

## Public Governance of Value-Based Public Policy: Indonesia's Halal Certification in a Global Regulatory Context

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### ABSTRACT

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How can states design and implement value-based public policies while honoring multilateral trade commitments? Indonesia's mandatory halal certification regime provides a revealing case. This article examines the policy-making challenges involved in designing certification requirements that reflect societal values and public morals while maintaining consistency with World Trade Organization (WTO) disciplines. The analysis explores how the Agreement on Technical Barriers to Trade (TBT) and GATT Article XX(a) shape the policy space available for value-based public policies affecting international trade. Evidence from WTO TBT notifications and Specific Trade Concerns (STC ID 502) indicates persistent tensions related to non-discrimination, necessity, and transparency. These tensions, however, do not necessarily result in zero-sum outcomes. Through proportionate policy design, risk-based implementation, and strategic international cooperation, domestic policy objectives can be pursued alongside international regulatory consistency. The article develops a governance framework encompassing tiered recognition mechanisms, enhanced transparency, technological innovation, and cooperative standards development. The findings contribute to debates on public governance by illustrating how international regulatory frameworks constrain, yet do not eliminate, national policy autonomy.



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### Introduction

Modern states navigate an increasingly complex terrain. On one side lies domestic sovereignty: the power to regulate according to national values and priorities. On the other lie international commitments that constrain regulatory choices in the name of collective benefits. Nowhere does this tension manifest more acutely than when governments regulate to protect fundamental societal values such as religious observance, environmental integrity, or public health. Domestic constituencies demand robust action. Trading partners cry foul over market access. Policymakers stand caught in the middle.

The nature of this dilemma has evolved. Traditional trade governance centered on border measures, including tariffs, quotas, and customs procedures. These tools affected trade directly but left domestic regulatory prerogatives largely untouched. Today's multilateral frameworks reach deeper. Technical standards, conformity assessments, and regulatory procedures now fall within World Trade Organization disciplines, particularly the Agreement on Technical Barriers to Trade (TBT) (Cadot & Gourdon, 2016; Kee et al., 2018). This shift reflects economic reality: as tariff barriers have declined through successive liberalization rounds, regulatory measures have emerged as the primary instruments shaping competitive conditions in global markets. Grossman et al. (2021) argue persuasively that modern trade agreements increasingly target regulatory convergence rather than traditional tariff reduction, fundamentally reshaping the economics of trade negotiations.

Consider Indonesia's predicament. Law No. 33 of 2014 established mandatory halal certification for products circulating in Indonesian markets. The Halal Product Assurance Agency oversees implementation, working with the Indonesian Ulema Council to verify compliance with halal requirements. For Indonesia's Muslim population, the stakes could hardly be higher. Islamic dietary law constitutes a core religious obligation, not a mere preference. Fraudulent halal claims undermine religious freedom by preventing believers from fulfilling their obligations. Government certification addresses genuine concerns about consumer protection and the safeguarding of public morals. Yet the policy's mandatory nature creates international friction. Foreign producers must navigate Indonesian certification requirements; recognition procedures for foreign certifiers remain restrictive; implementation timelines compress adjustment periods. Trading partners have raised persistent concerns through World Trade Organization channels, documented in Specific Trade Concern ID 502 and repeatedly discussed in meetings of the Committee on Technical Barriers to Trade from 2020 through 2024. These concerns focus on discrimination, excessive trade restrictiveness, and inadequate transparency, challenging whether Indonesia's approach constitutes appropriate value-based public policy or disguised protectionism.

This case raises fundamental questions about policy space in an era of deep economic integration. How much flexibility do World Trade Organization disciplines provide for policies serving non-trade objectives? What design principles enable states to achieve domestic goals while maintaining international consistency? Can value-based public policy and trade facilitation advance together, or do they remain in fundamental tension? These questions extend beyond technical compliance to touch core issues about sovereignty, governance, and the relationship between domestic democracy and international institutions.

