

## **Corruption in Trade Licensing and the Loopholes of Indonesia's Trade Regulation**

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### **Abstract**

The purpose of this article is to examine the various ways in which corruption occurs in the international trade environment and analyze how international trade laws have addressed it. This study focuses on the relationship between corruption and international trade in Indonesia, exploring the common types of corrupt practices linked to international trade and evaluating whether Indonesia's current regulations align with international law. This study is a doctrinal legal analysis that draws on national and international laws on corruption and international trade, as well as court rulings on corruption cases. The study also examines corruption cases related to influence peddling in Indonesia in light of the United Nations Convention against Corruption, 2003. Additionally, the study analyzes Indonesia's international trade regulations from the perspective of the World Trade Organization agreements, including the GATT 1994 and Agreements on Agriculture legal provisions. The study identifies three corruption modes that utilize international trade as a means of corruption: trading in influence, abuse of function, and issuing permits for personal gain or for unauthorized individuals. The article concludes that Indonesia's international trade policies have provided a fertile ground for corrupt activities by officials, which violate the provisions of the GATT 1994 and the agreements on agriculture according to the WTO perspective. As a result, the government must strengthen its oversight of public officials to prevent international trade policies from being used as a means of corruption. Overall, this study highlights the importance of addressing corruption in international trade and the need for adherence to international trade laws to ensure fair and equitable trade practices.

**Keywords:** Corruption, Licensing, Indonesia, International Trade Law, WTO,

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GATT 1994

**Introduction**

Corruption is a deliberate violation of the principle of fairness that aims to gain some benefits for oneself, others, or a company (Reyes, 2019; Tanzi, 1995). Corruption is a dangerous epidemic that can damage democracy and the rule of law, leading to violations of human rights, distorting markets, eroding quality of life, and enabling organized crime, terrorism, and other threats to human security (Fuhr, 2013; Kumar, 2008). Nowadays corruption is classified as an extraordinary crime with a complex, widespread, and systematic modus operandi that violates not only individual rights but also people's economic rights (Spalding, 2014). Therefore, extraordinary means are needed to eradicate corruption (Sadoff, 2017). In Indonesia, corruption is classified into seven types of corruption offenses, namely loss of state finance, bribery, embezzlement of office, extortion, fraudulent acts, conflicts of interest in procurement, and gratification. These types can be found in many institutions and are present in both the public and private sectors, including trade (Prabowo, 2014), where countries heavily rely on their international trade relations for their success (Shirazi, 2012).

The structure and organization of institutions in a country can indicate the level of corruption in that country. The bureaucratic institution framework of a country can be used to define both formal and informal legal business activities (Chepte, 2007). Many researchers and scholars agree that there is a strong correlation between the institutional bureaucratic framework and trade. Recently, many international researchers have been writing about the impact of corruption on international trade. However, international trade can be a means of corruption itself. This correlates with the bureaucratic institutional framework and trade relationship because many aspects of the organization and institutions of a country are key factors that influence international trade, such as legal regulations, political legalization systems, and business methods (Horsewood & Voicu, 2012). The bureaucratic policy structure and national institutions greatly affect the ease of contracting business or investment with other countries, as international transactions have different legal forms and political jurisdictions. Many legal procedures and bureaucratic regulations are also intended to make business and investment more difficult. Trade quota policies and changing shipping policies, for example, can make investors hesitant to engage in cross-border economic collaborations (Anderson & Marcouiller, 2002).

Cross-border economic transactions have the potential for corruption, especially in the form of bribery carried out by individuals from multiple countries and legal systems (KPK, 2016). This is in line with the context of several

international agreements that regulate the requirements for states to make regulations that prohibit corruption, specifically related to foreign bribery of public officials. Public officials in the country where the corporation does business are usually recipients of bribes (passive bribery), while bribe givers are usually from companies or entities investing in business activities in other countries (host countries). However, there is a "grease the wheels" hypothesis developed by scholars that shows the possibility of corruption as a factor that, in some situations, can increase economic exchange, increase the effectiveness of foreign direct investment or the entry of business (Egger & Winner, 2005; Dreher & Gassebner, 2013). The opinion on this is that bribes can benefit businesses in avoiding formal regulatory barriers in economic systems with broad and complex regulations and weak institutions. In other words, corruption will act as a deregulation tool. Bribes can increase trade if tariff and/or non-tariff barriers (such as complex administrative formalities) are high because bribes will help overcome these barriers (Gil- Pareja et al., 2019).

