



## Global Economic Inequality: A Review of International Law on the Mechanism and Fairness of Free Trade Regulation

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### ABSTRACT

Global economic inequality has become a fundamental problem in an increasingly complex international trade order. This research aims to analyse the impact of free trade regulations on inter-national economic disparities, with a primary focus on the perspective of international law. Through a juridical-normative approach and comparative studies, the research investigates the mechanisms of international law that affect the distribution of economic benefits among developed and developing countries. The research methodology uses normative legal research methods with data collection techniques through literature study, international document analysis, and review of multilateral trade agreements. Primary data sources include international conventions, trade agreements, and official documents of global trade organisations, while secondary sources include legal literature, academic journals, and reports of international institutions. The results reveal that current free trade regulations tend to discriminate against developing countries, with mechanisms that do not fully take into account the principles of substantive justice. The international trade regime still provides a structural advantage to developed countries, creating a cycle of economic dependency to the detriment of developing countries. Critical analyses show that the current international legal framework has not been able to fully bridge the global economic divide. This research proposes the development of a trade regulation model that is more responsive to different levels of economic development, with fairer compensation and protection mechanisms. Key recommendations include: (1) adjustment of clauses in international trade agreements, (2) establishment of a dynamic system of preferences, and (3) institutional strengthening for more equitable monitoring and dispute settlement. The research conclusion confirms the urgency of transforming the paradigm of international trade law towards a more inclusive and equitable system, taking into account the balance of interests between countries and promoting sustainable economic development.

**Keywords:** Economic Inequality; Free Trade; International Law; Economic Justice; Trade Regulation

### ABSTRAK

Ketimpangan ekonomi global telah menjadi permasalahan mendasar dalam tatanan perdagangan internasional yang semakin kompleks. Penelitian ini bertujuan menganalisis dampak regulasi perdagangan bebas terhadap kesenjangan ekonomi antar negara, dengan fokus utama pada perspektif hukum internasional. Melalui pendekatan yuridis-normatif dan studi komparatif, penelitian menyelidiki mekanisme hukum internasional yang mempengaruhi distribusi keuntungan ekonomi di antara negara-negara maju dan berkembang. Metodologi penelitian menggunakan metode penelitian hukum normatif dengan teknik pengumpulan data melalui studi kepustakaan, analisis dokumen internasional, dan kajian terhadap perjanjian perdagangan multilateral. Sumber data primer mencakup konvensi-konvensi internasional, perjanjian perdagangan, dan dokumen resmi organisasi perdagangan global, sedangkan sumber sekunder meliputi literatur hukum, jurnal akademik, dan laporan lembaga internasional. Hasil penelitian mengungkapkan bahwa regulasi perdagangan bebas saat ini cenderung mendiskriminasi negara-negara berkembang, dengan mekanisme yang tidak sepenuhnya memperhatikan prinsip keadilan substantif. Rezim perdagangan internasional masih memberikan keunggulan struktural bagi negara-negara maju, menciptakan siklus ketergantungan ekonomi yang merugikan negara-negara berkembang. Analisis kritis menunjukkan bahwa kerangka hukum internasional saat ini belum mampu sepenuhnya menjembatani kesenjangan ekonomi global. Penelitian ini mengusulkan pengembangan model regulasi perdagangan yang lebih responsif terhadap perbedaan tingkat pembangunan ekonomi, dengan mekanisme kompensasi dan perlindungan yang lebih adil. Rekomendasi utama meliputi: (1) penyesuaian klausul dalam perjanjian perdagangan internasional, (2) pembentukan sistem preferensi yang dinamis, dan (3) penguatan kelembagaan untuk monitoring dan penyelesaian sengketa yang lebih berkeadilan. Simpulan penelitian menegaskan urgensi transformasi paradigma hukum perdagangan internasional menuju sistem yang lebih inklusif dan berkeadilan, dengan mempertimbangkan keseimbangan kepentingan antarnegara dan mendorong pembangunan ekonomi yang berkelanjutan.

