Transforming Indonesia’s Import Regulations: Challenges and Opportunities in Realizing Economic Efficiency and Fairness

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Abstract

The purpose of this study is to analyze: 1) What are the Challenges and Opportunities in realizing Import Regulation Efficiency? 2) How are Import Regulation Transformation Efforts in Indonesia? 3) How is the impact of the transformation of Indonesian import regulations? The research method used is empirical juridical with a statutory approach, concept approach, and case studies. The results show that: 1) The transformation of import regulations in Indonesia is an important step in strengthening the structure of the domestic economy, expanding international market access, and creating a conducive business environment for sustainable economic growth. 2) Through efforts to improve efficiency, transparency, and economic fairness in import regulations, Indonesia can achieve greater economic potential and provide wider benefits for society. 3) Strong commitment is needed from the government, business actors, and all stakeholders to realize the desired transformation in Indonesian import regulations.

Keywords: Transformation, Regulation, Import, Opportunities, Realizing Economic Efficiency, Fairness, Indonesia
1. Introduction

1.1 Background

Indonesia is a country with a rapidly growing economy, however, challenges in import regulations are one of the main focuses in strengthening the structure of the domestic economy. The transformation of Indonesia’s import regulations is important to ensure a balance between protecting domestic industries and expanding access to international markets.1

The rapid import rate in Indonesia is the result of complex dynamics in the global economy as well as domestic policies that have changed over time. Since the joining of Indonesia in various international trade frameworks such as the WTO (World Trade Organization) and ASEAN Free Trade Area (AFTA), market access has become more open for imported goods. This has triggered an increase in imports as part of efforts to meet the needs of domestic consumers, support domestic industries, and import goods that are not produced locally. Rapid economic growth and high urbanization have also increased the demand for consumer goods, which local production cannot always meet.

The role of imports in Indonesia’s economic growth has become increasingly important along with the development of the industrial and service sectors. Although the government has policies to protect domestic industries by imposing import tariffs and other restrictions, the rapid pace of imports is also a reflection of the need for raw materials, technology, and finished products that are not available locally or produced at higher costs. In addition, the existence of the manufacturing industry that still relies on imports in its supply chain also contributes to the high volume of imports.2

The impact of this rapid import is also felt variously by various sectors in Indonesia. On the one hand, imports can be a source of raw material and capital goods needs for the industrial sector, which helps increase productivity and competitiveness. But on the other hand, uncontrolled imports can be a threat to domestic industries, especially small and medium industries that are vulnerable to competition with cheaper or higher quality imported products.3

In addition, protectionist policies from trading partner countries also affect the dynamics of Indonesia’s imports. Increased import tariffs or the adoption of anti-dumping policies from certain countries can limit market access for Indonesian products, which then affects the volume and type of goods imported. This shows that changes in international trade policy also have a significant impact on import dynamics in Indonesia.4

The vast territorial waters in Indonesia facilitate traffic in and out of goods by sea transportation. Indonesia is also a country located in a strategic position sandwiched by two continents and in the middle of two oceans, therefore, Indonesia is one of the international trade routes in the world. Indonesia’s strategic territory and position cause a lot of goods traffic in and out, both between Indonesian territories and between Indonesia and abroad. In and out of goods can also use many types of transportation, namely land, sea, and air transportation.5

Economic activity between residents of one country with residents in other countries is called international trade. In international trade, export and import activities are one of the most important

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factors to increase economic growth. Export and import activities provide benefits for a country participating in them. Export is one of the sources of foreign exchange that is needed by countries whose economies are open, because exports can work widely in various countries will allow an increase in the amount of production that encourages economic growth so that it is expected to make a major contribution to the country's economic growth and stability. Meanwhile, through imports, the country can meet its domestic needs that cannot be produced domestically so that the costs incurred for a product of goods and services will be cheaper.  

Export and import trade is the same as domestic trade, namely there are buyers, sellers and buying and selling transactions. In foreign trade, the selling activity is called export and the buying activity is called import and the transaction is an export-import transaction. It's just that the territory or domicile of the seller and buyer crosses national borders.

In Indonesia there are several regulations regarding activities in importing exports of goods. Especially in the field of imports, the Ministry of Trade regulates import activities in the Regulation of the Minister of Trade of the Republic of Indonesia Number 17 of 2021 concerning Exporters and Importers of Good Standing. Article 1 point 3 states "Import is the activity of entering goods into the customs area". while the definition of importer is contained in Article 1 number 6 that, "Importer is an individual or institution or business entity, whether in the form of a legal entity or non-legal entity, who carries out imports".

