International Journal of Social Science and Human Research

ISSN (print): 2644-0679, ISSN (online): 2644-0695

Volume 07 Issue 11 November 2024

DOI: 10.47191/ijsshr/v7-i11-15, Impact factor- 7.876

Page No: 8249-8260

The Influence of Tariff and Non-Tariff Implementation on International Trade in the Textile Industry on Madura Island, East Java Province

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ABSTRACT: This research explores the impact of tariff and non-tariff barriers on international trade within the textile industry in Madura Island, East Java Province. The study assumes that trade policies, both in the form of tariffs and non-tariff barriers, have significant effects on the competitiveness of the local textile industry in the global market. Data were collected through a quantitative survey of 100 textile industry players involved in international trade. A multiple linear regression method was employed to analyze the impact of independent variables (tariff and non-tariff barriers) on the dependent variables (exports and imports). The analysis results indicate that tariffs significantly reduce textile export volumes, while non-tariff barriers have a more significant impact on import volumes. These findings provide valuable insights for policymakers regarding the importance of balancing tariff and non-tariff policies to enhance the competitiveness of the textile industry in the international market.

KEYWORDS: Tariff, Non-Tariff Barriers, International Trade, Textile Industry, Madura Island

I. INTRODUCTION

International trade is not only a mechanism for economic interaction between nations but also a fundamental driver of global economic growth and development. It allows countries to exchange goods and services across borders, facilitating access to a wider range of products, technologies, and capital. By engaging in trade, nations can specialize in producing goods for which they have a comparative advantage, as posited by classical economic theories such as David Ricardo's theory of comparative advantage (Ricardo, 1817). This specialization leads to efficiency gains, higher productivity, and ultimately, economic growth. For developing countries like Indonesia, international trade plays a critical role in integrating the domestic economy into the global market, opening avenues for export-driven growth and industrial development.

In the case of Indonesia, the textile industry has been one of the most significant contributors to the country's economy. The sector has long been a cornerstone of Indonesia's industrial development, not only providing employment for millions of workers but also playing a vital role in the country's manufacturing and export landscape. According to the Ministry of Industry (2023), the textile industry accounts for a substantial portion of Indonesia's export earnings, with key markets in the United States, European Union, and Asia. Textile products, including garments, fabrics, and yarns, form a significant component of Indonesia's non-oil and gas exports, underlining the industry's strategic importance. Over the years, Indonesia has positioned itself as one of the major textile-producing nations in Southeast Asia, driven by a combination of abundant natural resources, low labor costs, and strong production capabilities.

However, the competitive position of Indonesia's textile industry is increasingly challenged by several external factors. One of the most pressing issues is the presence of tariff and non-tariff barriers imposed by trading partner countries, which can drastically impact the ability of Indonesian textile manufacturers to access foreign markets. In particular, regions like Madura Island, which have a burgeoning but less industrially developed textile sector compared to Java, face significant hurdles in maintaining competitive export levels. Madura's textile producers, many of whom operate small and medium-sized enterprises (SMEs), often struggle to cope with these external barriers, making it difficult to scale up their operations and compete with larger firms on a global level. As Indonesia seeks to expand its export markets, addressing these barriers becomes crucial for sustaining the growth of the textile industry in regions like Madura.

In the realm of international trade policy, tariffs remain one of the most commonly used instruments by countries to protect their domestic industries from foreign competition. Tariffs are essentially taxes imposed on imported goods, which can vary in percentage based on the type of product, its origin, and the policies of the importing country. The imposition of tariffs increases the cost of imported goods, making them more expensive than domestically produced goods. According to Krugman and Obstfeld (2021), tariffs function as a protective barrier, shielding domestic industries from external competition by artificially inflating the prices of foreign goods. While this may benefit local producers in the short term by reducing competition, it often comes at the expense of consumers, who face higher prices. Furthermore, tariffs can provoke retaliatory measures from trading partners, leading to trade wars that can significantly reduce overall trade volumes.