**Kata Kunci:** Ketimpangan Ekonomi; Perdagangan Bebas; Hukum Internasional; Keadilan Ekonomi; Regulasi Perdagangan

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## INTRODUCTION

Global economic inequality and fairness in free trade regulation are complex and important issues in the context of international law. Global economic inequality occurs when there is an imbalance in the distribution of wealth and resources between countries in the world. This inequality can occur due to various factors such as differences in production capabilities, access to natural resources, and differences in the level of technological development (Women's 2022).

Global economic inequality has a significant impact on countries around the world. Countries that experience economic inequality tend to have higher poverty rates, higher unemployment rates, and poorer health rates. In addition, economic inequality can also affect political stability and security in a country.



Meanwhile, free trade is an international trade system that eliminates trade barriers such as tariffs and quotas. The goal of free trade is to increase international trade and economic growth around the world (Dariah 2005). Free trade regulations can affect global economic inequality (Wiguna and Panennungi 2019). Some countries may have a comparative advantage in the production of a particular good or service, which can result in large economic benefits. However, less developed countries may not have equal access to global markets and may not be able to compete with more economically developed countries.

In the context of international law, the World Trade Organization (WTO) is the only international body that specifically regulates trade issues between countries. The WTO multilateral trading system is regulated through agreements containing basic rules of international trade produced by member countries through the negotiation process. The agreement is an agreement between member countries that binds the governments of member countries to comply with it in the implementation of their trade policies. WTO law provides rules to bridge trade liberalization with other social values and interests. These rules exist in the form of very broad exceptions to the basic discipline of the WTO (Korah 2016). These exceptions allow WTO members in certain circumstances to adopt and maintain rules and measures to protect other values and social interests of vital importance, even if they are contrary to the substantive discipline contained in the 1994 GATT. Some of these problems then have an impact that causes global economic inequality, including in free trade.

The problem in this article is motivated by the existence of global inequality in the chapter on free trade. In addition, regulations on free trade have not yet fully had justice for all countries. For this reason, this article will discuss how global economic inequality affects free trade regulation from the perspective of international law and how justice can be achieved in free trade regulation.

## METHOD

This study uses a normative (juridical-normative) legal research method with a qualitative approach, which focuses on a systematic analysis of international legal norms that govern global trade. The research method is designed to explore in depth the legal framework that affects the distribution of economic benefits between countries, by using comparative studies to compare trade regulation mechanisms across different international legal regimes. This approach allows researchers to conduct critical evaluations of existing legal structures and identify systemic imbalances in international trade regimes.

The data collection technique in this study was carried out through a comprehensive library research. Primary data sources include key documents such as international conventions, multilateral trade agreements, and official documents from global trade organizations such as the WTO (World Trade Organization). Secondary data collection is carried out through the study of academic literature, scientific journals, reports of international institutions, and publications relevant to the topic of global economic inequality. The analysis of the documents was carried out in depth, focusing on the interpretation of legal texts, the identification of clauses that have the potential to discriminate against developing countries, and the evaluation of economic benefit distribution mechanisms.

The data analysis technique uses content analysis and interpretative analysis methods, which allow researchers to extract substantive meanings from international legal documents. The analysis process is carried out through systematic stages: first, identifying legal norms related to international trade; second, to analyze the practical implications of these norms on the distribution of economic benefits; and third, constructing critical arguments about structural injustices in the global trade regime. This research aims to produce concrete recommendations for the reform of the international trade law framework, with a focus on creating a mechanism that is more responsive to differences in economic development levels between countries.

## RESULT AND DISCUSSION

### Global Economic Inequality

Global economic inequality is a complex reality that has taken root in the international economic system, creating a widening gap between developed and developing countries. This phenomenon is not just an income disparity, but a manifestation of an unbalanced global power structure. Every year, economic data shows that wealth is increasingly concentrated in a handful of countries, while the majority of the world's population remains trapped in a cycle of structural poverty.