This paper will discuss various aspects of the transformation of import regulations in Indonesia, the challenges faced, and efforts to achieve economic efficiency and justice.

1.2 Problem Statement

1. What are the Challenges and Opportunities in realizing Import Regulation Efficiency?
2. How are Import Regulation Transformation Efforts in Indonesia?
3. How is the Impact of Import Regulation Transformation in Indonesia?

2. Theoretical Framework

1. Law Enforcement Theory

Law enforcement can be realized with the existence of an applicable legal system. Lawrence Meir Friedman said that the success or failure of law enforcement depends on 3 (three) things, namely Legal Substance, Legal Structure / Legal Institution and Legal Culture. Law enforcement is not only to implement legislation, although in reality in Indonesia the tendency is so. But law enforcement is the process of making efforts to uphold or function legal norms in real terms as a code of conduct in traffic or legal relations in public and state life. Concrete law enforcement is the enactment of positive laws in practice as they should be obeyed. Therefore, providing justice in a case means deciding the law in concreto in maintaining and guaranteeing the observance of material law using procedural means established by formal law.

Law enforcement is influenced by circumstances and social interactions that occur in society. A society that is in authoritarian rule, in an open and egalitarian society the law enforcement system will be different. Community members participate and are willing to realize true and fair law

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enforcement, so law enforcement is not solely the desire of law enforcement actors. Law enforcement agencies play an important role in the functioning of the law, if the regulations are good but the quality of law enforcement is low then there will be problems. Vice versa, if the regulations are bad while the quality of law enforcement is good, it may cause new problems. Thus law enforcement has a major influence in the enforcement of a rule of law, the more professional law enforcers are in their duties, the easier the rules are to enforce. In this case, it is law enforcement in charge of supervising export-import activities that take place in Indonesia, namely the Directorate General of Customs and Excise.

2. Harmonization Theory of Regulations

L. M. Gandhi who quoted the book *tussen eenheid en verscheidenheid: Opstellen over harmonisatie instaat en bestuurecht* (1988) said that harmonization in law includes adjustments to laws and regulations, government decisions, judges' decisions, legal systems and legal principles with the aim of increasing legal unity, legal certainty, justice (justice, gerechtigheid) and comparability (equit, billijheid), the usefulness and clarity of the law, without obscuring and sacrificing legal pluralism where necessary. Meanwhile, according to the National Legal Development Agency in a book compiled by Moh. Hasan Wargakusumah and friends, harmonization of law is a scientific activity to lead to a process of written harmonization that refers to philosophical, sociological, economic and juridical values.

Legal harmonization can be done through prevention, where legal harmonization efforts are carried out to avoid the occurrence of a legal disharmonization. When in the implementation of laws and regulations in large numbers that have a relationship with one another, then of course if it is not studied properly and in depth in the process of its formation, it will have implications for legal disharmonization. For example, when there is a clash of legal norms between PP and the Law or Law with other laws. Legal harmonization exists to be able to overcome when there is legal disharmonization. Harmonization has a function to prevent and overcome the occurrence of legal disharmonization. Harmonization can also ensure the process of forming draft laws that comply with the principles for legal certainty. Harmonization process is needed as a form of resolving the disharmony or overlap of a higher rule with a lower one or regulations that are parallel but not harmonious with each other.

Legal harmony in addition to being able to prevent and overcome legal disharmonization, legal harmonization can also be aimed or functioned to enforce the law. Law enforcement is an act of activity in harmonizing the relationship of values formulated into solid rules and then harmonized with the attitude of action in the final elaboration series, to create, maintain, and maintain peace in community life. Physical strength is needed in law enforcement to enforce the rules of law to become a reality and channeled.

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12 Suhartono. "Harmonization of laws and regulations in the implementation of the state budget (an efficient solution for absorbing the state budget. effective and accountable)". Thesis. Jakarta: University of Indonesia. 2011. p. 94.
3. Research Methodology

This research will be prepared using a type of normative juridical research, which is research focused on examining the application of rules or norms in positive law. This type of research is normative legal research, in accordance with Soerjono Soekanto’s opinion, that normative legal research is research that includes research on legal principles, research on legal systematics, research on legal synchronization, legal history research, and comparative legal research, in order to answer legal problems or issues to be studied. Normative legal research examines legal rules or regulations as a system building related to a legal event. This research was conducted with the intention of providing legal argumentation as a basis for determining whether an event has been true or false according to law.

