

INDONESIA'S FOREIGN TRADE POLICY IN PROTECTING DOMESTIC TEXTILE INDUSTRY PRODUCTS AGAINST THE ENTRY OF ILLEGAL TEXTILE PRODUCTS INTO INDONESIA

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ABSTRACT

This study aims to analyze international trade regulations related to imports of goods to Indonesia; analyze the implications of the flood of illegal textile products on the domestic textile industry; and analyze Indonesia's import policy in providing protection for domestic textile industry production. This research is a normative legal research using the Statute Approach and the Conceptual Approach. The technique of collecting legal materials is carried out through literature studies using documentation techniques carried out by analyzing various legal materials in the form of regulations. The results of the study show that international trade regulations are contained in various regulations, including: Law Number 17 of 2006 concerning Customs; Law Number 7 of 2014 concerning Trade; Law Number 7 of 1996 concerning Food; and Law Number 8 of 1999 concerning Consumer Protection. The implications of the flood of illegal textile products (thrifting) in addition to having an impact on the domestic textile industry such as many textile industries closing, the next impact is on the workforce and declining state revenues. Various government policies to protect the domestic textile industry are through preventive and repressive law enforcement. Preventive legal protection can be in the form of regulations regarding import policies, import supervision; or guidance for business actors (producers, importers, distributors) and socialization to consumers; while repressive legal protection can be in the form of the application of administrative sanctions, civil sanctions and criminal witnesses against perpetrators of illegal textile imports.

Keywords: *Domestic textile industry; Foreign trade; Import policy; Legal protection*

INTRODUCTION

International trade is one part of business activities that has recently experienced very rapid progress. This can be seen from the increasing flow of goods, services, capital and labor between countries. This activity can occur through export-import relations, investment, trade in services, licenses and franchises, intellectual property rights and technology transfer, which

ultimately have an impact on other economic activities, such as banking, insurance, taxation and so on.

Indonesia's participation in free trade is intended to encourage domestic industrial products including the textile industry to be able to compete with imported products, both domestically and in the export market. However, on the other hand, in facing international trade, various problems often arise that Indonesia experiences, such as the difficulty of stemming the surge in imports of both legal and illegal products. Another problem also experienced by Indonesia is the problem of the quality and quantity of domestic industrial products which are also still very weak in meeting the export market. This results in domestic industrial production being less competitive, and will ultimately kill the market for similar goods domestically.

One of the domestic industrial products that competes tightly after the implementation of the free market, both globally and regionally, is the "textile and textile products (TPT)" industry. This industry is one of the industries that plays an important role in absorbing labor and contributing to non-oil and gas exports in Indonesia. The entry and circulation of illegal textile products, especially imported used goods (*thrifting*), is certainly very detrimental to Indonesia because these goods do not pay import duties and taxes, so they can be sold at very cheap prices in the domestic market. This problem has been going on for years, causing the decline of the national textile and textile products (TPT) industry.

Based on the description above, the problems can be formulated as follows;

1. How is the regulation of international trade related to the import of goods to Indonesia;
2. What are the implications of the flood of illegal textile products on the domestic textile industry.
3. How is Indonesia's import policy in an effort to provide protection for domestic textile industry production.

METHODS

This research is a normative legal research that examines the regulation of Indonesian foreign trade policy in an effort to protect domestic textile industry products from the entry of illegal textiles into Indonesia. The approach used in addition to the statutory approach which examines various regulations related to legal issues on international trade, also the Conceptual Approach which examines the doctrines that develop in legal science that give birth to legal concepts that are relevant to the issues.

The technique of collecting legal materials is carried out through literature studies using documentation techniques which are carried out by analyzing various legal materials in the form of regulations. The legal materials are analyzed qualitatively, then re-evaluated as an elaboration of regulations on Indonesian foreign trade policy in an effort to protect domestic textile industry products from the entry of imported textile products.

ANALYSIS AND DISCUSSION

1. International Trade Regulations Relating to Imports of Goods to Indonesia

To anticipate various problems in the economic sector, especially in facing the globalization of international trade, legal instruments are needed to resolve legal problems in the economic and trade sectors that are developing today. For that reason, in the implementation of economic and trade development, the existence of law is not only seen as one of the objects or means of development, but also functions as a support for the continuity of development, both in providing a basis for certainty, a security tool and as a tool to accelerate the development

process itself. It is clear that law is a tool to determine the success or failure of development, especially in supporting economic development.

Therefore, with Indonesia's entry as a member of world trade through the ratification of Law Number 7 of 1994 concerning the Ratification of the Agreement on Establishing the World Trade Organization (WTO), it has consequences for Indonesia, namely that it must comply with all the results of the agreement in the WTO forum, and harmonize national laws and regulations in accordance with the results of the WTO agreement, but still pay attention to the interests of the nation in order to support national economic progress.¹

Various regulations have been issued by the Indonesian government in order to implement imports, including: Law Number 10 of 1995 concerning Customs (State Gazette of the Republic of Indonesia Year 1995 Number 75 Supplement to the State Gazette of the Republic of Indonesia Number 3612), which was later amended by Law Number 17 of 2006 concerning Amendments to Law Number 10 of 1995 concerning Customs (State Gazette of the Republic of Indonesia Year 2006 Number 93, Supplement to the State Gazette of the Republic of Indonesia Number 4661); Law Number 7 of 2014 concerning Trade (State Gazette of the Republic of Indonesia Year 2014 Number 45, Supplement to the State Gazette of the Republic of Indonesia Number 5512). Law Number 7 of 1996 concerning Food; Law Number 36 of 2009 concerning Health, Law Number 8 of 1999 concerning Consumer Protection.