The international trade mechanism has become the main instrument that systematically maintains and expands these inequalities. The existing global economic regime not only distributes resources unfairly, but also creates complex economic dependencies. Developing countries are often trapped in a cycle of natural resource extraction and cheap labour, without having significant access to move up the economic value chain. Existing free trade policies serve the interests of multinational corporations more than the welfare of local communities.

The dimensions of global economic inequality go beyond mere statistics. It touches the most fundamental areas of humanity, affecting access to education, health services, and quality of life. This disparity does not only occur between countries, but also between groups of people within a country. Technology and information, once thought to be equalisers, have actually widened the gap between those who have access and those who do not, creating new forms of injustice in the digital age.



Global economic inequality is a complex problem and affects many aspects of life around the world. This inequality occurs when there is an imbalance in the distribution of wealth and resources between countries in the world. This inequality can occur due to various factors such as differences in production capabilities, access to natural resources, and differences in the level of technological development.

According to the World Development Report 2006, World Bank (2006), inequality in economic opportunities and access affects economic development. Judging from the root cause, inequality can be divided into two. First, structural inequality (*structural inequality*) caused by historical events such as conquest, colonization, slavery, and the distribution of land by the state or colonial power. Second, inequality caused by economic factors such as differences in income levels, access to education and health, and differences in unemployment rates ([Lipi.go.id](http://Lipi.go.id) 2007).

In addition, data from the National Development Planning Agency of the Republic of Indonesia shows that the slowdown in growth continued in the fourth quarter of 2022, including due to the pandemic in China, albeit at a milder level, and the tightening of monetary policy carried out by most countries in the world, including in developed countries. While this tightening of monetary policy is necessary for price stabilization, it has a negative impact on global financial conditions and provides substantial barriers to people's activities. The global economy is forecast to grow more slowly this year. Meanwhile, Russia's invasion of Ukraine still has an impact on energy and commodity markets and is the background for the slowdown in the growth of the world's three main growth engines, namely the United States, the Euro Area, and China, which also affects the domestic economic conditions of developing countries ([Bappenas RI](http://Bappenas RI) 2022). This then causes trade inequality in the free market.

The impact of globalization on growth and poverty can increase income inequality because more economically advanced countries have a comparative advantage in the production of a particular good or service ([Syahraniyah](http://Syahraniyah) 2015). However, globalization is not just an economic or trade affair, but it also has other faces such as pop culture and international radio channels that can be accessed by people all over the world.

In the macroeconomic framework and fiscal policy principles for 2024 published by the Ministry of Finance ([Kemenkeu.go.id](http://Kemenkeu.go.id) 2023), it was stated that until April 2023, Indonesia's trade balance had recorded a surplus for 36 consecutive months. The strengthening of the national economic foundation is also a factor that can affect global economic inequality.

In addition, global economic inequality certainly has a significant impact on countries around the world. Countries that experience economic inequality tend to have higher poverty rates, higher unemployment rates, and poorer health rates. In addition, economic inequality can also affect political stability and security in a country.

## Free Trade Regulation

Free trade is an international trade system that removes trade barriers such as tariffs and quotas. The goal of free trade is to increase international trade and economic growth around the world. However, free trade can also exacerbate global economic inequality if not properly regulated.

Free trade regulations can affect global economic inequality. Some countries may have a comparative advantage in the production of a particular good or service, which can result in large economic benefits. However, less developed countries may not have equal access to global markets and may not be able to compete with more economically developed countries.

In the context of international law, free trade regulations are regulated by the World Trade Organization (WTO). The WTO aims to promote fair and discrimination-free international trade. However, some critics consider that the WTO does not pay enough attention to the interests of developing countries and does not pay enough attention to environmental and social issues.

Free trade regulation has been a fundamental instrument in the global economic architecture since the end of World War II, with the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947 and then its transformation into the World Trade Organization (WTO) in 1995. The concept is built on the principles of trade liberalization, which advocates the elimination of tariff and non-tariff barriers to facilitate the exchange of goods and services between countries. In practice, however, free trade regulations have created complex dynamics that are often detrimental to developing countries, creating structural mechanisms that maintain global economic inequality.