This situation can be found in cases of corruption involving public officials in Indonesia's import quota for meat and the export of lobster seeds. The risk of higher exporter costs will arise from the negative impact of the state's bureaucracy on trade cooperation with other countries (Anderson & Marcouiller, 2002). This can also result in the same effect as imposing tariffs on imported goods because it can increase costs in cross-border trade. This problem will be responded to by exporters by reducing the value of trade with the destination country (Horsewood & Voicu, 2012). This situation will certainly harm society and the national economy. This article aims to analyze the modus operandi of corruption in the international trade environment and the perspective of international trade law on corrupt practices. It highlights the potential hazards of corrupt practices and identifies the mechanisms of corruption in international trade, followed by the key actors involved in the process. The article sheds light on measures to prevent corruption in trade, including enforcing legal provisions, developing anti-corruption agreements, and establishing efficient monitoring systems. The article recommends establishing comprehensive policies that recognize the significance of international trade, promote harmonious trade cooperation, and discourage corrupt practices. The authors suggest that it is essential to create awareness and educate stakeholders about the importance of transparent and fair-trade practices and their contribution to the global economy. It is critical to have a legal framework that addresses corrupt practices, with appropriate laws and regulations that ensure effective prosecution and discourage the use of corrupt practices in trade activities.

### **Research Method**

The study aims to analyze the relationship between corruption and international trade in Indonesia. It explores the various forms of corrupt practices that are linked to international trade and examines whether Indonesia's current regulations on international trade are in line with international trade law. This study is a doctrinal legal study that looks at national and international laws on corruption and international trade, as well as corruption cases in court rulings, as the main sources of information. The focus of the study is on the modus operandi of corrupt activities that are closely related to international trade. Some corruption cases in Indonesia, which are related to influence peddling, are analyzed in light of the United Nations Convention against Corruption, 2003. The study then continues with an analysis of Indonesia's international trade regulations from the perspective of the World Trade Organization agreements, which are included in the GATT 1994 and Agreements on Agriculture legal provisions. This analysis is important because it has implications for whether Indonesia's regulations regarding international trade comply with international instruments regulated under the GATT 1994 and other related legal instruments. Overall, this study provides a comprehensive analysis of the relationship between corruption and international trade in Indonesia.

### **Result and Discussion**

#### **a. Corruption Cases in International Trade**

Corruption can occur anywhere, even according to the Centre for Integrity in the Defence Sector, there is no country in the world without corruption (Centre for Integrity in the Defence Sector, 2022). This evil phenomenon is found in all countries - large and small, rich, and poor - but its effects are most damaging in developing countries. Corruption disproportionately harms poor people by diverting funds intended for development, damaging the government's ability to provide basic services, creating inequality and injustice, and hindering foreign aid and investment. Corruption is a key element in poor economic performance and is a major obstacle to poverty reduction and development. To address this issue globally, the United Nations has created the United Nations Convention Against Corruption. Its ratification will send a clear message that the international community is committed to preventing and controlling corruption (Spahn, 2013). This will warn corrupt individuals that betrayal of public trust will no longer be tolerated. Additionally, it will reaffirm the importance of core values such as honesty, respect for the rule of law, accountability, and transparency in promoting development and making the world a better place for all (Villarino, 2022). The United Nations Convention against Corruption categorizes corruption into several types which are outlined in Chapter III of the UNCAC, from Article 15 to Article 25,

comprising 11 types of corruption.

