

## International Trade Law as an Instrument of Global Economic Integration: A Normative Study of the Role of the World Trade Organization

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### ABSTRACT

*Economic globalization has led to the birth of an integrated international trading system through multilateral legal regimes. International trade law no longer merely regulates cross-border transactions, but has developed into an instrument of global economic integration that shapes the national policy structure of member states. The World Trade Organization (WTO) plays a central role as an institution that institutionalizes the principles of liberalization, non-discrimination, and certainty of trade law through various multilateral agreements. This research aims to analyze the position of international trade law as an instrument of global economic integration and examine the normative role of the WTO in shaping world trade governance. The method used is normative legal research with legislative, conceptual, and comparative approaches. The results of the study show that the WTO has succeeded in creating harmonization of global trade standards through the principles of Most Favoured Nation, National Treatment, and a binding dispute resolution mechanism. However, such integration still leaves the problem of structural inequality between developed and developing countries, the weak effectiveness of Special and Differential Treatment, and limited national policy space. Therefore, WTO governance reform and strengthening the domestic capacity of developing countries are needed so that global economic integration takes place in a fair and sustainable manner.*

**KEYWORDS** *international trade law, WTO, global economic integration, trade liberalization, trade justice*



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### INTRODUCTION

The development of economic globalization has transformed international trade relations from a sporadic bilateral model to a structured and institutionalized multilateral system. The integration of world markets encourages the formation of legal norms that not only serve as a regulator of cross-border transactions, but also as a framework for global economic governance. In this context, international trade law is present as a normative instrument that ensures legal certainty, market stability, and predictability of trade relations between countries. **Malcolm N Shaw, International Law, 8th ed., International Law (Cambridge, United Kingdom: Cambridge University Press, 2017).**

These changes cannot be separated from the increasing economic interdependence between countries. The flow of goods, services, capital, and technology that crosses the boundaries of state jurisdiction requires uniform legal standards so that business actors do not face regulatory fragmentation. Without harmonization, international trade risks being hampered by protectionism, tariff discrimination, and unilateral policies that harm other countries. (Van den Bossche & Zdouc, 2017).

The need for uniformity of rules then gave birth to a multilateral trade regime based on the principle of a rule-based system. This system replaces the power-based diplomacy

approach that previously dominated international trade relations. Through a rules-based approach, each country has an equal legal standing and is subject to the same obligations in implementing trade commitments.(Jackson, 1989)

The establishment of the WTO in 1995 became an important milestone in the institutionalization of international trade law. This organization not only administers trade agreements, but also establishes a legally binding dispute resolution mechanism. Thus, violations of trade commitments are no longer resolved politically, but rather through an objective adjudicative procedure.(Organization, 2004)

In its development, the influence of the WTO has expanded to affect the domestic policies of member countries. National regulations regarding tariffs, subsidies, investments, services, and intellectual property rights must be adjusted to international standards. This shows that international trade law has served as an instrument of global economic integration that directly shapes the structure of national law.(Narlikar, 2005)

Nonetheless, such integration does not always result in substantive justice. Developing countries often face limited institutional capacity and economic competitiveness in meeting liberalization obligations. As a result, the global trade system is often considered more favorable to developed countries than developing countries.(Rodrik, 2011)

Several previous studies have examined the role of international trade law and the WTO in global economic integration. Jackson (1997) emphasized that the WTO has created a rules-based system that transforms international trade from power-oriented diplomacy to a rule-oriented system, providing legal certainty and predictability. Van den Bossche and Zdouc (2017) found that the WTO has successfully established a coherent legal framework governing goods, services, intellectual property, and dispute settlement, though implementation challenges remain for developing countries. Narlikar (2005) revealed that despite formal equality among members, substantive inequalities persist due to differences in bargaining power and economic capacity, highlighting the need for WTO reform to be more inclusive and responsive to developing countries' needs.

Other scholars have critically examined the distributive consequences of global trade governance. Rodrik (2011) argued that hyper-globalization through WTO rules has constrained developing countries' policy space to pursue their own development strategies. Correa (2007) found that while the TRIPS Agreement strengthened intellectual property protection globally, it raised concerns about access to essential medicines and technology transfer for developing countries. Stiglitz (2018) criticized the WTO for favoring corporate interests over social welfare and environmental protection, calling for fundamental reforms to make global trade governance more equitable and sustainable. While these studies provide valuable insights, there remains a gap in comprehensively analyzing international trade law as an integrative instrument that actively shapes global economic governance, which this study aims to fill.

