

INDONESIA : THE HEATED DEBATE ON THE NEW REGULATION ON TEXTILE IMPORTS

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Upstream industries have refused the new regulation on textile imports. Threatened by the abundance of flooding commodities from neighboring countries, the local raw material manufacturers are concerned their production will not be saleable in the market.

Thousand types of Muslim clothing are piled up on the racks of CV Berkah Putra, Cibiru, Kabupaten Bandung. Since the beginning of the year, Cecep Daryus, the owner, has been experiencing difficulty in selling his clothing products. "We only produce based on orders now," Cecep said, last Friday. He cannot sell his products after the arrival of many "hijab" and "gamis" productions from China.

Cecep started to have hopes to be able to sell his products that have been piled up when the Government stopped the wholesale import by applying the policy or regulation on the high-risk imported products. Unfortunately, his hopes faded after the Minister of Trade, Enggartiasto Lukita, issued the Ministry of Trade Regulation Number 64 Year 2017 to revise the Ministry of Trade Regulation Number 85 Year 2015 on Textile Import and Textile Product Condition on the 31st of August.

The previous regulation states that only producers can import raw materials and the supporting textile materials such as yarn and fabric and it is only for production purposes. Meanwhile, in the new regulation, small and medium industries that previously depend on the wholesale import can now obtain legal supply from the non-producer public importers by making contract with public importers. These importers will then import the small and medium industries' needs.

Not only the small and medium industry owners who use local raw materials like Cecep who worries about the new regulation, but also the Indonesian Filament and Yarn / Synthetic Fiber Producer Association or (Asosiasi Produsen Benang dan Filamen Indonesia / APSyFI) worry that the new regulation will be of disadvantage to the developing upstream textile industry.

After the Government stopped the wholesale import, the local yarn and filament demand jumped by 30% in three months. "The upstream textile industry started to rise," the Chairman of APSyFI, Rave Shankar, stated two weeks ago. "Once the import starts, it will decrease again."

Since the beginning, the new regulation of the Ministry of Trade has triggered disagreement. It started when the Chairman of Textile Industry Association of Indonesia (Asosiasi Pertekstilan Indonesia/ API), Ade Sudrajat Usman, wrote a letter to the Minister of Trade, Enggartiasto Lukita on the 25th of July – six days before the regulation was issued. In the letter, of which copy was obtained by Tempo, Ade expressed that the small and medium textile industries and productions have a hard time developing because it experiences difficulty in finding raw materials. One of the causes, as stated by Ade in the letter, the upstream industries only want to sell products with minimum order quantity

scheme.

Furthermore, Ade proposed that IKM or small and medium industries to be able to use central bonded logistics (Pusat Logistik Berikat / PLB) to get imported raw materials, especially those that have not been produced by local industries. Import is also meant for limited textile variety. He also proposed to make it mandatory for small / medium enterprises to partner with the raw material import license holder or consortium partners of PLB.

The small and medium entrepreneurs do not need the whole imported fabric or yarn. On Monday the week before, the Director General of Small and Medium Industry – Ministry of Industry, Gati Wibawaningsih said, “There were no IKM complaining to us after the wholesale import was stopped.” This was expressed during the meeting among the small and medium entrepreneurs, API, and APSyFI in the office of the Ministry of Industry on the 1st of August.

Gati called some small and medium entrepreneurs after knowing that Ade wrote a letter to the Minister of Trade on the 25th of July. “If they lacked supplies, they will come here, won’t they?” Gati said. In the meeting, there were a lot of small and medium entrepreneurs who wanted that the import to be stopped. Import is only allowed for raw materials and supporting materials for industry.

Some small and medium entrepreneurs who attended the meeting were from textile center in Bandung and Kabupaten Bandung; Bekasi and Depok, West Java; and Central Java. One of them was Cecep Daryus. He is not a member of API led by Ade. “We have IKM association from Majalaya, Rancaekek, and around Bandung only,” he said.

Ade denied the allegation that he eagerly lobbied the Ministry of Trade to enable IKM to directly import. He said that his proposal was meant for regulating the import that was previously broken by wholesale import acts. According to him, import for the small and medium entrepreneurs is profitable for the country because the entry fee and tax are clear. “Industry that needs different materials is also able to get supplies.”

The Director General of Foreign Trade of the Ministry of Trade, Oke Nurwan, did not deny that API asked the chance for the small and medium industry to import through the central bonded logistics. According to him, President Joko Widodo had reminded that the policy to stop wholesale import can threaten IKM, especially if they had depended on the wholesale imported supply.

The small and medium textile industries’ worry were also mentioned in the coordination meeting in Directorate General of Custom and Excises on Thursday the week before. Therefore, “I have to make policy that will facilitate all,” Oke said, on Friday the week before.

A flood of textile from other countries did not only come from the wholesale import, but also from the imported goods by the producer importer (importer identification number holder or API-P). The imported products that were expected as raw materials and supporting production

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