In Indonesia, corruption continues to occur despite various anti-corruption efforts being made. Various forms of corruption are carried out by corrupt individuals, whether they are from the business world or civil servants. There are several popular modus operandi of corruption that continue to occur every year. The most common form of corruption in the business world is bribery. From 2004 to 2021, there were 802 cases of bribery carried out by business actors. Procurement of goods and services is also a popular form of corruption, with 263 cases reported. Meanwhile, there were 25 corruption cases related to licensing. According to data from the Corruption Eradication Commission (KPK), between 2004 and 2022, 367 private parties were arrested for bribery and gratification cases (KPK, 2022). The most common form of corruption carried out by civil servants and state officials in Indonesia is the misuse of budget funds (Indonesia Corruption Watch, 2013). The author found several cases of corruption by Indonesian state officials in the field of international trade which will be classified into several categories based on the modus operandi. The first modus operandi is related to trading influence (Robinson, 2012). In early 2013, the Corruption Eradication Commission (KPK) named a member of the House of Representatives, Luthfi Hasan Ishaq, who was also the Chairman of the Prosperous Justice Party (PKS), as a suspect in a bribery case related to the granting of import quota recommendations for meat to the Ministry of Agriculture (Kompas, 2013). This case also involved the Director of PT Indoguna, Maria Elizabeth Liman. PT Indoguna and its subsidiaries requested (by sending 4 request letters) an additional 5,150 tons of imported beef quota for the second semester of 2012 to the Ministry of Agriculture, but the Ministry refused their request because it did not comply with Regulation of the Minister of Agriculture Number 50 of 2011 (Supreme Court Decision no. 1195 K/Pid.Sus/2014).

At first, Liman requested an additional import quota of 500 tons of meat at the Licensing and Investigation Center (PPI) of the Ministry of Agriculture. However, the request was rejected because it did not comply with the regulations and there was no more quota for beef importation. PT Indoguna, together with three other companies, made a second request for a universal meat import quota increase in 2012, but it was also rejected by the Ministry of Agriculture for the same reason. Therefore, through the media, Liman asked for Ishaq's help in managing the process of submitting a request for an increase in the import quota that PT Indoguna had made to the Ministry of Agriculture. Ishaq agreed and tried to arrange a meeting between Liman and Suswono (the Minister of Agriculture). Liman also offered a fee of Rp. 5,000 per kilogram or a total of Rp. 40 billion if the request for an additional import quota of 8,000 tons of beef for PT Indoguna in 2013 was approved

by the Ministry of Agriculture (Republika, 2013).

Another case involves a former member of the Indonesian House of Representatives, I Nyoman Dhamantra, who was sentenced to 10 years in prison for allegedly receiving bribes related to garlic imports. The case started in early 2019, when PT Cahaya Sakti Argo (CSA) Chandry Suanda, also known as Afung, assisted by Doddy Wahyudi, the director of PT Sampico Adhi Abattoir, intended to apply for a quota to import shallots in collaboration with PT Pertani (Persero) through four companies: PT Perkasa Teo Agro, PT Citra Sejahtera Antarasia, PT Cipta Sentosa Aryaguna and PT Abelux Kawan Sejahtera, in order to fulfill the mandatory 5% planting requirement as a condition for the issuance of a Horticultural Product Import Recommendation (RIPH). However, it was known that Afung had not fulfilled his payment obligations to PT Pertani in 2018. Therefore, Doddy held a meeting with Dhamantra, who was a member of the DPR's VI Commission at the time, and collaborated with the Ministry of Agriculture and the Ministry of State-Owned Enterprises to ask for assistance and advice on how to arrange the import quota for garlic. Dhamantra also asked Doddy to contact Mirawati Basri, who was his trusted person. Then, communication between Doddy and Mirawati was established, and finally, Afung had a way to manage the SPI at the Ministry of Trade. Not only did Doddy help with the import license (SPI), he also asked for assistance in obtaining the RIPH, considering that the RIPH that Afung had applied for had not been issued. From there, an agreement was reached between Dhamantra and Afung through their trusted people, Elviyanto and Doddy, with a payment of Rp. 3.5 billion (Detik, 2013).

The motif in both cases is trading in influence. The concept of trading in influence is regulated by UNCAC in article 18, which refers to "promise, offer, giving or acceptance, directly or indirectly, of an undue advantage to any public official or any other person, in order that he or she act or refrain from acting in the exercise of his or her official duties, in order to obtain or retain business or other improper advantage, in violation of his or her duty or the performance of a public function." Political parties, which are one of the most corrupt institutions according to Transparency International's Global Corruption Barometer, engage in trading in influence which requires serious attention. The current trend shows that many managers and leaders of political parties leave formal government structures, both in the executive and legislative branches, but are still able to sell their influence to illegally seize party funds. In this case, Maria's bribery motive was to use the help of Ishaq, the president of PKS, to connect her with the Ministry of Agriculture to obtain a recommendation letter for the import quota increase of 10,000 tons of beef for the year 2013 proposed by PT. Indoguna Utama and its subsidiaries, PT Sinar Terang Utama, PT Nuansa Guna Utama, CV Cahaya Karya Indah, and CV Surya

Cemerlang Abadi (Detik, 2013).