Scholarship on halal measures in World Trade Organization frameworks has grown substantially. Johan and Schebesta (2022) provide systematic analysis based on notifications and Specific Trade Concerns spanning 1995 to 2020, revealing consistent patterns: trading partners focus concerns on discriminatory application, excessive restrictiveness, and transparency deficits. The persistence of these concerns suggests that design details matter crucially. Naiki (2020) extends this analysis by examining how regional and international organizations shape private governance regimes affecting certification systems grounded in societal values. The broader literature on regulatory cooperation offers additional insights. Rocha and Ruta (2022) analyze deep trade agreements' implications for regulatory policy space, while Hoekman and Nelson (2024) and Fang (2025) examine industrial and environmental policy tensions with World Trade Organization frameworks. A pattern emerges: regulatory conflicts span multiple domains, each testing the boundaries between domestic priorities and multilateral commitments.

These tensions need not produce zero-sum outcomes. The relevant World Trade Organization disciplines, namely the Agreement on Technical Barriers to Trade and Article XX(a) of the General Agreement on Tariffs and Trade, create structured flexibility rather than rigid uniformity. They constrain regulatory choices while preserving meaningful autonomy for policies serving appropriate objectives through proportionate means. Success depends on design quality. Policymakers who attend to non-discrimination requirements, assess necessity rigorously, engage international standards frameworks, and invest in transparency can advance the protection of public morals while maintaining international consistency. Those who neglect these disciplines risk both ineffective domestic policies and costly trade disputes. The analysis proceeds in four steps. First, the Agreement on Technical Barriers to Trade disciplines are examined in detail, including non-discrimination requirements, necessity tests, international standards provisions, and transparency obligations, to clarify constraints on policy design. Second, Article XX(a) of the General Agreement on Tariffs and Trade is explored as a fallback justification should violations of the Agreement on Technical Barriers to Trade emerge, analyzing public morals interpretations and their application to value-based public policy. Third, international standards frameworks and their potential for facilitating mutual recognition while preserving normative objectives are assessed. Fourth, these elements are synthesized into practical policy recommendations that balance domestic objectives with international obligations. The contribution is threefold. Theoretically, the analysis illuminates how international frameworks shape domestic policy-making without eliminating autonomy, demonstrating mechanisms through which multilateral commitments create structured flexibility. Practically, it offers concrete principles for navigating tensions between domestic priorities and international obligations, with lessons applicable beyond halal certification to environmental, health, and social policies affecting trade. For Indonesia specifically, the study provides a roadmap for refining certification to strengthen both the protection of public morals and international cooperation. As Messenger (2025) notes in analyzing free

trade agreements as sites of economic diplomacy, the challenge lies not in choosing between domestic priorities and international cooperation but in designing governance frameworks that advance both simultaneously.

## Method

This article employs a qualitative normative and conceptual analytical approach. The study focuses on examining the legal and governance frameworks governing value-based public policy within the international trade regime. The analysis draws on primary legal materials, including WTO agreements—particularly the Agreement on Technical Barriers to Trade (TBT) and Article XX(a) of the GATT 1994—as well as official WTO documents such as TBT Notifications and Specific Trade Concerns related to Indonesia's halal certification policy.

In addition, secondary sources consisting of peer-reviewed academic literature, policy analyses, and relevant scholarly works are utilized to contextualize the legal discussion. The analytical method combines normative legal interpretation, comparative analysis, and conceptual synthesis to assess regulatory constraints, policy space, and governance mechanisms that reconcile domestic value-based objectives with multilateral trade commitments.