In addition to these regulations, more specific provisions on import trade are contained in the Decree of the Minister of Industry and Trade of the Republic of Indonesia Number: 230/MPP/Kep/7/1997, later amended by the Decree of the Minister of Industry and Trade of the Republic of Indonesia Number: 789/MPP/Kep/12/2002 concerning goods regulated by import trade; Decree of the Minister of Industry and Trade Number 254/MPP/Kep/7/2000 concerning Import Trade and Distribution of Certain Hazardous Materials; Decree of the Minister of Industry and Trade Number: 40/MPP/Kep/1/2003 concerning Importer Identification Number (API); Decree of the Minister of Industry and Trade of the Republic of Indonesia Number: 417/MPP/Kep/6/2003 concerning Goods Regulated by Import Trade; Decree of the Minister of Finance Number 112/KMK.04/2003 concerning the Second Amendment to Decree of the Minister of Finance Number 453/KMK/.04/2002 concerning Customs Procedures in the Import Sector; Decree of the Director General of Customs and Excise Number. KEP-07/BC/2003 concerning Guidelines for the Implementation of Customs Procedures in the Import Sector; Decree of the Minister of Trade and Cooperatives Number 28 of 1982 concerning General Provisions in the Import Sector.

With the issuance of Law Number 7 of 2014 concerning Trade, Indonesia's foreign trade policy, as stated in Article 38, states that:

- (1) The Government regulates Foreign Trade activities through policies and controls in the fields of Export and Import.
- (2) Foreign Trade policies and controls as referred to in paragraph (1) are directed at:
 - a. Increasing the competitiveness of Indonesian Export products;
 - b. Increasing and expanding access to overseas Markets; and Increasing the capabilities of Exporters and Importers so that they become reliable Business Actors.
- (3) Foreign Trade policies at least include:
 - a. Increasing the number and type and added value of export products;
 - b. Harmonizing standards and procedures for Trade activities with trading partner countries;
 - c. Strengthening institutions in the Foreign Trade sector;
 - d. Developing supporting facilities and infrastructure for Foreign Trade;

¹Muhammad Sood, *International Trade Law*, Third Printing, Second Edition (Jakarta: PT. Radja Grafindo Persada, 2018), p. 250.

e. Protecting and securing national interests from the negative impacts of Foreign Trade.

(4) Foreign Trade controls include:

- a. Licensing;
- b. Standards;
- c. Prohibitions and restrictions.

Based on the provisions above, all foreign trade activities are regulated by the government through policies and controls in the fields of export and import. These foreign trade policies and controls are directed at increasing the competitiveness of Indonesian export products; increasing and expanding market access abroad; and increasing the capabilities of exporters and importers so that they become reliable business actors. These policies include increasing the number and type and added value of export products; harmonizing standards and procedures for trade activities with trading partner countries; strengthening institutions in the foreign trade sector; developing supporting facilities and infrastructure for foreign trade; protecting and securing national interests from the negative impacts of foreign trade; while foreign trade controls include licensing; standards; and prohibitions and restrictions.

Furthermore, to enhance the added value to the national economy, the government may regulate payment methods and delivery mechanisms in export-import activities, as stipulated in Government Regulations. In the event of force majeure—such as war, civil unrest, or natural disasters—the Minister of Trade may suspend export-import activities. The determination of a force majeure situation is under the authority of the President of the Republic of Indonesia.

The government's policy in the Indonesian import trade system is intended not only to protect domestic producers from dumping activities or due to the increase in imported products, but also to protect Indonesian consumers from imported products that do not meet consumer safety and health quality standards. However, import policies must also take into account domestic needs. Therefore, the Indonesian Chamber of Commerce and Industry (KADIN) urges the government to promptly update the national import trade system to prevent imbalances between supply and demand, which could lead to vulnerabilities such as speculation and the formation of cartels in the importation of products into Indonesia.

To overcome this problem, the Indonesian government should issue regulations regarding the regulation of import permits in order to support the implementation of good and transparent exports and not harm the domestic industry. One of the regulations issued by the government regarding trade licensing is Law Number 7 of 2014 concerning Trade. Article 24 concerning Licensing states that:

- (1) Business actors who carry out trade business activities are required to have a trade permit granted by the Minister.
- (2) The Minister may delegate the granting of permits to the Regional Government or certain technical agencies.
- (3) The Minister may grant exceptions to the obligation to have a trade permit as referred to in paragraph (1).
- (4) Further provisions regarding trade permits as referred to in paragraph (1) and exceptions as referred to in paragraph (3) are regulated by a Ministerial Regulation.