Similarly, in the case of garlic import Dhamantra was accused of committing corruption by receiving Rp 3.5 billion from the Director of PT Cahaya Sakti Argo (CSA) Chandry Suanda alias Afung. In this case, Dhamantra was not a policy maker, but as a member of Commission VI of the Indonesian Parliament for the period between 2014-2019, he received Rp 3.5 billion as a reward by utilizing his influence to obtain the Import Approval Letter (SPI) for Garlic at the Ministry of Trade and the Import Recommendation for Horticulture Products (RIPH) at the Ministry of Agriculture of the Republic of Indonesia. The second modus operandi of corruption is the abuse of function. This case is related to the export of lobster seeds involving the Minister of Marine Affairs and Fisheries, Edhy Prabowo. Initially, lobster seed cultivation and export were banned in 2016. Then, in 2020, the Minister changed the policy to allow lobster seed cultivation and export, which made many lobster entrepreneurs interested in cultivating and exporting lobster seeds. Not only did he allow the cultivation and export of lobster seeds, but also regulated other policies related to the bureaucracy and requirements for exporting lobster seeds (Kompas, 2020). Minister Edhy Prabowo issued Decree No. 53/KEP MEN-KP/2020 about the Due Diligence Team for Lobster Cultivation Business Licensing on May 14, 2020. In his decree, Edhy Prabowo appointed special staff, Andreau Pribadi Misanta, as the Chairman of the Due Diligence Team, and Safri as the Deputy Chairman of the Due Diligence Team. One of the team's tasks was to check the completeness of administrative documents submitted by lobster seed exporters (Judgment 26 Pid.Sus TPK - 2021 PN Central Jakarta).

In early October 2020, the Director of PT. Dua Putra Perkasa (DPP), Suharjito, visited the Ministry of Marine Affairs and Fisheries where he met with Safri. In the meeting, they discussed the export of lobster seeds. Safri informed Suharjito that the requirement for exporting lobster seed could only be done through PT Aero Citra Kargo or PT ACK as the forwarder. However, there was a condition that needed to be fulfilled, which was transportation costs for exporting lobster seeds amounting to Rp. 1,800 per head. Edhy Prabowo was found guilty of receiving a bribe worth US\$77 thousand and Rp. 24,625,587,250 together with Andreau Misanta Pribadi and Safri (Edhy Prabowo's special staff), Amiril Mukminin (Edhy's personal secretary), Ainul Faqih (Iis Rosita Dewi's [Edhy Prabowo's wife] personal secretary), and Siswadi Pranoto Loe (owner of PT Aero Cipta Kargo) from the Director of PT Duta Putra Perkasa Pratama Suharjito and other lobster seed exporting companies (Harian Terbit, 2021).

There is another corruption case involving the Director General of Foreign Trade at the Ministry of Trade, Indrasari Wisnu Wardhana. He has been designated as a suspect in a corruption case involving the provision of export facilities for

Crude Palm Oil (CPO) and its derivative products. He has granted approval for the export of CPO and its derivatives to several companies, namely Permata Hijau Group, Wilmar Nabati Indonesia, PT Multimas Nabati Asahan, and PT Musim Mas. The case has been under investigation from January 2021 to March 2022. At that time, the government adopted the Domestic Market Obligation (DMO) and Domestic Price Obligation (DPO) policies to regulate export companies. In addition, the government also issued a Maximum Retail Price for the sale of cooking oil to the public. However, in practice, exporting companies that failed to meet the DPO still received export approval. Such actions are believed to have caused financial losses to the state or to the country's economy. In addition to Indrasari Wisnu Wardhana, the prosecutor also designated the initials MPT, a Commissioner of PT Wilmar Nabati Indonesia, SMA, Senior Manager of Corporate Affairs at Permata Hijau Group (PHG), and PT, General Manager of PT Musim Mas, as suspects. All suspects communicated intensively to obtain export approvals. However, the companies were not entitled to such approvals (CNN, 2022).