## Results and Discussion

### Regulatory Constraints on Policy Design

#### *Non-Discrimination Requirements*

Article 2.1 of the Agreement on Technical Barriers to Trade (TBT) establishes a fundamental constraint: technical regulations cannot accord less favorable treatment to imported products than to like domestic products. This national treatment obligation prevents facially neutral regulations from favoring domestic producers over foreign competitors. The principle operates as a bedrock discipline on regulatory sovereignty. Yet World Trade Organization tribunals recognize nuance. Regulations may incidentally affect imports more heavily without violating national treatment, provided differential impact stems from genuine regulatory needs rather than protectionist intent. World Trade Organization jurisprudence confirms that detrimental impact alone does not establish discrimination unless it stems from the regulatory distinction itself rather than legitimate policy objectives (WTO, 2012a). For halal certification, the challenge lies in distinguishing appropriate regulatory distinctions from prohibited discrimination. Limenta et al. (2018) document systematic disadvantages for imports, including compressed implementation timelines, restrictive recognition for foreign certifiers, and complex procedures favoring producers familiar with Indonesian systems. These burdens fall disproportionately on foreign suppliers. From a firm heterogeneity perspective, fixed compliance costs disproportionately exclude smaller and less productive firms from export markets, thereby reshaping observed trade flows (Helpman et al., 2008). Does this constitute discrimination?

Indonesia's defense rests on religious authority structures. The centralized certification system administered by the Halal Product Assurance Agency in coordination with the Indonesian Ulema Council reflects specific Islamic jurisprudence traditions embedded in Indonesian society. Halal certification requires religious interpretation rather than purely technical verification. Qualified Islamic scholars must assess compliance with recognized madhab principles. This creates genuine reasons for centralized oversight that purely technical standards would not require. However, this argument succeeds only if recognition criteria apply objectively across countries based on internationally recognized competence standards rather than national origin or political relationships. Here international standards provide crucial support. ISO/IEC 17065 and ISO/IEC 17011 establish objective benchmarks for certification and accreditation body competence. Foreign certifiers meeting these standards possess demonstrable capability regardless of location.

By grounding recognition criteria in ISO/IEC standards, Indonesia shifts the basis for differential treatment from national origin to objective competence, precisely the distinction permitted under World Trade Organization disciplines. Cha and Koo (2021) provide comparative context through their analysis of European REACH regulations, showing that regulatory adoption patterns reflect complex motivations beyond simple protectionism, including transnational communication and competitive pressures. Blonigen et al. (2013) underscore why implementation details matter. Their empirical analysis reveals that nominally equivalent regulatory policies generate non-equivalent effects depending on application. Assessment must examine how requirements operate in practice for different producer categories, not merely formal design.

In assessing de facto discrimination, World Trade Organization panels evaluate whether regulatory design and application impose disproportionate compliance burdens on imported products without sufficient policy justification (WTO, 2012b). For Indonesia, this implies ensuring that certification procedures, timeline requirements, and recognition processes do not systematically advantage domestic producers through procedural complexity or information asymmetries unrelated to the protection of public morals.

### **Necessity and Proportionality**

Article 2.2 of the Agreement on Technical Barriers to Trade (TBT) requires that technical regulations not be more trade-restrictive than necessary to fulfill appropriate objectives. This necessity discipline profoundly shapes policy choices. States may pursue objectives including the protection of public morals, but must demonstrate proportionality between regulatory means and ends. The test compels systematic analysis: What contribution does the measure make to stated objectives? How trade-restrictive is it? Could less restrictive alternatives achieve equivalent protection? Establishing contribution to the protection of public morals requires showing that mandatory certification genuinely advances halal integrity and consumer trust rather than serving primarily protectionist purposes. Indonesia can point to concrete benefits. The regime creates uniform standards, reducing consumer confusion about halal claims. It prevents fraudulent representation of products as halal-compliant. Supply chain oversight builds confidence through government verification. These contributions enable Muslim consumers to fulfill dietary obligations while protecting against deception, which represent core public morals functions.