Contemporary free trade regulatory mechanisms systematically benefit developed countries through a series of subtle legal and economic instruments. For example, the intellectual property rights regime in Trade-Related Aspects of Intellectual Property Rights (TRIPS) disproportionately favors the interests of multinational corporations from developed countries, limiting developing countries' access to technology and innovation. A study from the United Nations Conference on Trade and Development (UNCTAD) shows that between 1995-2020, developed countries controlled 87% of the total global royalties and licensing fees, which fundamentally eroded the economic development potential of developing countries. Multilateral trade agreements such as the North American Free Trade Agreement (NAFTA) and various bilateral agreements contribute to this exploitative mechanism, creating an unfair trade regime ([World Bank](http://World Bank) 2020).

The transformation towards a more inclusive trading system requires a comprehensive approach that goes beyond the current paradigm. Several international economists, such as Joseph Stiglitz and Dani Rodrik, have proposed a model of trade regulation that takes into account the asymmetry of development between country. Concrete recommendations include: (1) the establishment of dynamic compensation mechanisms for developing countries, (2) flexibility in intellectual property rights regimes



that allow for fairer transfer of technology, and (3) the strengthening of neutral international arbitration institutions. Research from the World Bank and IMF supports this perspective, indicating that a differentiated approach to trade regulation can increase inclusive economic growth by 2-3% per year in developing countries (IMF 2020).

### **Fairness in Free Trade Regulation**

The concept of fairness in free trade regulation has become a topic of critical study in international economic literature and global trade law. Various academic studies have revealed structural complexities that hinder the creation of fair trade mechanisms. Sen (2000) in his work "Development as Freedom" argues that the international trade regime cannot be understood as a neutral system, but as a political construction that inherently contains inequality.

Comparative studies conducted (Rodrik 2018) identify three main dimensions of injustice in free trade regulations. First, the asymmetry of the negotiating power between negara which systematically benefits developed countries. Second, intellectual property rights mechanisms that limit the transfer of technology and innovation to developing countries. Third, tariff and non-tariff regimes that create structural barriers to the development of local industries in developing countries. (Stiglitz 2006) further emphasized that international trade institutions such as the WTO have failed to accommodate fundamental differences in economic capacity between negara.

A transformative approach to realizing justice in international trade requires comprehensive reform. (Chang 2007) in "Bad Samaritans" proposes a regulatory model that considers the level of economic development as a key variable in designing trade agreements. Empirical research from UNCTAD shows that a differentiated approach can increase the economic growth of developing countries by 2-3% per year. Concrete recommendations include: (1) dynamic compensation mechanisms, (2) flexibility of intellectual property rights regimes, (3) strengthening of neutral international arbitration institutions, and (4) protection of strategic industries in developing countries.

Fairness in free trade regulation is a complex issue and difficult to achieve. Some countries may have a comparative advantage in the production of a particular good or service, which can result in large economic benefits. However, less developed countries may not have equal access to global markets and may not be able to compete with more economically developed countries.

To achieve fairness in free trade regulations, several actions need to be taken. First, more economically developed countries should provide less developed countries with greater access to global markets. Second, efforts need to be made to improve the production capacity and competitiveness of less developed countries. Third, efforts need to be made to pay attention to environmental and social issues in free trade regulations.

### **Free Trade Fairness in International Law Perspectives**

Economic globalisation has brought new complexities to the international trading system, where the imbalance of economic power between developed and developing countries is increasingly evident. Free trade, once seen as an ideal mechanism for global economic growth, is now being questioned for its effectiveness in creating substantive justice. The existing system often still puts developing countries in a marginal position, where they are only passive recipients of a trade regime dominated by the economic interests of developed countries.

International law plays a strategic role in bridging the gap, but its implementation is far from ideal. The existing norms of international trade law have not been able to accommodate the interests of all countries proportionally. This complexity is seen in trade mechanisms that tend to favour countries with high economic and technological capacity, while developing countries are still trapped in a cycle of harmful economic dependence.

