provisions and agreement agreements in a free market.

Keywords: Sovereignty; Limited; Economics; Country.

1. INTRODUCTION

Sovereignty is often referred to as the highest level of power. A state is called a sovereign state if it has the ability to be independent and independent of other countries (Trisnamansyah &; Zamil, 2016). Although sovereignty is fundamental and the highest benchmark of a country's success, in fact not all countries are able to implement state sovereignty. Not a few countries can exist but cannot achieve sovereignty.

Several aspects affect the sovereignty of a country. These aspects are internal, external aspects, and territorial aspects. (Munaf, 2016) The internal aspect is the state's ability to form state institutions and matters related to these institutions independently, as well as the ability of a state to form regulations and constitutions without any intervention from other parties. The external aspect is a state's ability to freely determine relations with other countries or regions without any coercion or interference from the state or another group. The territorial aspect is a state's full power over everything within its country's territorial boundaries without interference from other parties.

Today, the transformation of the world brings the world to become more and more integrated. Globalization makes the world less insulated. The impact of this condition is the emergence of various policies that encourage all components of the world to become one unit. (Rindawan, 2013) The development of various policies in the political, economic, and social fields occurred so quickly. Currently, there have been several trade agreements both at regional and international levels followed by Indonesia. Free trade and similar policies aim to increase cooperation in the economic, political, and social fields. Some policies are sometimes coercive and require all union member states or associations to participate in them. In the end, all countries that are members of trade unions or economic agreements must be subject to various provisions set by the organization.

This is suspected as one indication of a reduction in sovereignty for the state. The state no longer sets policies that are in accordance with the needs of its citizens but establishes various policies based on meeting the needs of geopolitical and economic activities multilateral(Firdaus, 2019). Countries that are not willing to participate in free trade actions or similar policies will be called backward countries, even at extreme levels will be boycotted towards the country. The existence of a boycott will certainly have many adverse effects on the survival of the nation and state, therefore many countries prefer to participate in trade free.

However, a country's participation in free trade policy means that it must provide accessibility and facilities that comply with the standards set by organization. When a country embodies these facilities and accessibility, it often ignores the real needs of the people. Many developments are carried out to support the entry of industry, investment, and other economic activities but ignore the survival of the surrounding community. Not a few regulations are formed where the reference is based on multilateral agreements and does not refer to the constitution of the nation and state. These things are feared to further eliminate the essence of sovereignty for a country. The state no longer exercises an independent leadership function and there is too much outside intervention in the administration of a state.

This study aims to analyze the condition of state sovereignty which is increasingly limited, especially in the economic field caused by free trade and integrated economic policies. Some of the things that formulate the problem in this study are : Why does state sovereignty become limited with free trade? Then how does globalisation affect the formation of laws and regulations in Indonesia, both at the national and local levels? Finally, how can other parties intervene in forming regulations in the economic sector? This research is expected to provide benefits and scientific treasures, especially in the fields of law and economics. Research is also expected to benefit the general public who desire to study the country's economic sovereignty.

2. METHODS

This research uses descriptive qualitative methods with a literature study approach. Descriptive qualitative is the most basic qualitative method because it still refers to theories or frameworks that have been determined as references in making conclusions. Data sources come from various publications on free trade policy, economic regulation and political economy studies. The data used is secondary because researchers do not take directly related data but use publications from other parties as the main data. Data collection is carried out by observing the library. In general, research is carried out through the following research flows:

1. Collection of data and information carried out through literature observation;
2. Analyze data and information based on categories or research discussions;
3. Classify data and information in accordance with similar discussions or similar research structures;
4. Perform patterns and generalizations from theories and facts obtained;
5. Verify data and information and conduct theoretical studies;
6. Presenting data and information that has been studied with theory.

Qualitative research is also called the inductive method because in qualitative research conclusions are made at the end after all the data and information needed have been analyzed and verified. The types of qualitative research methods that are well known are qualitative involving observation, conversation analysis, discourse analysis, content analysis, and the use of ethnographic data. This research uses a type of qualitative research content analysis because this research will use a review of administrative and substantive documents documents.

This research uses qualitative methods because this study expects results in the form of in-depth analysis of facts and events that occur and does not require research results mathematically measurable. Therefore, the use of qualitative methods is considered more appropriate to be used in this study. Data analysis in this study was carried out using narrative analysis.

3. **RESULTS AND DISCUSSION**

3.1 Limitations of State Sovereignty on Free Trade

Some several agreements and negotiations are agreements and negotiations in the economic field.

Indonesia itself has participated in several kinds of free trade. Among the free trade members of which Indonesia is a member are the ASEAN Free Trade Area (AFTA), the ASEAN Economic Community (AEC), the Asia Pacific Economic Corporation (APEC), and The Group of Twenty (G20). Involvement in various free trade agreements certainly has an impact on the management of the domestic economy (Nasution, 2015). The state can no longer fully determine the direction of its own economic development, but must adjust to the various provisions agreed in the trade agreement.