Yet trade restrictiveness proves substantial. Certification requirements create compliance costs for producers, time delays affecting market entry, and complexity burdens that disproportionately affect small enterprises and foreign suppliers unfamiliar with Indonesian systems. Empirical research on global value chains confirms that non-tariff measures increasingly shape trade participation by altering firms' position within international production networks (Ghodsí & Stehrer, 2022). Supply chain based analyses further demonstrate how such non-tariff measures generate cascading cost effects across upstream and downstream production stages (Ferrantino, 2012). Kee et al. (2009) provide methodological tools for quantifying these effects through trade restrictiveness indices, enabling systematic comparison of alternative policy designs in necessity assessments. What alternatives merit consideration? Broader recognition of foreign certification bodies meeting ISO/IEC standards would reduce burdens on already certified producers. Geng (2019) demonstrates theoretically that mutual recognition arrangements can achieve regulatory objectives with lower trade costs than mandatory national certification, particularly when production technologies remain observable. Risk-based approaches differentiating requirements by product category and producer track record could focus resources on highest concern areas. Enhanced post-market surveillance combined with streamlined market access might achieve fraud deterrence while reducing entry barriers.

Recent evidence strengthens the case for multilateral approaches. Kim et al. (2025) find that General Agreement on Tariffs and Trade and World Trade Organization membership increases agricultural backward linkages by 56.7 percent and forward linkages by 43.9 percent, effects surpassing those from regional trade agreements. This suggests that multilateral frameworks facilitate trade more effectively than restrictive national systems, even in heavily regulated sectors such as agriculture. For halal certification, the implication is clear: approaches aligned with multilateral disciplines and international standards are more likely to generate overall benefits than idiosyncratic national requirements. Indonesia must therefore demonstrate why alternatives prove insufficient. The strongest argument emphasizes religious interpretation requiring specific Islamic scholarly authority that foreign certifiers may lack regardless of technical competence. Consumer trust depends on recognized domestic religious institutions whose legitimacy developed through decades of engagement with Islamic traditions in Indonesia. This public morals based justification distinguishes halal certification from purely technical standards where objective testing suffices. Success hinges on showing that foreign bodies employing qualified Islamic scholars applying recognized jurisprudence genuinely cannot make equivalent determinations, rather than merely reflecting a preference for domestic institutional arrangements based on administrative convenience.

### **International Standards as Policy Infrastructure**

Article 2.4 of the Agreement on Technical Barriers to Trade (TBT) incentivizes the use of international standards by creating a presumption that standards-based regulations avoid unnecessary

obstacles to trade. States retain sovereignty to deviate from international standards when such standards prove ineffective or inappropriate, but the provision encourages harmonization by offering regulatory benefits. For policymakers, international standards provide valuable infrastructure for pursuing regulatory objectives while maintaining international consistency and facilitating mutual recognition with trading partners. Several relevant standards exist. OIC/SMIIC 1:2019 provides comprehensive halal food standards developed through consensus among Member States of the Organisation of Islamic Cooperation, covering prohibited ingredients, production processes, slaughtering requirements, and certification procedures.

ISO/IEC standards establish requirements for certification and accreditation bodies, providing objective criteria for institutional competence. These standards enable mutual recognition by establishing common benchmarks for equivalence assessment, reducing redundant certification while maintaining quality assurance. Firm-level evidence indicates that product standards significantly affect both intensive and extensive margins of trade, particularly when compliance requirements differ across markets (Fontagné et al., 2015). The trade effects are substantial. Schmidt and Steingress (2022) quantify the impact of standards harmonization using structural gravity modeling and find that harmonization increases bilateral trade by approximately 50 percent on average in affected sectors. These effects are most pronounced in technically complex products where specifications materially affect performance and in sectors characterized by strong network effects. Pelkmans (2023) complements this analysis by examining how reductions in regulatory trade costs through standards harmonization and cooperation enhance trade while preserving regulatory sovereignty, with particular attention to the European experience.

Indonesia has partially aligned its regulatory requirements with international standards while maintaining additional specifications. Whether these deviations qualify as responses to ineffective or inappropriate standards under Article 2.4 depends on demonstrating that international standards cannot adequately accommodate the religious context relevant to halal certification. A base plus framework offers a potential solution by adopting OIC/SMIIC and ISO/IEC standards as a foundation while transparently documenting additional requirements associated with Indonesian madhab interpretations. This approach provides a common technical language for regulatory dialogue, enables tiered recognition for certification bodies meeting international standards, and reduces compliance complexity for firms operating across multiple halal markets. Kim (2021) offers supporting evidence by examining the diffusion of the ISO 22000 standard and its effects on agricultural exports, demonstrating measurable trade facilitation outcomes associated with international standards adoption.