Based on the article, business actors who carry out trade business activities, both domestic and foreign trade, are required to have permits in the trade sector, including business licenses, special permits, registration, recognition, and approval, granted by the Minister of Trade. The granting of such permits can be delegated and delegated to the Regional Government or certain technical agencies. The Minister may grant exceptions to the obligation to have permits in the trade sector, especially to micro business actors. Further provisions regarding permits in the

trade sector and their exceptions are regulated by the Ministerial Regulation relating to the type of import permit.

2. Implications of the Increase in Illegal Textile Products on the Domestic Textile Industry

The influx of imported used clothing into Indonesia—commonly known as *thrifting*—is not only seen as an alternative shopping option for the public but also poses a significant threat to the domestic textile industry. The widespread circulation of illegal textile products has prompted local fiber and yarn industry stakeholders to urge the government to take firm and decisive action against the rampant and openly conducted illegal importation of textiles and textile products (TPT). According to the General Chairperson of the Indonesian Filament Fiber and Yarn Producers Association or abbreviated as APSBFI, Redma Gita Wirawasta, stated that,

*“The flood of illegal imported textile products is eroding the market share of the domestic textile and textile product (TPT) industry. Based on calculations by the Indonesian Filament Fiber and Yarn Producers Association (APSBFI), per year there are around 300-400 thousand tons of illegal TPT imports worth IDR 35 trillion entering the country, both in the form of finished clothing, fabrics and yarns entering illegally. Around 1,400 containers per month enter through major ports in Java, and some through Sumatra. Around 210 thousand tons of imports entering Indonesia come from China, the rest from Korea, Taiwan, India, Vietnam, Bangladesh and Thailand. This practice is carried out freely by under-name service companies working with customs officers in the field, without the need for import approval/permits. In addition, the perpetrators have never been prosecuted. As a result of the flood of illegal imported products, the utilization of the TPT industry has been reduced to a fairly low point, resulting in victims. The last one in early April 2023 was PT Tuntex Garment which went bankrupt and laid off around 1,163 of its employees. Furthermore, based on International Trade Center (ITC) data, in 2022, China exported US\$6.50 billion worth of textiles to Indonesia. This figure has jumped compared to 2021, which was recorded at US\$5.86 billion, while in 2020 the value was around Rp. 3.79 billion. Thus, in 2020, the value of the textile and garment import gap was US\$1.50 billion. In 2021 it rose to US\$2.72 billion. And in 2022 it reached US\$2.9 billion”.*²

Meanwhile, in West Nusa Tenggara, the NTB Police managed to confiscate 31 sacks of imported used clothing worth up to IDR 150 million. The goods were sold by the perpetrators to buyers or retailers directly, as well as online via Facebook accounts. They used friendship contacts to contact and offer their goods to prospective buyers. Preventing the entry of used clothing is expected to protect MSMEs in West Nusa Tenggara.³

Based on the above description, the importation and sale of thrifting goods significantly harm the domestic textile industry and have a direct negative impact on Small and Medium Enterprises (MSMEs). Consequently, this activity is considered illegal and is prohibited by law. This is regulated in the Regulation of the Minister of Trade Number 18 of 2021 concerning Goods Prohibited from Export and Goods Prohibited from Import. The activity of importing and selling thrifting goods can be a serious obstacle in efforts to advance the economy and realize sustainable development in Indonesia. The prohibition is further regulated in several regulations Article 46 number 15 of Law No. 47 of 2014 (Job Creation Law) which amends Article 47 of Law No. 7 of 2014 concerning Trade which states:

(1) Every importer is required to import goods in new condition.

²Damiana, NEWS-CNBC Indonesia, *Republic of Indonesia Emergency Illegal Textile Imports*, <https://www.cnbcindonesia.com/news>. September 15, 2023

³Ismail Zakaria, *West Nusa Tenggara Police Confiscate Dozens of Sacks of Imported Used Clothing Worth IDR 150 Million*, <https://www.kompas.id/read/nusantara>, April 4, 2023

(2) *In certain cases, the Central Government may determine that imported goods are not new.*

(3) *Further provisions regarding the determination of imported goods in a non-new condition as referred to in paragraph (2) are regulated in Government Regulation.*

Based on the description above, all textile products entering and circulating in Indonesia should be in accordance with laws and regulations and the principles of sustainable development. The prohibition on the entry and circulation of illegal textile products is an effort to prevent the emergence of significant negative impacts on the economy, environment, and society. Therefore, there needs to be awareness for all parties, both the government, business actors, and the community that thrifting products are illegal imports that are prohibited by law.

In connection with the description above, various negative implications that occur with the entry and circulation of illegal textile products include:

a. Impact on the Economy in Indonesia.