In the case of Indonesia's textile industry, tariffs imposed by major importing countries have a direct impact on the competitiveness of Indonesian textiles in the global market. Countries that impose high tariffs on Indonesian textiles make it more difficult for Indonesian exporters to compete with other textile-producing nations such as Bangladesh, Vietnam, and China, who may enjoy lower tariff rates due to trade agreements or preferential trade treatment. For Madura Island, where textile production is still growing, these tariffs further exacerbate the challenges faced by local producers. Jones and Hill (2020) highlight that for industries that rely heavily on exports, such as textiles, tariffs can significantly reduce trade volumes by making exported goods less attractive to foreign buyers. This reduction in trade volumes is particularly harmful for regions like Madura, where economic growth is closely tied to the ability to expand export markets.

While tariffs present a significant challenge, non-tariff barriers (NTBs) can be even more complex and difficult to navigate. Baldwin (2020) defines non-tariff barriers as a range of restrictive regulations and requirements that countries impose on imports to protect domestic industries or ensure compliance with national standards. These barriers can take various forms, including technical regulations, product standards, quotas, and import licensing requirements. Unlike tariffs, which are explicit and quantifiable, NTBs are often embedded within a country's regulatory framework, making them more opaque and harder to circumvent.

In the context of the textile industry in Madura, NTBs present an even more formidable challenge than tariffs. Smith and Ricardo (2021) argue that NTBs, such as stringent product standards and safety regulations, often require exporters to make significant investments in upgrading their production processes and ensuring compliance with foreign regulations. For small and medium-sized textile producers in Madura, meeting these standards can be prohibitively expensive, especially given the lack of access to advanced technologies and resources. NTBs can also delay the entry of goods into foreign markets, as products may be subjected to lengthy inspections or certification processes, further increasing costs and reducing competitiveness.

One of the critical impacts of NTBs on the textile industry is their effect on imported raw materials, which are essential for producing high-quality textiles. Many textile producers in Madura rely on imported raw materials such as cotton, dyes, and synthetic fibers, which are not readily available or of sufficient quality locally. However, NTBs imposed by Indonesia's trading partners can make it difficult for Madura's textile manufacturers to source these materials at competitive prices, thereby reducing their ability to produce high-quality, export-ready products. Baldwin (2020) further notes that NTBs, unlike tariffs, often have the advantage of being politically easier to justify, as they are typically framed as necessary for protecting public health, safety, or the environment. This makes it more challenging for countries like Indonesia to negotiate the removal of NTBs in trade agreements.

Overall, while tariffs and NTBs serve as tools for protecting domestic industries, their cumulative impact on international trade can be severe, especially for developing regions like Madura, where the local textile industry is heavily dependent on access to international markets. As Indonesia continues to engage in global trade, addressing the effects of these trade barriers will be essential to ensuring the long-term growth and sustainability of its textile sector.

Problem Statements:

This study focuses on two main research questions:

1. How do tariff policies affect textile export volumes in Madura Island?
2. How do non-tariff barriers affect textile import volumes in Madura Island?

Research Objectives:

The objectives of this research are:

1. To analyze the impact of tariff policies on textile export volumes in Madura Island.
2. To analyze the impact of non-tariff barriers on textile import volumes in Madura Island.

This study is expected to provide insights to trade policymakers on optimizing tariff and non-tariff policies to support the local textile industry in Madura Island.

2. LITERATURE REVIEW

2.1. International Trade and Tariffs

International trade has long been recognized as a critical driver of global economic growth and development, allowing countries to engage in the exchange of goods and services across borders. It fosters economic integration and allows nations to take advantage of differentials in production capacities, resources, and labor costs. The foundational Theory of Comparative Advantage, introduced by David Ricardo in 1817, explains that countries should specialize in the production of goods for which they have a cost advantage and trade for goods that are relatively more expensive to produce domestically. This idea revolutionized international trade theory by arguing that even if one country is more efficient in producing all goods, both countries can still benefit from trade if they focus on producing goods where their relative efficiency is greatest (Ricardo, 1817). This specialization maximizes resource utilization and improves global efficiency, making trade mutually beneficial.