Based on this background, this study aims to normatively analyze the legal position of international trade as an instrument of global economic integration and examine the role of the WTO in shaping fair and sustainable world trade governance.(Adolf, 2019) The benefits of this research are both theoretical and practical. Theoretically, this study contributes to the development of legal scholarship by providing a normative analysis of international trade law as an instrument of global economic integration and examining the WTO's role in shaping

world trade governance. Practically, the findings are expected to provide valuable insights for policymakers in developing countries to understand the structural dynamics of the multilateral trading system and formulate evidence-based strategies in international trade negotiations, as well as serve as a reference for further research on WTO reform and fair trade governance.

### **METHOD**

This research employed a normative legal research method, which is a type of legal research that examines legal norms, principles, and doctrines contained in international treaties, national legislation, and legal literature. Normative legal research focuses on analyzing legal materials to find answers to legal issues regarding the role of international trade law as an instrument of global economic integration and the position of the World Trade Organization in shaping world trade governance. The approaches used in this study were the statute approach, the conceptual approach, and the comparative approach. The statute approach was conducted by examining various international trade agreements under the WTO framework, including GATT, GATS, and TRIPS, as well as relevant national regulations of member countries. The conceptual approach was used to analyze legal concepts such as trade liberalization, non-discrimination principles (Most-Favoured-Nation and National Treatment), dispute settlement mechanisms, and Special and Differential Treatment. The comparative approach was employed to compare the implementation of WTO rules in developed and developing countries to understand the structural inequalities in the global trading system. The legal materials used in this research consisted of primary legal materials and secondary legal materials. Primary legal materials included the Marrakesh Agreement Establishing the World Trade Organization, GATT 1994, the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), and various WTO Panel and Appellate Body reports. Secondary legal materials consisted of textbooks on international trade law, scholarly articles from reputable journals, expert commentaries, and legal dictionaries that provide interpretations and analyses of the primary legal materials. The data collection technique used was literature study, which involved systematically collecting, identifying, and analyzing legal materials relevant to the research problem. The collected legal materials were then analyzed using qualitative juridical analysis, which was conducted by interpreting legal norms, evaluating their consistency, and constructing logical arguments to answer the research questions. The analysis was carried out through legal interpretation methods, including grammatical interpretation, systematic interpretation, and teleological interpretation, to understand the meaning, structure, and purpose of international trade law norms. The results of the analysis are presented in a descriptive-analytical manner, describing the legal framework of international trade law and critically analyzing its role in global economic integration as well as the challenges in achieving fair and sustainable trade governance.

## RESULTS AND DISCUSSION

The results of the study show that international trade law has undergone a conceptual evolution from mere facilitative law to integrative law. In the early stages, trade norms only serve to reduce tariff barriers. However, in modern multilateral regimes, these norms have evolved into instruments of harmonization of national economic policies through liberalization, transparency, and non-discrimination obligations.(Adolf, 2019)

This integration is realized through tariff standardization, the elimination of quotas, and restrictions on protectionist policies. Trade policy is no longer entirely within the absolute sovereignty of the state, but is limited by international commitments. This condition marks a paradigm shift from economic nationalism to regulated globalization.(Rodrik, 2011)

Furthermore, the WTO system creates legal certainty through an effective dispute settlement mechanism. This mechanism allows member states to prosecute violations of trade commitments in a legal-formal manner. The existence of binding judgments provides normative legitimacy while encouraging state compliance with global trade rules.(Van den Bossche & Zdouc, 2017)

In the field of trade in services, liberalization through GATS expands access to cross-sectoral markets such as banking, education, and telecommunications. This creates wider competition, increases efficiency, and encourages technology transfer. But on the other hand, the opening of the market has the potential to weaken domestic business actors who are not yet competitive.(Mattoo et al., 2008)

Meanwhile, the implementation of TRIPS has resulted in the strengthening of the intellectual property rights protection regime globally. Uniform patent and copyright standards provide protection for innovation, but also raise accessibility issues, especially for developing countries in obtaining essential medicines and strategic technologies.(Correa, 2007)