Finally, in the case of suspected corruption in the import of steel or alloyed steel and its derivatives from 2016 to 2021, the Attorney General's Office has identified three suspects. They are Tahan Banurea (TB), the Head of Administration Sub-Division for the 2017-2018 period and the Head of Various Industrial Goods Sub-Division for the 2018-2020 period in the Directorate General of Foreign Trade Ministry of Trade, Taufik (T) as the Manager at PT Meraseti Logistik Indonesia, and Budi Hartono Linardi (BHL) as the owner of the Meraseti Group, namely PT Meraseti Logistic Indonesia, PT Meraseti Transport Indonesia, PT Meraseti Maritim Indonesia, PT Meraseti Digital Kreatif, PT Meraseti Konsultama Indonesia, PT Meraseti Bakti Nusantara, PT Meraseti Anugerah Utama (Chaterine, 2022).

During his term as the Head of Administration Subdivision for the period of 2017-2018 at the Directorate of Import, Directorate General of Foreign Trade, Ministry of Trade, Tahan Banurae was responsible for recording incoming and outgoing letters from the Import Directorate, including issuing outgoing letter numbers (PI & Sujel - explanations/Sujel letters) for the 2017 period and receiving a sum of Rp50 million as compensation for Sujel management. Tahan Banurae was appointed as Head of the Industrial Goods Division for the period of 2018-2020 at the Import Directorate, Directorate General of Foreign Trade, Ministry of Trade. Tahan Banurae processed draft approvals for the import of steel, alloy steel, and its derivatives submitted by business actors or importers. After receiving approval from the Sub-Director of Industrial Goods and Industrial Raw Materials, Tahan Banurae checked the incoming requests and prepared draft responses. Tahan Banurae then initialed the Sujel draft and checked it gradually until it was handed over to the Director General of Foreign Trade of Ministry of Trade to obtain approval or

signature, and then sent to the business actor or importer. Currently, the suspect serves as a Junior Trade Analyst Expert at the Directorate General of Import, Ministry of Trade from February 2022 until now (Putra, 2022).

Article 19 of the UNCAC defines abuse of function as the misuse of a public official's function or position with the intention of gaining undue advantage for oneself, another person, or another entity. The three cases illustrate the modus operandi of abuse of function, where the perpetrators use their position in the government to make policies or approvals to benefit themselves or others who are not entitled to it. In this case, Edhy Prabowo, as the Minister of Maritime Affairs and Fisheries, intentionally changed the previous policy on lobster cultivation and export, which was originally prohibited but now allowed. He changed the policy so that it could be used as a "field" to reap profits from lobster export entrepreneurs. In addition, he made other policies regarding due diligence and administrative barriers for lobster cultivation and export, which he used for his own benefit by accepting money to accelerate the approval process. Unlike Edhy Prabowo a policy maker who made policies in international trade for his own benefit, the Director General of Foreign Trade at the Ministry of Trade, Indrasari Wisnu Wardhana, used his position to receive bribes in exchange for granting CPO export permits. He issued export permits for CPO and its derivatives to several companies, namely Permata Hijau Group, Wilmar Nabati Indonesia, PT Multimas Nabati Asahan, and PT MusimMas, even though these companies were not eligible to obtain permits. Similarly, Tahan Banurac accepted bribes to grant import permits for steel.

Based on the description of the modus operandi of corruption cases in the international trade sector, there are at least three modus operandi that make international trade a means of corruption. First, a policymaker can create new policies by changing old policies as a modus operandi for corruption. Second, officials who are not policymakers can act as a bridge between entrepreneurs and authorities to facilitate the ease of obtaining export or import permits. Third, officials who have the authority to grant permits will receive bribes as a reward for granting the permits. Whatever the modus operandi or motive, using international trade as a means of corruption is very damaging to a country's economy. Not only does it harm the country, but it can also have the same effect as the imposition of tariffs on imported goods because it can increase the cost of cross-border trade. This problem will be responded to by exporters by reducing the value of trade with the destination country (Horsewood & Voicu, 2012).

#### **b. Indonesia's International Trade Regulation and the WTO's Rules**

This section explains the regulations related to Indonesia's international trade, which were discussed previously as a means of corruption, in terms of how these

regulations are viewed from the perspective of international trade law by the WTO. These regulations can be categorized as non-tariff barriers, which are government policies in Indonesia that are not related to tariff obstacles (Bossche, 2008), especially those related to Import Licensing. Import Licensing is defined as an administrative procedure used to implement an import licensing regime that requires the submission of an application or other documentation (in addition to what is required for customs purposes) to the relevant administrative body as a preliminary condition for importing into the importing country's customs territory. In the cases of beef and garlic imports, there were some inconsistencies between Indonesia's trade policies and some WTO regulations on imports. Indonesia was even sued by New Zealand in the case of DS477: Indonesia - Importation of Horticultural Products, Animals, and Animal Products. The lawsuit was divided into two categories: horticultural products (plants) and animal products.