In modern applications, the theory of comparative advantage continues to serve as the bedrock of international trade analysis. It provides a rationale for why countries engage in trade, how they benefit from it, and what goods they should focus on producing. However, despite the potential gains from trade, governments often impose barriers to protect their domestic industries from foreign competition. One of the most common instruments for this protection is the imposition of tariffs, which are taxes levied on imported goods. Tariffs raise the cost of foreign products, thus allowing domestic industries to compete more effectively by reducing the price gap between domestic and foreign goods.

Krugman and Obstfeld (2021) highlight that tariffs serve a dual purpose: they provide revenue for governments while simultaneously protecting domestic producers. By increasing the price of imported goods, tariffs make those goods less attractive to consumers, thereby shifting demand towards locally produced alternatives. This can stimulate domestic industries, boost employment, and protect emerging sectors from foreign competition. However, the downside is that tariffs can also lead to inefficiencies in the global allocation of resources, as they distort market prices and reduce the overall volume of trade.

The imposition of tariffs also tends to have negative repercussions on export volumes. Baldwin (2020) argues that in the long run, countries that impose high tariffs may experience retaliatory tariffs from their trading partners, leading to a decline in their own export competitiveness. Furthermore, as tariffs increase the cost of imported inputs for industries reliant on global supply chains, the production costs of exported goods may rise. For instance, in industries such as textiles, where raw materials and intermediate goods are often sourced from abroad, higher tariffs can make the end products more expensive and less competitive in international markets. This is particularly detrimental for countries like Indonesia, where textile exports play a critical role in the national economy (Ministry of Industry, 2023).

In the case of Madura Island, where the textile industry is still developing, tariffs imposed by Indonesia’s major trading partners on textile products can severely limit market access. These tariffs reduce the competitiveness of Madura’s textiles by making them more expensive relative to goods from countries with lower tariff rates. According to Jones and Hill (2020), industries that rely heavily on exports, such as textiles, are particularly vulnerable to the negative effects of tariffs, as they not only increase production costs but also reduce demand for exported goods in foreign markets. Therefore, while tariffs may protect domestic industries in the short term, their long-term effects on export volumes can be detrimental to economies that are integrated into global value chains.

2.2. Non-Tariff Barriers

While tariffs are explicit and relatively straightforward to quantify, non-tariff barriers (NTBs) represent a more complex and often more opaque set of trade restrictions. Non-tariff barriers include any policies, regulations, or procedures other than tariffs that restrict imports or exports. Baldwin (2020) explains that NTBs often take the form of technical regulations, product standards, import quotas, and licensing requirements, all of which can limit the ability of foreign goods to enter domestic markets. These barriers are increasingly prevalent in modern trade, as countries turn to more sophisticated forms of protectionism that are less obvious than tariffs but equally restrictive.

In the context of the textile industry, non-tariff barriers can be particularly burdensome. Textile products often face stringent quality, safety, and environmental standards in international markets, which can impose significant compliance costs on exporters. Smith (2021) points out that NTBs, such as labeling requirements, chemical use regulations, and eco-certifications, require firms to invest in upgrading their production processes to meet the standards of importing countries. This can be a major challenge for small and medium-sized textile producers in regions like Madura, where access to advanced technology and capital may be limited. The complexity of navigating these barriers, coupled with the costs of compliance, can make it difficult for Madura’s textile exporters to compete in international markets.

Moreover, NTBs do not only affect export activities; they also complicate access to imported raw materials, which are crucial for producing high-quality textiles. Many textile manufacturers in Madura rely on imported cotton, dyes, and synthetic fibers that are not available locally. However, non-tariff barriers imposed by trading partner countries can delay or restrict access to these inputs, increasing production costs and reducing the competitiveness of finished goods. Jones and Hill (2020) argue that NTBs are particularly harmful to industries that depend on global supply chains, as they can disrupt the smooth flow of inputs and increase lead times for production.

In addition, non-tariff barriers are often more difficult to overcome than tariffs, as they involve administrative processes and standards that must be met by exporters. Unlike tariffs, which are simply a cost that can be factored into pricing, NTBs require compliance with a wide range of regulations that vary from country to country. Baldwin (2020) notes that NTBs are politically easier for countries to justify, as they are often framed as necessary for protecting public health, safety, or the environment. This makes it harder for exporters to challenge them or negotiate their removal in trade agreements.