The impact of the entry and circulation of illegal imported textiles (thrifting) on the Indonesian economy is very significant. The sale of illegal imported goods avoids taxes and import duties that should go to the state treasury. This has a significant impact on the decline in state revenue, which results in the hampering of the development of infrastructure, and social programs needed by the community. In addition, local industries are also affected, resulting in the loss of jobs and potentially adversely affecting economic growth.

b. Environmental and Health Impacts

Thrifting of illegal imported goods can have a negative impact on health and the community and the environment. These goods may be produced using hazardous materials that damage the environment and have the potential to endanger the health of consumers. The level of cleanliness of these goods also needs to be watched out for, such as the presence of fungi or other parasites that can be harmful to health. In addition, the carbon footprint of the production process and cross-country transportation also places an additional burden on the environment.

c. Threats to Local Industry

The entry of illegal imported textiles (Thrifting) also creates unhealthy competition against local products, because illegal imported textiles are sold much cheaper than domestic products. This can damage the competitiveness of domestic products, thus inhibiting the growth of the local industry, which ultimately poses a risk of loss or threat of loss to the domestic industry. can further reduce incentives for innovation and development of the national industry. Therefore, the prohibition of the entry and circulation of illegal textiles is a necessity because it is considered to disrupt the growth of the domestic textile industry so that it has an impact on reducing the level of Indonesian textile exports, this is detrimental and endangers the development of the domestic textile industry which has a real impact on Small and Medium Enterprises (SMEs). The next impact is on workers working in the textile industry sector, such as the termination of employment for textile factory workers.

This was stated by Eka Budiyaniti, that the practice of importing used clothing certainly has a negative impact on the country's economy. This is based on data from the General Chairperson of the Association of Fiber and Filament Yarn Producers (APSYFI), Redma Gita Wiraswasta, that throughout 2022, as a result of the surge in the circulation of illegally imported used clothing, it has eroded the consumption of local products by 432 thousand tons. Throughout 2022, the total consumption of clothing products and other finished goods reached 1.9 million

tons. This figure consists of official imports for clothing products reaching 100 thousand tons and supplies from the local industry of 1.4 million tons.⁴

Thus, illegal imports of used clothing throughout 2022 have shifted the local textile industry market by 432 thousand tons or 22.73% of the total consumption of clothing and other finished goods (Bisnis Indonesia, March 16, 2023). This is certainly a loss for the country, especially the TPT industry because the 22.73% should have been the market share for local products. The loss of 22.73% of the market share will also ultimately affect the performance of the domestic TPT industry as a whole, if this continues, the domestic TPT industry will continue to decline, thus having a negative impact on the country's income and economy.⁵

d. The potential for further decline in the performance of the National Textile and Textile Product industry.

The potential for declining performance of the TPT industry can be seen from the worsening performance of a number of textile companies, resulting in layoffs (PHK) (Bisnis Indonesia, March 16, 2023). The increasing number of imported used clothing products in circulation means that sales of locally produced clothing are decreasing. This is because local products are unable to compete with imported used clothing products which are relatively cheaper. With the decreasing demand for local products, the production of local products has also decreased, including the reduction in the workforce in it. Furthermore, based on a survey conducted by BPS, it was recorded that the number of workers in the textile industry had decreased from 1.13 million to 1.08 million workers in August 2022.

If the problem of imported used clothing products is not resolved immediately, this figure has the potential to continue to decline. The national TPT industry must compete with imported used clothing products which are branded, of good quality, and most importantly, much cheaper than local products. Moreover, these imported used clothing products are not only sold through offline stores but also online or e-commerce. This means that it is increasingly easy for people to get imported used clothing products. With the increasing number of consumers buying imported used clothing products, Indonesia has become a paradise for used clothing importers. In addition to the potential for reducing the workforce in the TPT industry, imported used clothing products can also cause domestic textile prices to become uncompetitive and have the potential to reduce the competitiveness of the domestic TPT industry, including Micro, Small and Medium Enterprises (MSMEs).

e. Causing losses to state revenue.

Used clothing products are smuggled or illegal goods. This means that imported used clothing products do not pay customs and excise. Based on BPS data, 2019 was the peak of imported used clothing in Indonesia, namely in 2019, BPS noted that the contribution of the textile and apparel industry sector to Gross Domestic Product (GDP) according to the current price business sector reached 1.26%. However, throughout 2020-2022, this figure has continued to decline. In 2020-2022, the textile and apparel industry sector contributed 1.21%; 1.06%; and 1.03% to GDP respectively.

Based on the description above, the increasing surge in illegal imported textile products has a negative impact on the domestic textile industry, such as causing domestic textile prices to become uncompetitive and potentially reducing the competitiveness of the domestic TPT industry, especially for Micro, Small and Medium Enterprises (MSMEs) products. If the surge

⁴Eka Budiyantri, *Negative Impact of Imports of Used Clothing on the Economy, Brief Info, Economic, Financial, Industrial, and Development Sectors*, Research Center, Expertise Agency, Secretariat General of the Indonesian House of Representatives. Vol. XV, No. 6/II/Puslit/March/2023, E-mail: eka.budiyantri@dpr.go.id, p. 13.

⁵ *Ibid*

in illegal textile imports continues, the domestic TPT industry will continue to decline, and the subsequent impact on state revenues from the import tax sector (import duties), because textiles that enter illegally do not pay duties and excise, this ultimately has a negative impact on the country's economy.