The first is horticulture products. Horticulture refers to all things related to fruits, vegetables, medicinal plants, and floriculture. Meanwhile, horticulture products are all products that come from horticulture plants, whether fresh or processed. Concerning horticulture products, New Zealand is concerned about Indonesia's import licensing regime for horticultural products involving at least three different application and approval processes, namely: (i) Importer Designation from the Ministry of Commerce as a Registered Importer or Horticulture Product Manufacturer Importer; (ii) Horticulture Product Import Recommendation (RIPH) from the Ministry of Agriculture; and (iii) Import Approval from the Ministry of Commerce. Importers must apply for and receive each of these approvals to import horticulture products into Indonesia, which are enshrined in several regulations. The first is Minister of Agriculture Regulation Number 86/Permentan/OT.140/8/2013 concerning Horticulture Product Import Recommendations ("Permentan 86/2013"), which replaces Minister of Agriculture Regulation Number 47/Permentan/OT.140/4/2013 concerning Horticulture Product Import Entry Recommendations that repeal and replace Minister of Agriculture Regulation Number 60/Permentan/OT.140/9/2012. The second is Minister of Trade Regulation Number 16/M-DAG/PER/4/2013 concerning Horticulture Product Import Provisions ("Permendag 16/2013"), which replaces Minister of Trade Regulation Number 30/M-DAG/PER/5/2012 concerning Horticulture Product Import Provisions and Minister of Trade Regulation Number 60/M-DAG/PER/9/2012 concerning the Second Amendment to Minister of Trade Regulation Number 30/M-DAG/PER/5/2012 concerning Horticulture Product Import Provisions. Third is Minister of Trade Regulation Number 47/M-DAG/PER/8/2013 concerning Amendment to Minister of Trade Regulation Number 16/M-DAG/PER/4/2013 concerning Horticulture Product Import

Provisions ("Permendag 47/2013"); as well as any related amendments, replacements, or implementation actions.

New Zealand considers that the above actions, if viewed as elements of Indonesia's importlicensing regime and also viewed as separate actions, do not comply with Indonesia's obligations based on the following provisions of Article XI:1 of the GATT 1994 related to theban on quantitative restrictions because these actions are "prohibitions or other restrictions other than duties, taxes, or other charges" imposed or maintained on imported products to Indonesia. Additionally, it is considered a violation of Article 4.2 of the Agreement on Agriculture because these actions are "of the kind requested to be converted into ordinary customs duties." Likewise, in the case of corruption found in the importation of garlic, where to carry out an import, they must fulfill obligations for import permits such as obtaining RIPHpermits, and so on, instead of becoming a field for corruption. For companies that fail to obtain thesepermits, they bribe the authorized officials to assist in the issuance of the import permit (WTO,2017).

The second issue relates to animals and animal products. New Zealand has protested Indonesia's difficulty in importing beef into Indonesia. Indonesia's import licensing regime foranimals and animal products involves at least three different application and approval processes, namely: (i) the appointment of importers by the Ministry of Trade for animals and animal products; (ii) recommendations for the entry of animals and animal products by the Ministry of Agriculture; and (iii) import approval from the Ministry of Transportation. Importers must apply for and receive each approval to import protected animals and animal products into Indonesia, as stipulated in two regulations.

First, Regulation of the Minister of Agriculture No. 139/Permentan/PD.410/12/2014("Permentan 139/2014") Regarding the Entry of Carcasses, Meat, and/or Processed Products into the Territory of the Republic of Indonesia as amended by the Regulation of the Minister of Agriculture No. 02/Permentan/PD.410/1/2015 on Amendments to the Regulation of the Minister of Agriculture No. 139/Permentan/PD.410/12/2014 Regarding the Entry of Carcasses,Meat, and/or Derived Products into the Territory of the Republic of Indonesia, which replaces the Regulation of the Minister of Agriculture No. 84/Permentan/PD.410/8/2013 Regarding the Entry of Carcasses, Meat, Offal, and/or Processed Products into the Territory of the Republic of Indonesia as amended by the Regulation of the Minister of Agriculture 96/Permentan/PD.410/9/2013 and Regulation of the Minister of Agriculture 110/Permentan/PD.410/9/2014, which replaces the Regulation of the Minister of Agriculture No. 50/Permentan/OT.1 40/9/2011 Regarding Recommendations for Import Approval for Carcasses, Meat, Offal, and/or Processed Products into

