

# JURNAL GLOBAL-LOKAL

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## **Illegal Trade Of Used Clothing In Indonesia Amidst The Import Ban Policy Through The Concept Of Protectionism In 2019-2024**

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### *Abstract*

*The illegal trade of imported used clothing in Indonesia continues to occur, causing direct losses to the domestic textile industry. Although the government has implemented an import ban through the Minister of Trade Regulation Number 40 of 2022 as a form of Friedrich List's protectionism policy, this practice remains widespread in the field. This study aims to find out the reasons why this illegal trade persists, as well as to evaluate the protectionism policy in protecting the local market from global competition. This study uses a descriptive qualitative method with a document study method on relevant primary and secondary sources. Data collection was carried out through in-depth interviews with used clothing traders, local textile vendors, and consumers, alongside direct observations. Data analysis uses the concept of protectionism with a focus on infant industry protection and national interests. The results show that despite the import ban policy, illegal used clothing still enters Indonesia due to the high demand from the Indonesian public for these clothes. State protection efforts have not been able to counter the appeal of the global market. As a result, the government's goal to protect the local textile industry has not been fully achieved. This shows that Indonesia's protectionism policy is not fully supported by the public, so even with the ban in place, the trade of used clothing continues to run domestically.*

**Keywords:** *Illegal Trade, Used Clothing, Protectionism, Textile Industry, Import Policy.*

## **INTRODUCTION**

The trade of imported used clothing in Indonesia has evolved into a complex and multidimensional issue, intersecting national economic interests, socio-cultural realities, and the overwhelming dynamics of the global market. Over the past decade, Indonesia has become a primary destination for the disposal of textile waste and used fashion items originating from developed nations. The escalation of this issue reached its absolute peak when the Indonesian government strictly enforced an import ban policy through the Minister of Trade Regulation (Permendag) Number 40 of 2022. This policy was not merely an administrative response; it was a strategic state maneuver deeply rooted in the doctrine of protectionism. Its explicit goal was to shield the national textile and textile product (TPT) industry from the massive influx of illegal used clothing that systemically erodes the domestic market, damages local business ecosystems, and harms state revenue.

Economically the losses inflicted by this illegal transnational trade are staggering. The actual volume of illegal used clothing flooding the domestic market reaches hundreds of thousands of tons annually. Consequently, the state suffers a massive loss due to the disappearance of potential tax revenues and import duties. Furthermore, the illegal importation of used clothing poses severe public health and environmental risks, positioning Indonesia as a dumping ground for the textile waste of advanced economies.

Despite the comprehensive rationale behind the import ban, the implementation of this protectionist policy faces monumental challenges. The persistent practice of smuggling through unofficial maritime routes, the sophisticated exploitation of transit hubs in neighboring countries, and the rapid shift of illegal trade into the digital realm have rendered border controls highly permeable. More fundamentally, the domestic consumer demand for used clothing, popularly known as *thrifting*, remains exceptionally robust. This study utilizes the Concept of Protectionism popularized by Friedrich List (1841). List argued that developing countries need to implement trade restrictions to protect their "infant industries" to achieve competitiveness. However, List's protectionism relies heavily on state sovereignty to control borders and the assumption that the public will prioritize the "National Interest." Driven by these persistent contradictions, this study aims to conduct an in-depth, critical analysis of why the illegal trade of used clothing continues to flourish in Indonesia despite the strict import prohibition policy, and to evaluate the systemic violation of state protectionist instruments when confronted with the forces of global market supply and demand.

## **RESEARCH METHOD**

This study uses a qualitative approach with the goal of obtaining a deep understanding of the illegal trade of used clothing amidst the government's protectionist policies. The qualitative approach was chosen because this research does not emphasize the processing of numerical data, but rather the interpretation of socio-economic realities, consumer behavior, and policy implementation (Rakhmadi, 2024).

The research method used includes a combination of in-depth interviews, observation, and document study. Purposive sampling was used to select key informants directly involved in the textile ecosystem, including used clothing traders, local textile vendors, and consumers in Lampung and Yogyakarta. Direct field observations were conducted in traditional markets and well-known *thrift* centers. Research data is also sourced from relevant secondary data, including official policy documents (Permendag No. 40/2022), statistical reports from the Central Bureau of Statistics (BPS), data from the Indonesian Textile Association (API), and academic literature discussing international political economy and protectionism (Rakhmadi et al., 2023).

Data analysis was performed using descriptive qualitative analysis techniques following the interactive model proposed by Miles and Huberman (Rakhmadi et al., 2021). The collected data was analyzed by linking it to the protectionist theoretical framework proposed by Friedrich List. To maintain data validity, this study applied the source triangulation technique by comparing information obtained from interviews, field observations, and official documents.

## **RESULTS AND DISCUSSION**

### **The Disconnect Between Policy Intentions and Market Realities**

The implementation of the import ban policy presents a stark paradox when official state data is compared with the reality on the ground. The policy's explicit aim is to eradicate the entry of used clothing. According to official data from the Central Bureau of Statistics (BPS), the volume of legal used clothing imports showed a drastic decline over recent years. However, these statistics completely fail to capture the reality of the underground economy. The actual volume of illegal used clothing flooding the domestic market is estimated to account for nearly a quarter of the nation's total clothing consumption. This statistical illusion proves that the protectionist policy remains largely effective only on paper.