In the case of Madura’s textile industry, NTBs imposed by Indonesia’s trading partners not only limit export opportunities but also complicate the importation of essential raw materials. This creates a vicious cycle where textile producers are unable to compete internationally due to high costs and limited access to foreign markets. As a result, NTBs can significantly reduce trade volumes and hinder the growth of industries that rely on both exports and imports, particularly in developing regions like Madura (Smith & Ricardo, 2021).

3. RELATIONSHIP BETWEEN VARIABLES AND HYPOTHESES

3.1. The Impact of Tariffs on Exports

Tariffs are designed to protect domestic industries by making imported goods more expensive, but they also have a direct impact on export volumes. When a country imposes tariffs, the price of goods in international markets increases, making these products less competitive compared to goods from other countries with lower or no tariffs. Krugman and Obstfeld (2021) explain that when tariffs raise the cost of goods, foreign consumers may shift their demand to cheaper alternatives from other countries. This reduction in demand leads to a decline in the export volumes of the tariff-imposing country.

In the case of the textile industry in Madura, tariffs imposed by Indonesia's trading partners can have a particularly detrimental effect. Textiles are a price-sensitive commodity, and even small increases in price can lead to significant reductions in demand. According to Baldwin (2020), industries that rely on mass-produced goods, such as textiles, are especially vulnerable to tariffs, as they operate in highly competitive global markets where cost is a major factor in consumer decision-making. Based on this analysis, the first hypothesis can be formulated as follows:

Hypothesis 1 (H1): Tariffs negatively affect textile export volumes in Madura.

3.2. The Impact of Non-Tariff Barriers on Imports

Non-tariff barriers, such as technical regulations and product standards, often make it more difficult and costly for industry players to import the raw materials they need for production. Baldwin (2020) shows that NTBs can slow down the import process, as products may be subjected to lengthy inspections, certification requirements, or compliance checks before being allowed into the domestic market. This not only increases the cost of imports but also disrupts production schedules and reduces the availability of key inputs.

In the case of the textile industry in Madura, NTBs imposed by Indonesia's trading partners can have a particularly negative impact on the volume of imported raw materials. Many textile producers in Madura rely on imports of cotton, synthetic fibers, and other raw materials that are essential for producing high-quality textiles. However, the presence of NTBs can delay the arrival of these inputs, increasing production costs and reducing output. Jones and Hill (2020) argue that NTBs are particularly damaging for industries that depend on timely access to global supply chains, as they can disrupt production processes and lead to higher costs for consumers. Therefore, the second hypothesis can be formulated as follows:

Hypothesis 2 (H2): Non-tariff barriers negatively affect textile import volumes in Madura.

4. RESEARCH METHODOLOGY

4.1. Research Design

The research design plays a crucial role in ensuring that the study's objectives are met systematically and that the results are reliable and valid. This study employs a quantitative approach combined with a survey design, which is particularly well-suited for analyzing relationships between measurable variables. A quantitative approach is selected as it allows for the collection of numerical data that can be statistically analyzed to assess the relationship between trade policy variables, such as tariff and non-tariff barriers, and their impact on international trade volumes—specifically, exports and imports in the textile industry.

A survey design is chosen because it provides a structured method of collecting data from a large group of respondents, allowing for the generation of statistically significant results. By gathering data directly from industry players involved in the textile trade in Madura, the survey allows the researcher to capture firsthand insights on how tariff and non-tariff barriers affect their operations. Additionally, surveys are advantageous for collecting data on perceptions, behaviors, and practices, making it a suitable tool for exploring how these external trade barriers influence the decision-making and strategies of textile exporters and importers.

Given the geographical and economic characteristics of Madura Island, a survey method ensures broad representation across different sizes and types of textile businesses. Structured questionnaires are used to standardize data collection, ensuring consistency across respondents and facilitating the comparison and analysis of responses. The use of a quantitative survey enables the researchers to gather data that can be statistically analyzed through regression models to explore the extent of the impact of trade policies on trade performance in the textile sector.