The perspective of justice in the context of free trade can no longer be simply understood as a technical issue of exchanging goods and services. It is a fundamental problem concerning the structure of global inequality, where the international trade regime has systematically ignored the human dimension and sustainable development. Justice requires a fundamental transformation in the legal approach, which does not only focus on market mechanisms, but also pays attention to social, environmental aspects, and economic empowerment of countries that have been marginalised.

This research intends to critically deconstruct the existing architecture of international trade law, with the aim of uncovering the structural mechanisms that perpetuate global economic injustice. Through in-depth analyses of legal norms, trade practices and their socio-economic implications, this study aims to offer a new conceptual framework that is more responsive to the principles of substantive justice. It is hoped that the research findings will contribute to the redesign of a more equitable, inclusive and dignified international trading system.

The perspective of international law uncovers the structural complexity of injustices in free trade regulation through a critical analysis of existing normative frameworks. The international trade law system, dominated by institutions such as the World Trade Organization (WTO), fundamentally reflects the inequality of power between countries, with mechanisms that tend to benefit the interests of developed countries.

International trade law pays major attention to the understanding of international trade law in the study of international relations and looks at how international trade law norms can be applied in the context of justice. The goal of free trade is to



increase international trade and economic growth around the world. However, free trade can also exacerbate global economic inequality if not properly regulated. In this regard, international law can help ensure that free trade regulations not only benefit economically developed countries, but also take into account the interests of developing countries and environmental and social issues.

The norms of international trade law can be applied in the context of justice by paying attention to the principles of justice such as distributive justice, procedural justice, and commutative justice.

1. Distributive Justice, in the context of free trade, can be interpreted as equal distribution of economic opportunities and benefits for all countries. In this regard, international law can help ensure that less developed countries have equal access to global markets and can compete with more economically developed countries.
2. Procedural fairness, in the context of free trade, can be interpreted as a fair and transparent decision-making process. In this regard, international law can help ensure that decisions taken in free trade regulations are based on the principles of fairness and non-discrimination.
3. Commutative justice, in the context of free trade, can be interpreted as justice in the relationship between parties involved in international trade. In this case, international law can help ensure that international commercial contracts do not violate propriety and decency and are contrary to national and international law (Suherman 2008).

Then in the perspective of international law can help create fairness in free trade in several ways, which are as follows:

1. Paying attention to international trade law norms from the perspective of justice. In this regard, international law can help ensure that free trade regulations not only benefit economically developed countries, but also take into account the interests of developing countries and environmental and social issues.
2. In this case, international law can help create fairness in free trade by ensuring that international commercial contracts do not violate propriety and decency and are contrary to national and international law.
3. Maintain legal certainty from violations in free trade. In this regard, international law can help create fairness in free trade by providing protection for the investment and trade climate.

The formulation of justice in the context of free trade is a complex effort that requires a comprehensive analysis of international trade law norms. The perspective of international law is a key instrument to unravel the structural imbalances that have been detrimental to developing countries. In practice, free trade fairness is not enough to be understood only as a mechanism of economic exchange, but must include a more fundamental dimension.

## CONCLUSION

Global economic inequality and fairness in free trade regulation are complex and important issues in the context of international law. Global economic inequality occurs when there is an imbalance in the distribution of wealth and resources between countries in the world. Meanwhile, free trade is an international trade system that removes trade barriers such as tariffs and quotas. Free trade regulations can affect global economic inequality. Some countries may have a comparative advantage in the production of a particular good or service, which can result in large economic benefits. However, less developed countries may not have equal access to global markets and may not be able to compete with more economically developed countries.

Therefore, it is important to pay attention to global economic inequality and create fairness in free trade regulation from the perspective of international law in order to achieve the goal of fair and sustainable international trade. In addition, in free trade, it is necessary to pay attention to the norms and regulations that exist in international law. The goal is to create fairness in free trade by maintaining legal certainty from violations in free trade.

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