A research approach is needed in legal research that is tailored to the problem to be studied. This research uses various approaches, with the aim of obtaining information from various aspects of the issue under study. Therefore, to solve the problems that are the subject of discussion in this study, approaches such as: Legislation (statute approach) is an approach carried out by examining laws and regulations related to the legal issue being raised. Conceptual approach is an approach that departs from the views and doctrines that develop in legal science. Philosophically, the concept is a mental integration of two or more units isolated according to characteristics. The comparative approach is used with regard to comparative laws that discuss the import of goods or those related to the status of imported goods and their regulations in Indonesia.

The data collection taken in this study uses library research, namely data collection by searching, examining and reviewing secondary data. In this research, a document study will be carried out as a means of collecting data related to the problems raised, namely literature studies / document studies (documentary study), sourced from laws and regulations, books, official documents, publications and research results.

4. Research Results

4.1 Challenges and Opportunities in Indonesian Import Regulations

The challenges and opportunities in import regulation in Indonesia reflect complex dynamics in the global economy as well as evolving domestic needs. One of the key challenges is maintaining a balance between protecting domestic industries and limiting potentially harmful imports, while maintaining the market openness needed to support economic growth. Overly restrictive import regulations may hinder access to key goods and raw materials necessary for domestic industries, while too lax regulations may increase the risk of unfair competition and negative impacts on local producers.

In addition, another challenge is in strengthening supervision and law enforcement against illegal import practices, including trade in illegal goods, smuggling, and customs evasion. This requires close cooperation between government agencies, customs authorities, and the private sector to improve

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19 Mukti Fajar and Yulianto Achmad, Dualism of Normative and Empirical Legal Research, Print IV, Yogyakarta, Student Library, 2017, p. 36.
control at ports and borders and increase transparency and accountability in the import process.25

However, in the midst of these challenges, there are also opportunities to improve efficiency and transparency in import regulations in Indonesia. The application of information technology and digitization systems in the import process can help speed up administrative processes, reduce bureaucracy, and improve accuracy and compliance with regulations. In addition, opportunities to enhance trade cooperation with partner countries and expand trade agreement networks can open up new market access for Indonesian products, while also strengthening the bargaining position in negotiating favorable import conditions for Indonesia. Thus, managing challenges and taking advantage of opportunities in import regulations is an important step in strengthening Indonesia’s competitiveness and economic growth in this era of globalization.26

Below are the challenges in import regulations in Indonesia:

1) Protection of Local Industries: One of the main objectives of import regulation is to protect domestic industries from unfair competition. However, too many import barriers can hinder market access for foreign products that could actually provide benefits to domestic consumers.

2) Regulatory Uncertainty: Uncertainty in import regulations, both in terms of tariffs and import procedures, can be an obstacle to international investment and trade. This can dampen investor confidence and slow economic growth.

3) Corruption and Irregularities: Corrupt practices and irregularities in import management often hurt the country’s economy and exacerbate economic injustice.

Based on Customs Law Number 17 of 2006 which is a substitute for Law Number 10 of 1995, customs and excise have the authority to inspect goods in national and international trade. Inspection of goods includes the completeness of documents about the origin of the goods, the owner of the origin of the goods and the purpose of the new owner of the goods. Customs and excise as a supervisor of goods traffic is closely related to implementers in eradicating smuggling of both goods originating from outside and within the country. Based on Customs Law Number 17 of 2006, customs and excise have the authority to arrest smuggling perpetrators, confiscate contraband as evidence to be submitted to authorities such as the police for follow-up as a criminal offense. Indonesia as an area that is often targeted by smuggling from international markets makes the duty of customs and excise in eradicating smuggling so important in order to protect domestic production and also as a foreign exchange earner of the country from collecting import and exit duties. The role of Customs and Excise as the front line in preventing the smuggling of goods into and out of Indonesia has a vital task.27

4.2 Efforts to Transform Import Regulations in Indonesia

Efforts to transform Indonesia’s import regulations have become the government’s main focus in facing increasingly complex global trade dynamics. One of the important steps in this transformation is to increase efficiency and transparency in the import process through the application of information technology and digitization systems. By utilizing digital platforms for administrative processes, such as online import licensing systems, the government can speed up import flows, reduce bureaucracy, and improve accuracy and compliance with trade regulations.28

In addition, efforts to transform import regulations also involve improvements in supervision and law enforcement against illegal import practices. The government has strengthened cooperation between government agencies, customs authorities, and the private sector to improve surveillance at ports and borders and strengthen prevention and enforcement efforts against smuggling and trafficking of illegal goods. By improving the effectiveness of supervision, Indonesia can minimize

economic losses due to illegal imports and increase business confidence in transacting legally.29