### **Transparency as Governance Mechanism**

Articles 2.9 and 2.10 of the Agreement on Technical Barriers to Trade (TBT) mandate transparency through the publication of draft regulations, reasonable comment periods, and adequate implementation intervals. These procedural requirements serve multiple functions beyond information provision. They enable stakeholder input that improves regulatory quality; they provide adjustment time that reduces compliance costs; they build confidence through predictability; and they create opportunities for resolving concerns before formal disputes escalate. Possada et al. (2022) document empirically that transparency mechanisms reduce trade costs, improve regulatory practices, and build trust essential for multilateral cooperation. These transparency disciplines echo the logic of the World Trade Organization Trade Facilitation Agreement, which emphasizes predictability, procedural clarity, and stakeholder access as core trade enhancing instruments (Neufeld, 2015). Indonesia has engaged with transparency obligations through multiple notifications under the Agreement on Technical Barriers to Trade. Yet persistent concerns documented through Specific Trade Concern ID 502 reveal shortcomings. Comment periods may prove inadequate, implementation timelines lack clarity, recognition processes remain opaque, and technical guidance proves difficult to access. These issues are not merely procedural complaints; they reflect practical market access challenges that affect business planning and investment decisions. Enhanced transparency strengthens regulatory consistency while building diplomatic relationships and improving policy effectiveness through diverse stakeholder perspectives.

The June 2024 Good Practice Guide issued under the Agreement on Technical Barriers to Trade recommends 60 day comment periods and six month implementation intervals, codifying best practices that research shows reduce trade friction. Wilson (2009) demonstrates that procedural efficiency often matters more than substantive requirements for trade facilitation. Reductions in administrative friction are particularly important for expanding the extensive margin of trade by enabling new firms to enter export

markets (Persson, 2013). Time costs and regulatory uncertainty frequently exceed tariff equivalents as trade barriers. Trade cost decompositions further highlight the dominant role of regulatory and procedural barriers in constraining exports from developing economies (Hoekman & Nicita, 2011). These findings align with earlier evidence showing that administrative delays and procedural inefficiencies function as hidden trade barriers with effects comparable to tariffs (Djankov et al., 2010). Adoption of the Good Practice Guide recommendations would signal Indonesia's commitment to high standards of regulatory governance while addressing concerns raised by trading partners through Specific Trade Concern discussions.

### Preserving Policy Space Through Public Morals Provisions

Article XX(a) of the General Agreement on Tariffs and Trade (GATT) permits measures "necessary to protect public morals," subject to chapeau requirements preventing arbitrary discrimination and disguised protectionism. This exception preserves crucial policy space for non-economic regulation even when measures restrict trade. For value-based public policy measures affecting trade, Article XX(a) provides an important fallback should disciplines under the Agreement on Technical Barriers to Trade prove insufficient. Yet successful invocation requires satisfying rigorous tests that balance domestic policy autonomy against the integrity of the multilateral trading system. The *EC-Seal Products* dispute established that public morals encompass religious and cultural concerns widely shared within societies. The Appellate Body confirmed that World Trade Organization Members possess considerable discretion in defining public morals according to their own value systems, with adjudicators according deference to Members' characterizations. However, Marwell (2021) cautions that this discretion has limits. Claimed moral concerns must be genuine and widely shared rather than pretextual or serving narrow factional interests.