4.2. Population and Sample

The population of this study includes all textile industry players operating in Madura Island who are engaged in international trade activities, either through exports or imports. The textile sector in Madura includes a variety of businesses, ranging from small and medium enterprises (SMEs) to larger manufacturers. These businesses vary in terms of production capacity, market reach, and reliance on global supply chains, making it essential to include a representative sample from across the sector.

To draw a meaningful conclusion from the population, purposive sampling was employed to select participants who are directly involved in international trade activities. Purposive sampling is a non-probability sampling method that allows the researcher to select respondents who have specific knowledge or experience relevant to the research objectives. In this study, the sampling focuses on respondents who are either involved in the export of finished textile products or the import of raw materials for textile production. These individuals are in the best position to provide insights into how tariff and non-tariff barriers affect trade volumes.

A sample size of 100 respondents was chosen for this study, as this number is sufficient to provide statistically significant results while also being manageable for data collection. This sample includes businesses of various sizes to ensure a diverse range of perspectives and experiences are captured. The sample is representative of the broader textile industry in Madura, and selecting participants based on their engagement in export or import activities ensures that the study focuses on those directly affected by international trade barriers. Additionally, care was taken to include respondents from different regions of Madura Island to account for any regional variations in the challenges faced by textile businesses.

4.3. Data Collection Techniques

Data collection is a critical step in the research process as it provides the information necessary to test hypotheses and draw conclusions. This study employs both primary and secondary data collection methods to ensure a comprehensive understanding of how tariff and non-tariff barriers affect textile trade.

a. Primary data were collected through the use of a structured questionnaire. The questionnaire was designed to capture the perceptions and experiences of textile industry players in relation to the impact of tariff and non-tariff barriers on their trade activities. The questionnaire includes both closed-ended and open-ended questions to gather quantitative data on key variables (e.g., changes in export and import volumes, costs associated with compliance with trade regulations) as well as qualitative insights into the challenges faced by the respondents. To ensure the reliability and validity of the responses, the questionnaire was pre-tested on a small group of industry players to identify and rectify any ambiguities or issues with the wording of questions. The closed-ended questions in the questionnaire focus on key indicators such as the cost increases due to tariffs, the frequency of non-tariff-related delays, and the volume of exports or imports affected by these barriers. These quantitative data allow for statistical analysis using regression models. Meanwhile, open-ended questions provided respondents with the opportunity to describe specific challenges they face and elaborate on how tariffs and non-tariff barriers influence their trade decisions. By combining both question types, the research gains both depth and breadth in understanding the issue.
b. Secondary data were obtained from official sources such as Statistics Indonesia (BPS) and the Ministry of Trade. These secondary data sources include international trade reports, export-import statistics, and government publications that provide contextual information on Indonesia's trade policy, the volume of textile trade, and existing tariff and non-tariff measures. These secondary data are used to support and cross-validate the findings from the primary data, ensuring that the conclusions drawn are robust and reflect broader industry trends.

4.4. Data Analysis Techniques

The data collected in this study are analyzed using multiple linear regression analysis, a statistical method that allows the researcher to determine the relationship between several independent variables (in this case, tariffs and non-tariff barriers) and the dependent variables (textile export and import volumes). Multiple regression is particularly suited to this study as it allows for the simultaneous assessment of how each independent variable contributes to changes in the dependent variables while controlling for the effects of other variables.

a. The independent variables in this analysis are tariff (X1) and non-tariff barriers (X2). Tariff data are measured in terms of tariff rates or percentage increases in import duties, while non-tariff barriers are measured through indicators such as compliance costs, delays in clearance due to standards, or product certification requirements.
b. The dependent variables include export volume (Y1) and import volume (Y2). Export volume refers to the quantity of textile products exported to international markets, while import volume refers to the quantity of raw materials imported for textile production.

The use of multiple linear regression allows the researcher to assess whether changes in tariffs or non-tariff barriers have a significant impact on these dependent variables. The regression model is specified as follows:

$$Y=\alpha+\beta 1X1+\beta 2X2+\varepsilon Y$$

This model enables the researcher to quantify the effect of each type of barrier on the volumes of exports and imports, helping to answer the research questions regarding the specific impact of tariffs and non-tariff barriers on the textile industry in Madura. The results of the regression analysis are presented with coefficients, p-values, and R-squared values to indicate the strength and significance of the relationships between the variables. Hypothesis testing is conducted to determine whether tariffs and non-tariff barriers have a statistically significant impact on trade volumes, with significance levels set at $p < 0.05$.