Another step in efforts to transform Indonesia’s import regulations is to strengthen trade cooperation with partner countries and expand the network of trade agreements. Through mutually beneficial trade agreements, Indonesia can expand market access for its products, while also benefiting in access to necessary imported goods. Thus, efforts to transform import regulations are a strategic step in strengthening Indonesia’s competitiveness and economic integration in the global market.30

Below are some points of efforts to transform import regulations in Indonesia in outline, including:

1) Import Tariff Policy Revision: The government can revise import tariff policy by considering the interests of domestic industries and the need for imported products that support economic growth.

2) Increased Transparency and Legal Certainty: The government needs to increase transparency and legal certainty in import regulations to provide confidence to business actors in investing and trading.

3) Infrastructure Development and Support Systems: Improvements in infrastructure and support systems related to the import process, such as reporting systems and inspection of goods, can improve efficiency and reduce import costs.

4) Strengthening Supervision and Law Enforcement: Strengthening supervision and law enforcement against corrupt practices and irregularities in import management is essential to maintain the integrity of the trade system and promote economic justice.

4.3 Impact of Import Regulation Transformation in Indonesia

Below are some of the impacts of the Transformation of Indonesian Import Regulations, namely:

1) Sustainable Economic Growth: With more efficient and fair import regulations, Indonesia can create a conducive business environment for sustainable economic growth.

2) Increased Global Competitiveness: Through the transformation of import regulations, Indonesia can improve the competitiveness of domestic products in the global market by expanding access to cheaper technology and resources.

3) Equitable Economic Development: Fairer import regulations can help in accelerating economic development in various regions of Indonesia, thereby reducing economic disparities between regions.

The results of the transformation of Indonesia’s import regulations have had a significant positive impact on the dynamics of trade and economic growth of the country. One of the most striking results has been increased efficiency and transparency in the import process. With the application of information technology and digitization systems, import administration processes become faster and easier to do online, reducing bureaucracy and increasing accuracy and compliance with trade regulations. This has increased Indonesia’s competitiveness and credibility in the global market, as well as strengthened the country’s position in the global supply chain.31

In addition, the results of the transformation of import regulations are also seen in increased supervision and law enforcement against illegal import practices. By strengthening cooperation between government agencies, customs authorities, and the private sector, Indonesia has succeeded in improving surveillance at ports and borders and improving prevention and enforcement efforts against smuggling and trafficking of illegal goods. The impact is reduced economic losses due to illegal imports, increased confidence of business actors in transacting legally, and increased state revenue from customs.32

Furthermore, the results of the transformation of import regulations are reflected in

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strengthening trade cooperation with partner countries and expanding the network of trade agreements. With mutually beneficial trade agreements, Indonesia can expand market access for its products, while also benefiting from access to necessary imported goods. This has opened up new opportunities for business actors to explore international markets more freely and strengthen Indonesia’s economic integration in the context of globalization.

In addition to significant positive impacts, the transformation of Indonesia’s import regulations also poses several challenges that need to be addressed continuously. One of them is to maintain a balance between protecting domestic industries and limiting potentially harmful imports, while maintaining the market openness needed to support economic growth. The government must continue to evaluate existing import regulations to ensure that the policies taken are in accordance with the needs of domestic industries and do not hinder access to key goods and raw materials.

In addition, another challenge is in strengthening supervision of the development of global trade trends and adaptation to changes in international trade policy. With the fast-changing dynamics of global trade, Indonesia needs to continuously analyze market trends and trade policies of partner countries to anticipate their impact on import regulations. This requires close cooperation between government agencies, customs authorities, and businesses to respond quickly to changes in the global trade environment.

Thus, the results of the transformation of Indonesia’s import regulations show significant progress in improving efficiency, transparency, and supervision in international trade. While challenges remain, continued efforts to overcome obstacles and seize opportunities will strengthen Indonesia’s economic competitiveness and integration in an increasingly integrated global market.

5. Conclusion

The results showed that:

1. The transformation of import regulations in Indonesia is an important step in strengthening the domestic economic structure, expanding international market access, and creating a conducive business environment for sustainable economic growth

2. Through efforts to improve efficiency, transparency, and economic fairness in import regulations, Indonesia can achieve greater economic potential and provide broader benefits to society.

Strong commitment is needed from the government, business actors, and all stakeholders to realize the desired transformation in Indonesian import regulations.

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