3. Government Policy in Protecting Domestic Textile Industry Production from Illegal Textile Products

The Indonesian government's policy on the implementation of imports, in addition to referring to international provisions which are the result of the GATT-WTO agreement in 1994 which was later ratified by Law Number 7 of 1994 concerning the Ratification of the Agreement on the Establishment of the World Trade Organization (WTO); also refers to various national regulations issued by the government. These regulations, in addition to being a legal basis for marketing Indonesian products abroad, are also a basis for protecting domestic producers and consumers.

By becoming a member of the WTO, Indonesia has implemented adjustments to various trade policy regulations according to WTO provisions. Likewise, trade policies related to "import licensing and (import licensing), including one of the regulations that must refer to the WTO Import Licensing Agreement (ILA). This agreement requires each WTO member to create import regulations or policies that are as simple as possible, transparent, fast, and predictable.

Various policies issued by the Indonesian government in an effort to protect the domestic textile industry from illegal textile products through law enforcement are something that should be done, because in terms of socio-economics, domestic economic actors, most of whom are SMEs, producing textiles and local textile products are always on the weak side.

Therefore, protection for domestic textile producers is important through law enforcement efforts to prevent the circulation of illegal textile products (thrifting) or unlicensed or not in accordance with health and safety quality standards for consumers. This is done to provide a sense of security to the public in using or wearing the textile products they need. Therefore, legal protection efforts for domestic textile producers and consumers must be supported by legal instruments, both laws and legal institutions, and also supported by increasing public legal awareness.

Factors that should be considered in legal protection are the legal factor itself, the law enforcement factor, namely the party that forms or implements the law, the facility or facility factor that supports law enforcement, the community factor, namely where the law applies and is implemented, and the cultural factor, namely the law as a result of creative work and feelings based on human will in social life.⁶

Legal protection in terms of epistemology can be done through preventive and repressive efforts. Preventive legal protection can be in the form of regulations regarding the import of textile products; import supervision; or guidance for business actors (producers, importers, distributors), socialization for consumers; while repressive legal protection can be in the form of implementing administrative sanctions, civil sanctions and criminal witnesses. Repressive legal efforts can be carried out either through the courts (litigation) or outside the courts (non-litigation), which can be described as follows:

a. Preventive Legal Protection

⁶Soerjono Soekano, *Faktor-Faktor yang Mempengaruhi Penegakan Hukum*, Jakarta: Rajawali Press, 1983, hlm. 2

Preventive Legal Protection can be seen from various aspects, including the role (functions, duties and authorities) of related institutions in carrying out guidance and supervision as well as increasing public legal awareness, as follows:

1) Guidance for Domestic Textile Industry Business Actors and Socialization to Consumers.

Government guidance for business actors, both producers, importers, distributors and traders, essentially means encouraging business actors to act in accordance with applicable regulations in producing, importing and distributing imported textile products in accordance with the provisions. This means that the products imported and distributed to the market are legal textile products and meet the health and safety quality standards for consumers and have met the registration and sales permit procedures in Indonesia. This guidance is intended not only to create a healthy relationship between business actors and consumers, but also to improve the quality of human resources through research and development activities in the domestic textile and textile product (TPT) industry in order to boost domestic economic growth.

The growth of the Textile and Textile Products (TPT) subsector has not recovered after the pandemic, this is influenced by declining domestic and export market demand, as well as the increasingly competitive challenges with the entry of imported textile industry products. This condition has an impact on the absorption of labor in the TPT sector which has decreased from 3.98 million in 2023 to 3.87 million in 2024 (BPS Data, February 2024). In addition to the tight competition in the global market, the Indonesian TPT industry also faces challenges domestically due to the increasing import of illegal textile products. The decline in the performance of the textile industry is a serious concern for the Government, considering the large absorption of labor. The government continues to monitor this situation and provide solutions to encourage the recovery of the fundamental performance of the TPT industry in the long term. The government consistently places these solution efforts while still considering the impact on the economy as a whole.⁷

Responding to these challenges, the Government continues to encourage the transformation of the national textile industry by utilizing the global supply chain and the creation of added value and competitiveness of the domestic textile industry through the support of fiscal incentive policies such as Tax Holiday, Tax Allowance, Super Tax Deduction for Vocational and Research and Development (R&D), regional incentives such as Special Economic Zones/ Bonded Zones, as well as trade remedies policies in the form of imposing Safeguard Import Duty (BMTP) and Anti-Dumping Import Duty (BMAD). In accordance with Government Regulation Number 34 of 2011, BMTP and BMAD are imposed on an imported product with the aim of recovering serious losses or preventing the threat of serious losses suffered by the domestic industry due to the surge in the number of imported goods or dumping practices from the exporting country.⁸

In addition, as an effort to protect and increase the competitiveness of the domestic textile industry, the Government continues the policy of imposing BMTP on imports of Fabric, Carpet, and Other Textile Covering products for 3 years through the issuance of the Minister of Finance Regulation (PMK) Number 48 of 2024 concerning the Imposition of Safeguard Import Duty on Imports of Fabric Products and PMK Number 49 of 2024 concerning the Imposition of Safeguard Import Duty on Imports of Carpet and Other Textile Covering Products.