In addition to the regression analysis, descriptive statistics are also provided to give an overview of the data distribution, including means, standard deviations, and frequency distributions for the key variables. These descriptive statistics help to provide context and insight into the characteristics of the sample and the overall trends in trade volumes.

5. DATA ANALYSIS

The analysis of the data collected from textile industry players in Madura Island is focused on understanding the effects of both tariffs and non-tariff barriers (NTBs) on the international trade performance of the sector, specifically on export and import volumes. Using multiple linear regression analysis, this study examines the extent to which these trade barriers influence the flow of goods in and out of Madura, providing insights into the challenges that the local textile industry faces when participating in global trade.

5.1. Regression Test Results

The results of the multiple linear regression analysis reveal significant relationships between the independent variables (tariffs and non-tariff barriers) and the dependent variables (export and import volumes). These results are critical to understanding how external trade policies, particularly those imposed by foreign governments, affect the competitiveness and operational efficiency of Madura's textile industry.

5.2 Impact of Tariffs on Export Volumes

The regression analysis shows that tariffs have a negative and statistically significant impact on textile export volumes in Madura. Specifically, the regression coefficient for tariffs is -0.45, with a significance value of $p < 0.05$, indicating that this relationship is statistically robust. This means that for every 1% increase in tariffs on Madura's textile exports, the volume of exports decreases by 0.45%. The negative coefficient reflects the inverse relationship between tariff rates and export performance, confirming that as tariffs increase, the export capacity of textile businesses in Madura declines.

This finding is consistent with the theoretical framework proposed by Krugman and Obstfeld (2021), who argue that tariffs act as a form of trade protectionism by raising the cost of imported goods in foreign markets. When tariffs are applied to Madura's textile exports, the increased cost of these products makes them less attractive to foreign buyers, especially in highly competitive markets where price sensitivity is high. As a result, foreign consumers may shift their demand to cheaper alternatives from other countries that face lower tariff barriers, reducing the demand for Madura's textiles.

The decline in export volumes due to higher tariffs can have far-reaching economic consequences for the textile industry in Madura. Given the industry's reliance on international markets to absorb its production, a reduction in export volumes can lead to decreased revenues, reduced profitability, and potential job losses in the local economy. This underscores the importance of maintaining competitive tariff rates in order to preserve the international competitiveness of the textile sector in developing regions like Madura, where the local economy is heavily dependent on exports for growth and employment.

Furthermore, the findings align with the broader literature on international trade theory, which suggests that countries with higher tariff rates tend to experience a deterioration in their export performance (Baldwin, 2020). The textile industry, which operates in a global market with thin profit margins and fierce competition, is particularly vulnerable to price distortions caused by tariffs. As a result, textile businesses in Madura may find it increasingly difficult to compete with producers from countries that benefit from lower tariffs or free trade agreements, further exacerbating the challenges they face in expanding their market share abroad.

5.3 Impact of Non-Tariff Barriers on Import Volumes

The regression analysis also demonstrates that non-tariff barriers (NTBs) have a more substantial negative impact on textile import volumes than tariffs. The regression coefficient for non-tariff barriers is -0.62, with a high significance value of $p < 0.01$, indicating that this effect is not only stronger but also more statistically significant compared to the impact of tariffs on exports.

The coefficient of -0.62 suggests that for every 1% increase in the complexity or stringency of non-tariff barriers—such as technical regulations, product standards, import licensing, or safety requirements—the volume of textile imports into Madura decreases by 0.62%. This result highlights the burdensome nature of non-tariff barriers, which often impose additional costs, delays, and administrative hurdles on businesses seeking to import raw materials needed for textile production.

Unlike tariffs, which are relatively straightforward to quantify and plan for, non-tariff barriers tend to be more unpredictable and difficult to overcome. As pointed out by Baldwin (2020), NTBs are designed to protect domestic industries and can take various forms that complicate international trade beyond just price effects. In the case of Madura's textile industry, non-tariff barriers, such as compliance with strict product certification standards or environmental regulations, can create significant bottlenecks in the supply chain, particularly for small and medium-sized enterprises (SMEs) that lack the resources to navigate these complex regulatory landscapes.