Indonesia stands on solid ground in this respect. Islamic dietary requirements derive directly from Quranic injunctions and established jurisprudence, representing fundamental religious obligations for a substantial majority of the population rather than mere preferences. Government measures aimed at preventing halal fraud support the protection of religious freedom by enabling citizens to fulfill these obligations. This public morals based framing situates halal certification within a category of regulation for which World Trade Organization interpretations traditionally accord substantial policy space, recognizing that policies grounded in societal values raise foundational questions about social organization that trade disciplines are not designed to dictate. Establishing an appropriate objective, however, represents only the first step. Necessity testing remains rigorous. Indonesia must demonstrate that certification measures genuinely contribute to the protection of public morals, that no reasonably available less trade-restrictive alternatives exist, and that application satisfies chapeau requirements prohibiting arbitrary discrimination. Maggi (2018) suggests that exceptions should be interpreted stringently to prevent erosion of primary obligations while preserving legitimate non-protectionist policy space.

Chapeau analysis examines whether the application of a measure constitutes arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade. Indonesia must therefore demonstrate that recognition criteria for foreign certification bodies apply consistently across countries, that procedural requirements remain proportionate to genuine halal concerns rather than serving protectionist purposes, and that sufficient flexibility exists to accommodate diverse certification approaches meeting equivalent standards. The chapeau thus requires that regulatory distinctions reflect genuine differences in circumstances rather than arbitrary national preferences, compelling transparent and objective criteria for differential treatment.

### International Cooperation and Mutual Recognition

International standards and mutual recognition arrangements reconcile policy diversity with trade facilitation without requiring uniform global approaches that eliminate regulatory autonomy. Different regulatory systems can achieve comparable outcomes when grounded in common standards and verified through objective competence assessment. Welfare analyses indicate that mutual recognition arrangements can dominate strict national treatment when regulatory objectives are comparable but implementation costs differ (Toulemonde, 2013). This approach preserves institutional diversity while reducing redundant compliance costs that research confirms significantly burden international trade. The empirical evidence supports strategic cooperation. Jang (2018) finds that properly designed mutual recognition agreements increase bilateral trade by 10 to 30 percent on average, with larger effects for technically complex products

and between countries with substantial regulatory differences. However, poorly designed mutual recognition arrangements can fail in the absence of effective implementation mechanisms or when regulatory cooperation remains shallow. Hoekman and Sabel (2021) advance this discussion by proposing open plurilateral agreements as vehicles for international regulatory cooperation that can revitalize World Trade Organization effectiveness while preserving flexibility for diverse national circumstances. For Indonesia, strategic cooperation through bilateral and multilateral channels offers multiple benefits. Negotiating mutual recognition with major trading partners that maintain robust halal systems, including Malaysia, members of the Gulf Cooperation Council, and Turkey, creates practical models demonstrating the feasibility of cooperation while delivering immediate trade facilitation benefits. Active participation in standard-setting processes under the Organisation of Islamic Cooperation and the Standards and Metrology Institute for Islamic Countries enables the shaping of international frameworks compatible with Indonesian approaches while advancing broader harmonization objectives. Capacity-building assistance strengthens diplomatic relationships while expanding certified supply sources, positioning Indonesia as a potential leader in global halal governance rather than an outlier. Wieck and Rudloff (2022) provide compelling evidence that regulatory cooperation provisions in regional trade agreements significantly enhance agri-food trade, increasing trade flows by 15 to 25 percent in covered sectors.

Benefits extend beyond direct parties when multiple bilateral agreements reference common standards. However, their analysis also documents potential trade diversion where preferential recognition favors partners at the expense of non-partners, raising concerns regarding consistency with non-discrimination principles. Using international standards as benchmarks helps mitigate these risks by supporting non-discriminatory treatment while enabling practical cooperation. Meltzer (2019) extends this analysis to digital trade governance, showing that regulatory cooperation combined with mutual recognition in areas such as privacy protection offers models applicable across regulatory domains, including halal certification. Recent scholarship emphasizes the growing importance of regulatory cooperation beyond traditional trade liberalization. Burri (2023) analyzes how digital transformation reshapes global trade frameworks, demonstrating that contemporary governance increasingly centers on regulatory alignment and standards harmonization rather than tariff reduction. Hsieh (2024) examines green regionalism, illustrating how environmental objectives drive new forms of regulatory cooperation that provide transferable models for other policy domains. These developments suggest that challenges surrounding halal certification in Indonesia reflect broader global trends requiring innovative governance approaches that balance regulatory sovereignty with international cooperation.