Sovereignty in Jean Bodin's view as (Rudy, 2013) contained in consists of absolute sovereignty, indivisible sovereignty, and permanent or perpetual sovereignty. A sovereignty is defined as absolute sovereignty when it is indefinite. Indivisible sovereignty is undivided sovereignty, meaning that sovereignty exercised by a state is completely exercised by the state itself and not by will other countries or groups. Permanent sovereignty can be interpreted that the sovereignty of a country will continue to exist as long as the country still has the status of a constitutionally valid state.

Currently, the implementation of sovereignty in Indonesia has begun to be disrupted. Absolute sovereignty that should have no limits must be limited by various rules and regulations that have been set by various organizations that Indonesia follows. Indonesia must adapt itself in order to meet decent standards in free trade, in order to achieve these conditions Indonesia must establish regulations that are no longer based sovereignty in the hands of the people but based on the need for fulfillment of these standards of eligibility. Therefore, the meaning of absolute sovereignty becomes no longer relevant. Absolute sovereignty becomes very narrow in its space for movement and becomes very limited.

Similarly, the meaning of indivisible sovereignty. Sovereignty, which should only be the only highest caste in the administration of the state without intervention or coercion from various parties, is no longer relevant in its meaning. Although there is no coercion in the form of threats, the involvement of the state in free trade indirectly forces the country concerned to comply with all provisions that agreed. Thus, sovereignty is no longer the holder of the highest power in the state because it is displaced by submission to provisions outside the state’s sovereignty.

Based on the Constitution of the Republic of Indonesia in 1945, it is stated that Indonesia is a republican country that bases its sovereignty in the hands of the people by adjusting its implementation in accordance with the Basic Law. However, in the implementation of free trade, the people are no longer the holders of the highest sovereignty in Indonesia because various policies related to economic activity are very nullified the presence of the people. These agreements or agreements are generally initiated by the government, which sometimes does not represent the conditions and desires of the people.

The limitations of state sovereignty caused by free trade include that the state can no longer provide full protection to citizens (Santoso, 2018). For example, in terms of employment due to the AEC, one of the points of the agreement states that all AEC member countries can do free trade both in the goods sector or services (WK, 2017). The level of comparison and competition of Indonesian society, which is quite high compared to some other AEC member countries, can lead to the potential for foreign domination and loss of the existence of original citizens. Therefore, a country's involvement in free trade will certainly shift the country's sovereignty slowly. State sovereignty will be increasingly limited because it must adjust to the demands of various blueprints in the treaty.

3.2 The Influence of Globalization on the **Formation of Laws and Regulations in Indonesia**

Globalization is a condition where the world is increasingly becoming one and without borders. Integration began to happen one by one in various sectors. Globalization is one of the things that gave rise to free trade and integrated economies (Koesrianti, 2013). All states of the world open each other's taps on the entry and exit of exchanging goods and services from other countries. Globalization makes the flow of goods and services between countries increasingly rapid. The era of globalization makes countries with economic power compete to become superior countries and able to dominate the world economy.

Globalization makes life freer. The sovereign wall that is the greatest protection of a country is slowly being torn down by the concept of capital movement, labor, information flow, and other ideas that are basically not can promise effective protection against various lurking dangers. Public welfare seems to be no longer the main goal. Internationalization of politics and society takes precedence. Globalization has pushed the world to become an interdependent country. Many communities are formed either formally or informally. Many world organizations also ultimately intervene in various problems or problems that occur in a country. Therefore, absolute sovereignty can no longer be used. Sovereignty is no longer relevant to the conditions of global society. An understanding of what is meant by sovereignty may be revamped according to a more appropriate context.

Government challenges in the era of globalization are also growing. There are new threats that know no boundaries of economic, political, and social conditions. Things like environmental degradation, narcotics, international crime, terrorism, AIDS, human rights violations, and poverty are problematic that do not consider the geopolitical conditions of a country. Some time ago, the phenomenon of the Covid-19 pandemic even penetrated almost all states of the world and was quite devastating to the economy in various sectors. State control over the mentioned matters cannot be entirely carried out independently. There are several problems whose resolution must be based on the provisions of the world organization. For example, it is imperative for every country to include Social Development Goals (SDGs) indicators in the development indicators carried out by that country. This is one example that the country is no longer fully independent. The establishment of regulations in various spheres of problems must be based on the decisions of international organizations.