Other findings suggest that Special and Differential Treatment has not been effective in protecting the interests of developing countries. Many S&D provisions are soft law and do not have adequate enforcement mechanisms. As a result, structural inequalities in international trade persist. **Maulia Martwenty Ine, "SPECIAL AND DIFFERENTIAL TREATMENT (SDT) IN THE WTO AGREEMENTS: A RULE-BASED APPROACH," n.d., 1–38.**

Theoretically, international trade law functions as a tool of social engineering. Through the establishment of binding norms, laws shape the behavior of countries to follow global trade standards. This approach is in line with the view that modern international law plays an active role in building global governance, not simply reflecting political agreements.Harpani Matnuh, "Law as a Tool of Social Engineering" 147, no. Icsse 2017 (2018): 118–20.

Within this framework, the WTO can be understood as a form of global governance institution that integrates the economic interests of countries through a common set of rules. This institutionalization creates systemic stability because each country has the same legal guidelines in conducting trade interactions.(Jackson, 1997)

However, from the perspective of distributive justice, global economic integration still leaves the problem of inequality. Developed countries have much stronger production,

technology, and negotiation capacities. As a result, liberalization often benefits them, while developing countries become only consumption markets.(Stiglitz, 2018)

This inequality shows the existence of structural asymmetry in the WTO system. Although formally all members are equal, substantively the implementation capabilities are very different. This condition indicates that equality before the law does not always result in equity in outcomes. **Klaus Armingeon et al., "The Constitutionalisation of International Trade Law," in *The Prospects of International Trade Regulation*, ed. Thomas Cottier and Panagiotis Delimatsis, From Fragmentation to Coherence (Cambridge: Cambridge University Press, 2011), 69–102, <https://doi.org/10.1017/CBO9780511792496.003>.**

Furthermore, the obligation to liberalize limits the policy space of developing countries to protect the infant industry. In fact, economic development theory emphasizes the importance of selective protection in the early stages of industrialization. Without this flexibility, developing countries risk being trapped in import dependence.(Chang, 2002)

In terms of dispute resolution, the WTO mechanism does provide legal certainty, but the high cost of litigation makes it difficult for developing countries to make optimal use of it. This again shows that the effectiveness of international law is greatly influenced by the domestic capacity of each country.(Shaffer, 2003)

Thus, international trade law as an instrument of global economic integration requires a corrective approach in order to ensure not only market efficiency, but also socio-economic justice. WTO reform needs to be directed at strengthening S&D, increasing technical assistance, and providing regulatory flexibility for developing countries.(Narlikar, 2005)

Normatively, the ideal global economic integration is not absolute liberalization, but embedded liberalism. This model places free trade side by side with the protection of national interests and social welfare. With such an approach, international trade law can function not only as an instrument of integration, but also as an instrument of equity. **John Gerard Ruggie, "International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36, no. 2 (1982): 379–415.**

The integration of the global economy through international trade law essentially reflects the increasingly complex process of institutionalization of world markets. The law no longer functions merely as an administrative tool, but as a coordination mechanism that connects the national economic system into a single global normative regime. In other words, international trade law acts as a bridge between state sovereignty and the need for international market efficiency.(Pauwelyn, 2003)

In this context, the multilateral trade regime forms what scholars call the constitutionalization of international trade law, which is the process by which trade norms have a quasi-constitutional position over domestic economic policy. Member States can no longer unilaterally set tariff policies, subsidies, or import restrictions without considering their international obligations.(Cass, 2005)

This constitutionalization brings significant juridical implications to the concept of economic sovereignty. Sovereignty is no longer understood absolutely, but as sovereignty limited by international commitments (sovereignty within law). The state retains the right to regulate its economy, but must be subject to the agreed common legal framework. **Ernst-Ulrich Petersmann, "Sovereignty, Constitutionalism and WTO Governance," *Journal of International Economic Law* 10, no. 1 (2008): 1–22.**

From the perspective of international legal theory, the phenomenon shows a shift from voluntarism to normativism. State compliance with global trade law is not solely for political interests, but because of the existence of a rule structure that provides clear sanctions and legal consequences. This certainty is what makes the multilateral trading system more stable than traditional diplomacy approaches.(Guzman, 2008)

Furthermore, global trade integration also encourages the formation of uniform international technical standards, such as sanitary and phytosanitary measures, technical barriers to trade, and rules of origin. This standardization facilitates the flow of goods across countries because business actors no longer face regulatory differences that are too sharp. The technical harmonization also shows how the law functions as an instrument of economic efficiency.(Van den Bossche & Zdouc, 2017)