Indonesia as amended by the Regulation of the Minister of Agriculture No. 63/Permentan/OT.140/5/2013 Regarding Changes to the Regulation of the Minister of Agriculture No. 50/Permentan/OT.140/9/2011 on Recommendations for Import Approval for Carcasses, Meat, Offal, and/or Processed Products into the Territory of the Republic of Indonesia.

Second, Regulation of the Minister of Trade No. 46/M DAG/PER/8/2013 Regarding Import and Export Provisions for Animals and Animal Products ("Permendag 46/2013") as amended by the Regulation of the Minister of Trade No. 57/M-DAG/PER/9/2013 and the Regulation of the Minister of Trade 17/M-DAG/PER/3/2014, which replaces the Regulation of the Minister of Trade No. 22/M-DAG/PER/5/2013 Regarding Import and Export Provisions for Animals and Animal Products which replaces the Regulation of the Minister of Trade No. 24/M-DAG/PER/9/2011 Regarding Import and Export Provisions for Animals and Animal Products; as well as any amendments, replacements, related actions, or implementation actions. As with horticulture, New Zealand considers Indonesia's actions regarding the import of animals and animal products to be in violation of Article XI: 1 of the GATT 1994 and Article 4.2 of the Agreements on Agriculture.

The WTO panel ruled in favor of New Zealand because Indonesia failed to justify the imposition of quantitative restrictions. Indonesia's justification for banning and restricting agricultural products was based on the sufficiency of domestic production to meet domestic demand. This was confirmed by the Minister of Agriculture through Regulation of the Minister of Agriculture No. 19 of 2010, which established the PSDS Blueprint, which includes plans for activities aimed at achieving self-sufficiency in beef, namely: (1) Increasing the availability of local beef; (2) Increasing productivity and reproductive capabilities of local cattle; (3) Prevention of productive female cattle slaughter; (4) Providing cattle seeds; and (5) Regulating the stock of domestic beef. These reasons are not included in the exceptions that can justify the policy (BPK, 2012). Looking back at the corruption of Beef imports by Lutfi Hasan Ishaq, the director of PT Indoguna was bribed to get an extra quota for beef imports by his company. However, the company was only entitled to a few quotas. This is in line with the BPK Examination Results Semester II of 2012 on the Self-Sufficiency Program for Beef 2010 to 2012 and because their requests are not in accordance with Regulation of the Minister of Agriculture No. 50 of 2011.

### **Conclusion and Recommendation**

International trade has been proven to be used as a means of corruption. Trading in influence and the abuse of function are the common modes operandi of corruption. The first mode refers to the conduct of the perpetrators without an

authorized official who trades their influence to gain administrative/public authority with the intention of gaining unfair benefits. This can be seen in cases of the quota for beef and garlic imports. In the second mode, the perpetrators use their position in government to create new policies or change previous policies that can be used as a "field" for corruption, such as the case of lobster seed imports. In addition, authorized officials issue export or import permits by approving them for personal gain or for someone who is not entitled to it as seen in the case of Crude Palm Oil (CPO) exports and steel imports. These cases indicate that Indonesia's international trade policies have become a fertile ground for corruption by these officials, which, according to the perspective of the WTO trade agreements, violate the provisions of the GATT 1994 and the agreements on agriculture.

As theoretical implications, the findings shed light on the different modes of corruption that exist in international trade. It emphasizes the importance of understanding corrupt practices and identifying ways to prevent them. The findings also highlight the violation of international laws and trade agreements, which can have adverse effects on the economy and trade relations. As practical implications, the findings provide policymakers with insights into the corrupt practices that exist in international trade and help them devise policies to prevent them. The findings of this research can assist the government in creating a more transparent and accountable system of international trade. The study also highlights the need for stronger supervision and monitoring of public officials involved in international trade to prevent corruption and protect the interests of the country. Therefore, in the future, the government must strengthen its supervision of public officials so that international trade policies are not used as a means of corruption.

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