### **The Mechanics of Transnational Smuggling and Digital Disruption**

The persistence of this illegal trade is facilitated by highly organized transnational networks that systematically exploit Indonesia's geographical vulnerabilities. Used clothing, predominantly sourced from advanced economies, rarely enters Indonesia directly. Instead, smuggling syndicates utilize small to medium-sized vessels to cross narrow straits, landing their illicit cargo at hundreds of unofficial docks (*pelabuhan tikus*). Once on Indonesian soil, the distribution network seamlessly integrates into the formal logistical infrastructure. Crucially, the survival of this trade has been guaranteed by the rapid adoption of digital technology. The rise of social media platforms and the phenomenon of *live shopping* have revolutionized the market, rendering traditional law enforcement strategies obsolete.

Furthermore, the geographical reality of Indonesia as an archipelago presents a logistical nightmare for state border control, serving as a natural catalyst for this illegal trade. The smuggling routes often originate from neighboring transit hubs, such as Malaysia and Singapore, moving across the Malacca Strait into the eastern coast of Sumatra or through

border regions in Kalimantan. The syndicates operate with decentralized, highly fragmented networks that make tracking the main distributors exceptionally difficult. They break down large shipping containers into smaller, untraceable bales (colloquially known as *bal-balan*) before they reach Indonesian waters.

Simultaneously, the digital disruption does not merely offer a new marketplace; it fundamentally alters the visibility of the black market. Previously, illegal used clothing was confined to physical traditional markets where law enforcement could conduct physical raids. Today, sellers utilize live-streaming features on e-commerce platforms and social media, creating ephemeral storefronts that exist only for a few hours. These live sessions utilize psychological sales tactics, such as creating urgency through limited stock and real-time bidding, which accelerates the transaction process before any algorithmic or manual policing can intervene. The digital veil provides an unprecedented layer of anonymity and agility that traditional customs and trade regulations were simply not designed to combat.

### **Rational Choice and the Defeat of "National Interest"**

Friedrich List's protectionism heavily relies on the assumption that citizens will support the "National Interest" by consuming domestic products. However, field interviews unequivocally demonstrate that consumer behavior in Indonesia is driven by microeconomic rationality, not nationalist sentiment. Consumers actively calculate "value for money." They have cultivated an entrenched perception that imported goods—even used ones—are inherently superior in quality, durability, and prestige compared to affordable local alternatives. By prioritizing individual economic gain and aesthetic preference over domestic industrial growth, consumers dismantle the very foundation of the state's protectionist agenda.

The failure of nationalist sentiment in consumer behavior is further exacerbated by the cultural evolution of "thrifting" itself. Historically, purchasing used clothing was associated with lower socio-economic status and economic necessity. However, a significant cultural shift has occurred, particularly among millennials and Generation Z, who reframe thrifting as a trendy, environmentally conscious lifestyle choice. By adopting the global narrative of "sustainable fashion" and the circular economy, consumers paradoxically provide a moral justification for consuming illegally imported goods. This ideological shift effectively neutralizes the government's narrative that imported used clothes are unhygienic textile waste.

Moreover, the enduring hegemony of Western fashion brands exerts a profound psychological grip on consumers in the Global South. Even in a worn or defective state, a garment bearing a recognized international brand logo carries a specific cultural capital and social prestige that local MSME products struggle to replicate. Consumers conduct a rational microeconomic calculation: why pay a premium for an unrecognized local brand when a fraction of the price secures a highly recognized international label, albeit second hand? This deep-seated consumer preference indicates that protectionist policies cannot succeed solely through supply-side suppression; they require massive, long-term interventions to elevate the perceived value and cultural prestige of domestic products.

## **The Devastating Domino Effect on Local MSMEs**

The ultimate consequence of the state's failure to block supply and curb demand is the systemic destruction of the local "infant industry," particularly the Micro, Small, and Medium Enterprises (MSMEs). Local garment producers face an insurmountable extreme price disparity. Because the cost of goods sold for smugglers is effectively zero, they can dictate a price structure that mathematically eliminates local producers. This creates a lethal domino effect across the supply chain, paralyzing the entire ecosystem of local fashion creation and textile vendors.

The mathematical elimination of local producers is not hyperbole; it is rooted in the fundamental differences in cost structures. A local garment MSME must bear the cumulative costs of raw materials (yarn, fabric, and accessories), labor, electricity, taxes, and marketing. Conversely, the illegal used clothing trade operates on a model where the primary commodity is essentially discarded waste from other nations, meaning the core production cost is effectively zero. The smugglers only account for transportation and informal facilitation fees. Consequently, retail prices for imported used clothes can be set at a baseline that no legitimate manufacturer could match without operating at a severe loss.