Nevertheless, economic efficiency is not always synonymous with social justice. In practice, market liberalization often results in a concentration of profits in large business actors and developed industrial countries. Developing countries with limited production capacity have difficulty competing, so integration has the potential to widen the global gap.(Stiglitz, 2018)

The gap can be seen from the dominance of exports of high-value-added manufactured products by developed countries, while developing countries tend to export primary commodities. This uneven trade structure reflects an unresolved structural dependency despite the global trade regime having been in place for more than two decades.(Rodrik, 2011)

Normatively, this inequality raises fundamental questions about the moral legitimacy of international trade law. If the legal system only guarantees market freedom without regard to the distribution of benefits, then the law has the potential to lose its function of justice. Therefore, the concept of free trade needs to be balanced with the principle of fairness as a normative correction.(Pogge, 2008)

The principle of fairness is then articulated through the Special and Differential Treatment (S&D) mechanism. This provision is intended to provide time flexibility, technical assistance, and special treatment for developing countries. Theoretically, S&D is a form of recognition that formal equality does not always result in substantive equality.Trade Policy and Review Mechanism, "TY - DAY AU - Narlikar, Amrita TI - Fairness in International Trade Negotiations OJ - The World Economy PY - 2006 VL - 10 SP - 1005 EP - 1028 ER -," n.d.

However, research shows that many S&D provisions are declarative and lack strong enforceability. The absence of a sanctions mechanism makes its implementation dependent on the goodwill of developed countries. This condition causes the S&D to often fail to provide real protection for developing countries.Amrita Narlikar, "Fairness in International Trade Negotiations," *The World Economy* 10 (2006): 1005–28.

On the other hand, the mechanism for resolving international trade disputes does provide space for developing countries to claim their rights. However, limited human resources, litigation costs, and the complexity of legal procedures make the use of these mechanisms not optimal. Thus, access to trade justice is not yet fully inclusive.(Shaffer, 2003)

From a political economy point of view, international trade law is also influenced by the configuration of global powers. Countries with large economic power tend to have higher bargaining power in negotiations. As a result, rulemaking often reflects compromises that are not completely neutral in interests.(Gilpin, 2001)

Nonetheless, there is no denying that the existence of a rules-based trading system is still better than no rules at all. Without a multilateral regime, international trade has the potential to revert to the extreme protectionist practices that fueled the trade war. Therefore, system reform is more rational than the dissolution of the system.(Bhagwati, 2004)

Going forward, international trade law will need to adapt to new challenges such as digital trade, data-driven economy, and environmental sustainability. Global economic integration no longer only concerns the flow of physical goods, but also the flow of information and digital services. New regulations are needed to keep the trading system relevant to the dynamics of the 21st century.(Burri & Cottier, 2012)

Taking into account all these dynamics, it can be concluded that international trade law remains a vital instrument of global economic integration, but must be directed towards an inclusive and equitable integration paradigm. Integration that only emphasizes liberalization without social protection will result in inequality, while equity-based integration will promote sustainable development for the entire country.Ruggie, "International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order."

## **CONCLUSION**

This study concludes that international trade law has undergone a significant conceptual transformation from a mere trade facilitation tool into a structural instrument of global economic integration, operating through the multilateral trade regime of the World Trade Organization to establish legal certainty, policy predictability, and a rule-based system that connects national economic systems into a single, coordinated global legal regime. While this institutionalization has successfully created a framework for world economic governance through binding dispute resolution mechanisms and principles of non-discrimination and transparency, the effectiveness of global economic integration has not been fully aligned with substantive justice, as trade liberalization tends to favor developed countries while developing countries face structural limitations exacerbated by the non-binding and declarative nature of corrective instruments such as Special and Differential Treatment. This study therefore emphasizes the need to reform global trade governance toward an embedded liberalism paradigm that balances market freedom with the protection of social interests and national development, so that international trade law may function not only as an instrument of economic efficiency but also as a means of equitable distribution of global welfare. For future research, it is suggested that empirical studies be conducted to assess the measurable impact of WTO governance reform proposals on developing countries, particularly in evaluating the extent to which strengthened and legally binding Special and Differential Treatment provisions can effectively reduce structural inequalities and expand national policy space for sustainable development.

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