The issuance of the trade remedies policy for the textile industry is carried out by considering the alignment of the industrial chain so that it is in accordance with the direction of national industrial development and can maintain the competitiveness of the domestic textile industry.

⁷Raden Jihad Akbar, Anisa Aulia, *Belum Pulih dari Pandemi, Aturan Bea Masuk Tambahan Impor Produk Tekstil Diperpanjang*, <https://www.viva.co.id/bisnis/1740258>, 8 Agustus 2024

⁸*Ibid.*

The preparation of the 2 (two) PMKs has also involved all stakeholders, namely the relevant Ministries/Institutions including the Coordinating Ministry for Economic Affairs, Ministry of Trade, Ministry of Industry, Ministry of National Development Planning, Ministry of Law and Human Rights, Associations and Business Actors, and Representatives of Trading Partner Countries in accordance with domestic provisions that are in line with the trade remedies regulations at the World Trade Organization (WTO).

Through the synergy of government policies and the active role of stakeholders, the national textile industry is expected to become a strong and competitive industry, increase employment opportunities, and ultimately make a positive contribution to the national economy.

1) Government Supervision of the Entry and Circulation of Illegal Textile Products.

In essence, government supervision is an activity aimed at ensuring that the implementation of activities is in accordance with the plan. When associated with government law, supervision can be interpreted as an activity aimed at ensuring that the attitude of the government/administrative apparatus is in accordance with applicable law. When associated with constitutional law, supervision means an activity aimed at ensuring that the implementation of state administration by state institutions is in accordance with applicable law. This activity is an effort to avoid errors, both intentional and unintentional, as a preventive measure, or also to correct errors as a repressive measure.

The legal structure or legal institution is one of the most important elements in supervising the entry and circulation of illegal textiles in order to provide protection to domestic producers and consumers. The legal institution that plays a very important role in relation to the duties, functions and authority to supervise the entry and circulation of imported textile products is the Ministry of Trade, especially the Directorate General of Foreign Trade, and the Regional Trade Service. This can be explained as follows::

a) Supervision by the Ministry of Trade

The role of the Ministry of Trade is related to import trade, licensing and supervision of textile imports. Supervision is carried out on the entry and circulation of imported textiles by the Ministry of Trade, especially the Directorate of Foreign Trade. In carrying out supervision, the Ministry of Trade has formed a task force to supervise illegal imported goods due to the rampant illegal products which have resulted in layoffs and the closure of domestic factories. The purpose of forming this Task Force is to handle import problems through supervision of handling import problems, as well as creating effective conditions, supervision of certain goods for which trade regulations apply. This Task Force will work to stop the entry of imported goods without permission through the implementation of anti-dumping duties (BMAD) and Safeguard Import Duty (BMTP). This task force was formed based on the Decree of the Minister of Trade (Kepmendag) Number 932 of 2024 concerning the Task Force for Supervision of Certain Goods Subject to Import Trade Regulations signed by the Minister of Trade. The formation of the Task Force for Supervision of Illegal Imported Goods initiated by the Ministry of Trade is the result of the government's rapid synergy to eradicate illegal imports that affect the resilience of the domestic industry and the stability of domestic trade..⁹

The establishment of this institution has been coordinated with business organizations and related ministries. In addition to having to achieve its main objective, the illegal import goods task force also brings several breakthroughs. namely supervising the entry of illegal goods provisions in the import trade system, and conducting inspections, business permits, or

⁹Mukhammad Maulana Fajri, *Kemenda Resmi Bentuk Satgas Pengawasan Barang Impor Ilegal*. <https://infopublik.id/kategori/nasional-ekonomi-bisnis/843637>, Jumat, 19 Juli 2024.

requirements for certain goods in accordance with the provisions of the import trade system, such as standards, SNI, and taxes; as well as clarifying related business actors suspected of committing violations and taking legal action in accordance with the applicable regulations.

b) Supervision by the Directorate General of Customs and Excise of the Ministry of Finance.

The authority of the Directorate General of Customs and Excise in addition to organizing the formulation and implementation of policies in the field of supervision, law enforcement, services and optimization of state revenues in the field of customs and excise in accordance with the provisions of laws and regulations, also to carry out supervision is related to investigation and inspection activities when the product enters the customs area. Supervision carried out by Customs and Excise Officers is related to the type and physical condition, and documents of goods in accordance with applicable laws and regulations, for example whether the textile product already has a registration number or has an Import Certificate (SKI) which does not yet exist, or whether there is a Letter of Determination of a Registered Importer of a particular Product from the Ministry of Trade. If the documents that are recommendations for the entry and circulation of textile products in Indonesia are complete in accordance with the regulations, then the Customs officer will recommend that the goods may enter and circulate in Indonesia.