This structural inequality triggers a paralyzing effect upstream in the supply chain. When MSME garment makers experience a drop in sales, they simultaneously halt their orders to local textile mills, fabric weavers, and yarn spinners. This cascading drop in demand threatens the broader industrial ecosystem, leading to mass layoffs in the labor-intensive textile sector and forcing many factories to operate far below their installed capacity. The government's failure to secure the domestic market from these illicit goods risks accelerating the deindustrialization of Indonesia's national textile sector, effectively turning a country with a rich textile manufacturing history into a mere dumping ground and consumer base for global waste.

## **The Violation of Protectionism Policy in the Globalized Era**

The core finding of this study is the systematic violation of traditional protectionist policy when applied in a highly globalized and digitally connected landscape without adequate infrastructural and societal support. The Indonesian government utilized Permendag No. 40 of 2022 to erect a regulatory wall. However, this wall is continuously breached by the fluid dynamics of transnational supply chains and localized digital distribution. The protectionist boundaries are continuously violated because the policy is not supported by the public it aims to protect. The state's legal strength is neutralized by the collective economic decisions of its citizens.

## **DISCUSSION**

The analysis results show that the implementation of protectionism in Indonesia during the 2019-2024 period was systematically breached due to a fundamental disconnect between rigid state regulations and dynamic market realities. The application of Friedrich List's protectionism theory reveals that state intervention to shield infant industries cannot rely solely on legal prohibitions at the border. The continuous violation of this policy is

primarily catalyzed by an asymmetrical focus on the supply side while completely ignoring the demand side.

The state assumed that simply banning the product would organically force consumers to buy local products. Instead, the persistent, rational economic demand from the Indonesian public acted as a powerful magnet, incentivizing transnational syndicates to continually find innovative ways to breach the country's porous maritime borders and violate trade regulations. This aligns with the reality that the management of domestic consumer behavior and the enhancement of structural competitiveness in local industries are prerequisites for a successful protectionist agenda.

Overall, the protectionist measures aimed at shielding the domestic textile industry became counterproductive (Rakhmadi, 2025). Without simultaneously addressing the psychological bias of the consumer base towards foreign brands and improving the quality-to-price ratio of local goods, state-mandated bans merely shift the status of goods from "legal imports" to "lucrative smuggling," leaving the domestic industry entirely vulnerable to ongoing trade violations.

From a theoretical standpoint, applying Friedrich List's infant industry argument in the 21st century requires a critical re-evaluation of state capacity. List formulated his protectionist theories during an era of industrial revolution where borders were absolute and trade was strictly physical and centralized. The Indonesian government's reliance on Permendag No. 40 of 2022 assumes that a regulatory decree alone can act as a sufficient barrier (Rakhmadi, 2026). However, this policy suffers from institutional fragmentation, where the Ministry of Trade issues the ban, but the execution relies heavily on the disparate capacities of Customs, the Maritime Police, and the Ministry of Communication and Information Technology to patrol the digital space (Rakhmadi, 2025).

The continuous systemic breach of this policy underscores the reality that modern protectionism must transcend traditional border enforcement. A defensive strategy (import bans) is structurally insufficient without an equally aggressive offensive strategy (industrial capacity building). The state must recognize that the ultimate defense against the influx of foreign goods—legal or illegal—is an ultra-competitive domestic industry. Therefore, the protectionist agenda in a globalized era is severely compromised if the state relies on the illusion of legal enforcement without actively closing the price-to-quality gap that drives its citizens toward the underground market.

## **CONCLUSION**

The hosting of illegal used clothing trade in Indonesia places the state's protectionist policy under intense scrutiny. Based on the analysis using Friedrich List's protectionism framework, this study concludes that the practice of illegal used clothing trade continues to persist massively despite the government's strict import ban policy. The protectionism policy executed by the government faces monumental obstacles as it fundamentally contradicts the real socioeconomic conditions on the ground.

The practice of trading used clothing remains widespread due to the exceptionally high demand from the Indonesian public, driven by rational economic choices regarding price,

quality, and international brand prestige. Furthermore, the adaptability of transnational actors and local sellers in utilizing digital platforms has made the market highly accessible, rendering state bans increasingly difficult to enforce. Ultimately, the government's primary goal of protecting the domestic textile industry has not been achieved. State protection efforts have been systematically violated because the protectionist regulations are ultimately defeated by the strong desire of Indonesian citizens who predominantly prefer to consume foreign products over domestic ones.

Theoretically, this research confirms the limitations of Friedrich List's traditional protectionism theory when applied in a modern, highly globalized, and digitalized era. The findings show that state sovereignty over borders is insufficient to protect domestic industries if the policy contradicts the rational economic choices of its citizens. Practically, this study provides a critical picture for policymakers that import bans must be accompanied by comprehensive strategies to enhance the competitiveness, quality, and affordability of local textile products, alongside intensive campaigns to foster public trust in domestic brands.

This study has limitations in its geographical scope, as primary data collection through interviews and observations was primarily focused on specific regions (Lampung and Yogyakarta). Consequently, it may not fully capture the distinct consumer behaviors or smuggling dynamics present in other border regions or major islands in Indonesia. Additionally, the exact quantification of the underground economy relies heavily on estimates from industry associations due to the inherent lack of transparent data on illegal trade.

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