### **A Roadmap for Policy Reform**

How can Indonesia refine its halal certification regime to strengthen both halal integrity grounded in public morals and international cooperation? Five concrete reforms emerge from regulatory analysis, international standards frameworks, and feedback from trading partners. The approach rests on a proportionality principle: achieving halal integrity through the least trade-restrictive means reasonably available. Rather than viewing sovereignty and multilateralism as zero-sum, careful policy design can advance both simultaneously. First, implement a tiered recognition framework for foreign certification bodies based on objective competence criteria derived from international standards. This enables efficient resource allocation while maintaining quality assurance by differentiating treatment based on demonstrated capability rather than geographic origin. Cernat (2022) shows that properly designed mutual recognition reduces certification costs while maintaining standards. Tier One recognition would provide automatic acceptance for bodies meeting stringent criteria, including ISO/IEC 17065 accreditation, alignment with OIC/SMIIC standards, established regulatory frameworks, and clean compliance records. Tier Two would apply standard evaluation procedures for competent bodies not meeting all Tier One criteria. Tier Three would provide a graduated approach for new entities requiring enhanced verification. This framework focuses regulatory resources on highest-risk cases while streamlining processes for established and reliable certifiers.

Second, refine phased implementation aligned with risk-based prioritization and realistic adjustment timelines. High-risk products, such as processed meat and certain pharmaceuticals, merit continued priority attention. Medium-risk categories could follow extended timelines with streamlined requirements. Lower-risk categories merit consideration of alternative compliance mechanisms less trade-restrictive than mandatory pre-market certification. This stratification focuses regulatory resources where they matter most

while reducing unnecessary burdens. Baldwin and Venables (2013) show that regulatory costs cascade through supply chains with magnified effects, suggesting that minimizing costs for lower-risk categories generates benefits extending beyond direct compliance savings. Third, strengthen transparency mechanisms beyond minimum requirements under the Agreement on Technical Barriers to Trade (TBT). Comprehensive technical guidance, accessible online portals, systematic responses to stakeholder comments, regular consultations, and annual performance reports demonstrate commitment to good governance. These improvements matter not only for regulatory consistency but also for building diplomatic credibility. Enhanced transparency improves regulatory quality through diverse stakeholder input, builds confidence through predictability, reduces implementation difficulties through clearer understanding, and demonstrates good faith compliance, thereby strengthening Indonesia's position should substantive questions arise.

Fourth, leverage technological solutions that reduce compliance costs while enhancing verification capabilities. Digital certification platforms, blockchain-based traceability, remote auditing, and AI-enabled fraud detection can enhance regulatory effectiveness while making certification processes more accessible and efficient. Indonesia's scale and technical capacity position it well to contribute to global halal technology development, potentially creating systems that other markets adopt and that facilitate international cooperation through interoperability. Technology enables regulatory objectives to be achieved more efficiently, reducing inherent tensions between oversight and market access. Fifth, pursue strategic international cooperation through bilateral and multilateral channels. Initial engagement with natural partners such as Malaysia and members of the Gulf Cooperation Council can generate successful examples demonstrating the feasibility of cooperation. Leadership in standard-setting under OIC/SMIIC can help shape international frameworks compatible with Indonesian approaches while advancing harmonization that benefits Muslim-majority countries more broadly. Capacity-building assistance can strengthen diplomatic relationships while expanding certified supply sources. Chen and Mattoo (2008) show that regionalism in standards benefits trade when implemented through genuine harmonization around common benchmarks rather than mere recognition of divergent approaches, suggesting that Indonesia's cooperation strategy should emphasize substantive alignment with OIC/SMIIC standards as a foundation.