One of the actions taken by the Directorate General of Customs and Excise (DJBC) in preventing the entry of illegal textiles into Indonesia, DJBC has succeeded in thwarting 4 (four) containers of illegal textile imports. The thwarting of illegal textile imports is the result of a similar case that occurred last month. The Tanjung Priok Main Customs and Excise Service Office (KPU BC) and the West Java DJBC Regional Office in collaboration with the police succeeded in thwarting illegal textile imports from China which caused the state a loss of Rp. 2.3 billion. The illegal textile imports were carried out by a company using Bonded Zone facilities, which was suspected of committing customs violations in the form of unloading imported goods that were still under customs supervision at a place other than the designated and/or permitted destination. In addition, the company also committed violations in the form of submitting fake or falsified customs notifications and/or supporting customs documents. The potential state loss from this import action is Rp. 3.3 billion, mainly from unpaid import duties.¹⁰

In carrying out the function and task of import supervision, Customs and Excise continues to provide its best performance. This is as done by the Pangkalpinang Customs Office together with a joint team from the East Sumatra Customs Office, which succeeded in thwarting the smuggling of illegal imported goods, several rolls of textiles in several locations in the supervision area with a total of 1,605 rolls / rolls of textiles. The action taken by the Pangkalpinang Customs Office was the result of monitoring information circulating from the public that there were indications of illegal textile rolls heading to several areas in the city of Pangkalpinang. Based on information from the public, Customs and Excise then conducted a search of several areas in question. The joint team that found the target of 5 suspected trucks then carried out monitoring and action. From the hands of the perpetrators, 5 people were secured along with 1,605 rolls of illegal textiles which were then taken to the Customs office for further examination.

The law enforcement that has been carried out is part of the commitment and seriousness of the Directorate General of Customs and Excise in eradicating illegal goods that not only have the potential to endanger the public, but also the stability of the domestic economy. Good

¹⁰Humas DITJEN Bea dan Cukai, *Bea dan Cukai Gagal Impor 4 Kontainer Tekstil Dan Ekspor Ilegal 80 Kontainer Minerba*. <https://setkab.go.id>, 9 November 2015.

coordination and synergy with law enforcement agencies and the community has become a commitment of Customs to continue to be carried out in order to encourage and protect domestic industry and facilitate trade. This is also a form of accountability of Customs duties to the community and the state.

In carrying out supervisory activities by the Customs and Excise Office, it is delegated to Customs. Customs import supervision aims to protect the community, domestic industry and national interests through supervision and/or prevention of the entry of illegal imported goods and the exit of exported goods that have negative and dangerous impacts that are prohibited and/or restricted by regulations.

Thus, the Directorate General of Customs and Excise is an institution that functions as a gateway for the flow of goods in international trade, therefore the Directorate General of Customs and Excise is required to provide as much positive influence and maximize negative influence on trade in Indonesia as possible. Customs is given the authority to supervise the flow of imported and exported goods entering and leaving a country. Customs has the task of organizing the formulation and implementation of policies in the field of supervision, law enforcement, services and optimization of state revenues in the field of customs and excise in accordance with laws and regulations. Given the large number of smuggling of goods, the authority of customs is to supervise the export and import of goods with the *modus operandi* of transporting illegal goods and other subsidized goods carried out between islands and between countries.

c) Supervision by the National Standardization Agency (BSN)

The involvement of the National Standardization Agency (BSN) to carry out Supervision if the textile product has been required to be standardized / certified (mandatory SNI). The determination of mandatory standardization lies with the relevant Ministry, while the role of BSN is only as an agency requested by the relevant agency to conduct a study and test on a textile product in order to obtain standardization (SNI). With the increasing number of textile products that are required to be standardized (mandatory SNI), BSN will immediately play an increasingly important role in supervising imported textile products in order to provide protection for consumers.

In order to accommodate the needs of the textile industry in Indonesia in trade between Asia Pacific countries, BSN has adopted ISO standards identically and established SNI ISO 20743:2010. Determination of antibacterial activity of products processed for antibacterial refinement. Of course BSN will also look at the development of the textile industry in Indonesia and internationally to develop new standards. In general, until now BSN has set 326 Indonesian National Standards (SNI) related to textile products, namely 208 standards for testing methods and 118 standards for textile products. An example of SNI for textile products is SNI 8444: 2017 (Brocade Fabric), while SNI for testing methods related to textiles, for example, SNI 08-1272-1989 concerning Textiles. The SNI adopted from ISO standards in total is 193, with 187 identical adoptions and 6 modified adoptions. Thus, every textile entering Indonesia refers to the standardization issued by the National Standardization Agency (BSN) which is adopted from ISO standards.

b. Repressive Legal Protection

Repressive legal protection can be in the form of Administrative, Civil and Criminal Actions or sanctions, as follows:

1) Implementation of Administrative Sanctions:

Implementation of administrative sanctions such as written warnings or reprimands to business actors; freezing or cancellation of Import Product Registration Approval Letters; temporary suspension of import and distribution activities of imported textile products; re-export of textile products that do not meet the requirements to the country of origin; withdrawal of imported textile products that do not meet the requirements from circulation for destruction. Administrative sanctions for illegal textile importers are still rarely carried out, this is proven by the large number of illegal textile products circulating in the market, due to the weak supervision of related institutions, as well as the weak awareness of the public who generally still buy imported textile products with good quality at affordable prices..