In other words, states have lost direct control over activities that affect or occur within their formal jurisdiction. However, the ability of the state to influence its internal affairs has not diminished. States will continue to be the main source of sovereign authority in their territories. States will remain the main subjects of international law without which international law would not have developed. (Restiti, Mangku, Yuliartini, &; Setianto, 2022)The existence and reality of internal government sovereignty is an important factor for international capacity itself. For example, a state has obligations under international treaties that usually occur after ratification of the treaty, where it is required to amend its local laws in order for those international obligations to be applied in local law and local courts.(Sutrisna, 2022)

In the end, all forms of regulations and legislation drafted by a country participating in an international organization cannot be fully carried out on the basis of sovereignty. Indonesia as one of the countries that is a member of various international organizations, of course, also gets a similar impact. Indonesia's participation in various international organizations makes Indonesia have to make various policies in accordance with international initiatives. For example, the publication of SDGs requires the Indonesian government to establish regulations related to how to implement sustainable development as the indicators mentioned in SDGs. It is known that the implementation of SDGs at the international level was followed up by the Government of Indonesia by issuing Presidential Regulation Number 59 of 2017 which was later updated with Presidential Regulation Number 111 In 2022, both of which discuss the Implementation of Sustainable Development Achievements.

3.3 Other Parties' Intervention in the Establishment of Economic Regulations

As mentioned in the previous section, Indonesia's participation in various organizations, both regional and international levels, has an impact on Indonesia's obligation to participate in various agreements the economy formed by the organization. Economic agreements began to emerge along with the increasingly unstoppable rhythm of globalization. This economic agreement at the regional and international levels certainly has an impact on the formation of existing economic regulations in Indonesia. One of the closest examples is Indonesia's participation in ASEAN which further led Indonesia to join AFTA and AEC.

From the beginning, the founders of ASEAN had intended to make ASEAN a loose organization without strong power over its member states. Power remains in the hands of the national sovereignty of ASEAN members. The association as reflected in the ASEAN Declaration of 1967 is only required to facilitate cooperation in the social, cultural, economic spheres, and to promote peace (Puspoayu, 2017)(Heriyanto &; Putro, 2019). Basically, ASEAN has succeeded in resolving several political conflicts in the region, such as the Vietnam and Cambodia conflicts. Over time, the association became a kind of joint bargaining body with its external dialogue partners, such as the OECD, EU, Japan, and Australia. However, each ASEAN member state has undertaken a unilateral trade liberalization process at some point over the past three decades.

Indonesia's participation in the AEC requires Indonesia to form an AEC council and establish various trade provisions in accordance with the standards described by the AEC. Indonesia has formed at least 23 action strategy plans aimed specifically at providing space for AEC implementation so that it can be implemented optimally in Indonesia. There are many important points related to economic activity, which are mentioned in the action plan. Some of them are trade in goods and services, consumer protection, taxation, investment climate, e-commerce, and others.

This can be interpreted that all regulations related to matters that become the AEC implementation action plan must be based on the main idea of these elements in the AEC agreement. Until 2019, there are at least 62 AEC agreements that regulate provisions in various economic fields. These key agreements should then be used as a basis by other AEC member states in formulating action plans. For example, there is an AEC agreement that regulates the basic agreement on industrial complementation in the ASEAN region. The impact of the agreement is that when the Indonesian government intends to issue industrial regulations, the points mentioned in the regulation must refer to the basic agreement ASEAN industrial complementation as agreed.

In the end, various economic regulations such as rules on export-import, rules on the use of e-commerce, rules on taxation are no longer fully based on the basis of state sovereignty or sovereignty in the hands of the people. The regulation of economic activity in Indonesia is no longer based on the conditions of people's needs and capabilities but is focused on meeting global demands. (Sni'uth, 2014) As with the requirement for halal labeling on all MSME products in 2024(Marsha, Saputro, &; Almubaroq, 2022), this is a matter that is actually more likely to be used to meet global demand. Adjusting to the standardization of products that are considered suitable for sale to the global market. The policy is no longer based on popular sovereignty. The enactment of the regulation is not based on improving the economy and people's welfare but is an effort to achieve Indonesia's ability in the free market.

5. CONCLUSION

One indicator of an independent state is the existence of sovereignty in the state. Sovereignty is the ability of a country to be able to manage all its potential independently. States can decide various rules and policies for their country without having to be intervened by outsiders, which in this case can be other countries or other organizations. But in fact, today, there is almost no independent state. Globalization has encouraged world countries to increase integration in various sectors, including the economic sector. Free markets and free trade began to be widely applied in various multilaterally and globally regions. Indonesia is one of the regions that is a member of the world organization or regional organizations that also have policies to implement free trade. Basically. Free trade is considered quite good from the economics perspective because it is considered an effort to achieve a free market which is considered an ideal condition of the economy. However, the legal lens views this as something different. The law considers the existence of free trade involving various countries, which results in various agreements and agreements that can ultimately reduce a country's sovereignty. The state can no longer determine policies independently because every policy taken by the state, especially in the economic sector, must refer to the results of the agreement that has been set. This makes the state lose its role in putting sovereignty on the highest power holder. The existence of policy interventions and limited state in forming rules indicates an essential decline in sovereign values.

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