## **Conclusion**

Indonesia's experience designing and implementing mandatory halal certification within World Trade Organization regulatory constraints illuminates how international frameworks shape domestic policy making while preserving meaningful autonomy. Tensions between sovereignty and multilateral commitments need not produce zero sum outcomes. Careful policy design enables the pursuit of public morals protection while maintaining international consistency through proportionate, non discriminatory, and transparent approaches. Several principles emerge with applicability beyond halal certification. International regulatory frameworks constrain but do not eliminate policy space. World Trade Organization disciplines require non discrimination, necessity, and transparency, rather than prohibiting regulation serving appropriate objectives. This structured flexibility preserves sovereignty while preventing protectionist abuse. Policy design details therefore matter crucially. Proportionality in means, non discrimination in application, consideration of alternatives, and transparency in implementation distinguish appropriate value based public policy from disguised protectionism.

International standards provide valuable infrastructure for reconciling policy diversity with trade facilitation. Standards enable mutual recognition based on demonstrated equivalence rather than requiring uniformity. This preserves institutional diversity while reducing compliance costs. Transparency serves multiple governance functions beyond regulatory consistency. It improves regulatory quality through stakeholder input, builds confidence through predictability, facilitates informal problem solving, and demonstrates good faith commitment. Strategic international cooperation through bilateral and multilateral channels can expand policy space while facilitating trade. Mutual recognition arrangements, harmonization initiatives, and capacity building generate positive sum outcomes in which cooperation advances both sovereignty and market access. Mitchell and Claussen (2025) analyze supply chain resilience frameworks under the Indo Pacific Economic Framework and demonstrate how contemporary trade agreements increasingly incorporate cooperative regulatory approaches, offering models applicable to halal certification challenges. This pattern transcends specific policy domains. Careful governance design reconciles

competing imperatives rather than forcing a choice between domestic priorities and international cooperation.

For policymakers confronting similar tensions, Indonesia's experience offers practical guidance. Early assessment of international regulatory constraints allows identification of potential conflicts and exploration of alternatives with lower trade impacts. Engagement with international standards frameworks provides objective benchmarks and facilitates cooperation. Investment in transparency beyond minimum requirements builds credibility and durable relationships. Strategic cooperation creates partners that share regulatory objectives and are willing to work toward mutual recognition. These approaches transform potential conflict into opportunities for governance innovation. For Indonesia specifically, the middle way policy roadmap offers a path forward that balances halal integrity as a public morals objective with international cooperation. Implementing tiered recognition frameworks, adopting risk based approaches, strengthening transparency, leveraging technology, and pursuing strategic cooperation enable refinement of halal certification in ways that serve both domestic and international objectives more effectively. Rather than viewing World Trade Organization disciplines as constraints limiting policy space, they can be leveraged as frameworks for building more efficient, transparent, and internationally connected certification systems that enhance rather than compromise public morals protection. The broader theoretical contribution lies in demonstrating how international frameworks operate through structured flexibility rather than rigid uniformity. They establish parameters within which states operate while preserving substantial autonomy for policy choices reflecting diverse values and circumstances. Success depends less on inherent compatibility between domestic priorities and international obligations than on design quality determining whether measures achieve objectives efficiently within multilateral constraints. This insight challenges both extremes, neither unconstrained sovereignty nor technocratic internationalism eliminating meaningful state autonomy, and favors pragmatic approaches that balance competing imperatives through careful governance.

Looking forward, principles emerging from Indonesia's halal certification experience are likely to gain broader relevance as more states implement value based public policies addressing ethical observance, environmental protection, and public health that nevertheless affect international commerce. How states balance sovereignty with cooperation, how international frameworks preserve policy space while preventing protectionist abuse, and how governance mechanisms reconcile competing imperatives will shape both theoretical understanding and practical outcomes in international economic relations. Indonesia's continued refinement of its halal certification regime through dialogue with trading partners, alignment with international standards, adoption of pragmatic recognition mechanisms, and investment in institutional capacity will provide ongoing evidence on whether value based public policy objectives and trade facilitation can advance together or remain in fundamental tension. The middle way proposed here suggests that, with careful design, these objectives can prove mutually reinforcing rather than contradictory, advancing both public morals protection and economic prosperity within frameworks of international cooperation.

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