2) Implementation of Civil Sanctions.

The imposition of civil actions or sanctions in the form of compensation payments has not been implemented at all. This is due to the public's ignorance of their rights to file a lawsuit, obtain advocacy and legal protection. Several complaints made by the local industry regarding losses experienced by the flood of illegal textile products, but the perpetrators have not been subject to civil sanctions, but are still limited to the imposition of administrative sanctions. In addition, both in customs laws, trade laws, and consumer protection laws, as well as technical regulations from sectoral institutions, civil sanctions have not been expressly regulated, but rather prioritize administrative sanctions and criminal sanctions.

3) Imposition of Criminal Actions or Sanctions.

The application of criminal sanctions has often been carried out through adjudication (court proceedings), especially against textile products that enter illegally (smuggling) whose perpetrators have been indicated to have committed a crime. The ban on imports of used clothing in Indonesia is clearly regulated in laws and regulations made by the government. This step was taken to protect local clothing producers or entrepreneurs and the public as consumers in Indonesia. This has been regulated in Law Number 7 of 2014 concerning Trade in Article 110 which states that: "Every Business Actor who trades Goods and/or Services that are designated as Goods and/or Services that are prohibited from being traded as referred to in Article 36 shall be punished with a maximum imprisonment of 5 (five) years and/or a maximum fine of Rp. 5,000,000,000.00 (five billion rupiah).

Furthermore, Article 111 of this law states that "every importer who imports goods in a non-new condition as referred to in Article 47 paragraph (1) shall be punished with a maximum imprisonment of 5 (five) years and/or a maximum fine of Rp. 5,000,000,000.00 (five billion rupiah). Article 113 states that, "business actors who trade goods domestically that do not meet the mandatory SNI or technical requirements that have been imposed as referred to in Article 57 paragraph (2) shall be subject to a maximum imprisonment of 5 (five) years and/or a maximum fine of Rp. 5,000,000,000.00 (five billion rupiah)

One of the efforts to enforce criminal law in the West Nusa Tenggara Province, the NTB Police have succeeded in confiscating 31 sacks of imported used clothing worth up to Rp. 150 million. In addition to being sold by the perpetrators to buyers or retailers directly, the goods were also sold online via Facebook accounts. They use friendship contacts to contact and offer their goods to prospective buyers. Preventing the entry of used clothing is expected to protect MSME actors in West Nusa Tenggara.

Thus, law enforcement against the trade in imported clothing aims to protect the community and the state from the negative impacts caused by these trading activities. This is done to restore the balance that has been disturbed due to violations of the Trade Law which has criminal sanctions against traders of imported used clothing. Several cases of violations committed

by business actors from 2020 to 2024 in various regions in Indonesia, most of the imported products that entered illegally (smuggling), some of which have been subject to minor criminal sanctions.

CONCLUSION

International trade regulations governing the import of goods into Indonesia are outlined in various legal instruments, including: Law Number 10 of 1995 concerning Customs, as amended by Law Number 17 of 2006; Law Number 7 of 2014 concerning Trade; Law Number 7 of 1996 concerning Food; Law Number 36 of 2009 concerning Health; and Law Number 8 of 1999 concerning Consumer Protection.

The influx of illegal textile products, particularly thrifting goods, not only harms the domestic textile industry—leading to the closure of many textile businesses—but also results in increased unemployment due to job losses in the sector. Furthermore, this situation causes a significant decline in state revenue, as the sale of illegal imported goods circumvents taxes and import duties that should rightfully contribute to the state treasury. This has a significant impact on the decline in state revenue, which results in the hampering of the development of facilities and infrastructure, and social programs needed by the community. In addition, local industries, especially MSMEs, are also affected, resulting in the loss of jobs and potentially adversely affecting economic growth.

The Indonesian government has issued various policies aimed at protecting the domestic textile industry, primarily through the enforcement of laws. This protection must be supported by a robust legal framework, including both legislative instruments and legal institutions, as well as efforts to enhance public legal awareness. Legal protection for the domestic textile industry can be implemented through both preventive and repressive measures. Preventive legal protection can be in the form of regulations or regulations regarding the import of textile products; import supervision; or guidance for business actors (producers, importers, distributors), socialization for consumers; while repressive legal protection can be in the form of the application of administrative sanctions, civil sanctions and criminal sanctions against perpetrators of illegal textile imports.

Suggestions

In an effort to maintain the sustainability of the domestic textile industry and workers in the textile sub-sector, business actors, both importers and traders, should not import and sell illegal textile products because they can damage the domestic textile market share.

To the government, especially related agencies, they should always provide guidance and socialization to economic actors, both exporters, textile producers and consumers regarding the impact of illegal textile imports on the development of the domestic economic industry.

To state apparatus and law enforcement officers, they should always carry out field supervision of the entry and circulation of illegal textiles and implement law enforcement both preventively and repressively in an effort to protect the domestic textile industry and consumers

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