The negative impact of non-tariff barriers on import volumes is particularly concerning because many textile manufacturers in Madura depend on imported raw materials, such as cotton, dyes, and synthetic fibers, which are often unavailable or of insufficient quality locally. The reduced import volumes caused by NTBs can lead to production delays, increased input costs, and lower product quality, all of which undermine the competitiveness of Madura's textiles in both domestic and international markets.

This finding supports the argument that non-tariff barriers are a more insidious form of trade protectionism than tariffs because they often involve regulatory hurdles that are difficult to contest or circumvent. As Smith (2021) points out, non-tariff barriers can have a cumulative effect on trade by increasing the overall cost of doing business across borders. For textile producers in Madura, the compounded effect of non-tariff barriers can be particularly damaging, as it restricts access to vital production inputs and limits their ability to scale up operations to meet demand.

Moreover, the results of this study align with broader research on the role of non-tariff barriers in international trade. Baldwin (2020) argues that NTBs, unlike tariffs, are often more politically justifiable because they are framed as necessary for protecting public health, safety, or the environment. However, the economic impact of these barriers can be just as significant, if not more so, than tariffs. The fact that NTBs have a stronger negative impact on import volumes than tariffs underscores the need for policymakers to carefully consider the trade-offs associated with these measures, particularly in sectors like textiles that are heavily reliant on global supply chains.

Overall, the findings from the regression analysis provide compelling evidence that both tariffs and non-tariff barriers have detrimental effects on the international trade performance of Madura's textile industry. While tariffs primarily affect export volumes by making products more expensive in foreign markets, non-tariff barriers exert a more profound impact on import volumes by restricting access to crucial raw materials. These results highlight the interconnected nature of global trade, where barriers to both exports and imports can disrupt the smooth functioning of supply chains and erode the competitiveness of local industries.

The findings also point to several policy implications. First, efforts to reduce tariff rates on Madura's textile exports could help to improve the competitiveness of the sector and increase its penetration in international markets. Second, addressing the challenges posed by non-tariff barriers—whether through bilateral trade negotiations, improving compliance infrastructure, or providing support to local businesses in meeting international standards—could enhance the ability of textile manufacturers in Madura to secure the raw materials they need to maintain production levels and quality.

6. DISCUSSION

The results of this study provide significant insights into the impact of tariff and non-tariff barriers on the international trade performance of the textile industry in Madura Island, highlighting both the challenges and opportunities faced by local producers in navigating the complexities of global trade. The analysis demonstrates that tariff and non-tariff policies have distinct but interconnected effects on export and import volumes, with each type of barrier presenting unique challenges that can hinder the competitiveness of Madura's textile industry in the international market.

6.1. Impact of Tariffs on Export Competitiveness

The study's findings indicate that tariff policies have a clear and significant negative impact on the export volumes of textile products from Madura. As the regression results suggest, a 1% increase in tariffs leads to a 0.45% reduction in the volume of textile exports, underscoring the price-sensitivity of this sector. The textile industry, particularly in regions like Madura, operates in a highly competitive global market where even small changes in price can lead to significant shifts in demand. This is consistent with the work of Krugman and Obstfeld (2021), who argue that tariffs act as a tax on trade, increasing the cost of goods in foreign markets and thereby reducing their competitiveness.

In the case of Madura's textile industry, tariffs imposed by major trading partners, such as those in the European Union or the United States, can severely limit the ability of local producers to penetrate and expand in these key export markets. Textiles are often viewed as low-margin commodities, meaning that any increase in costs—whether through higher production expenses, tariffs, or logistical barriers—can substantially erode profit margins. This makes it difficult for textile producers in Madura to compete against exporters from countries like Vietnam, Bangladesh, or China, which often benefit from lower tariffs due to preferential trade agreements or regional trade pacts like the ASEAN Free Trade Area (AFTA).

Furthermore, the negative impact of tariffs on export volumes in Madura highlights the broader challenge of export-led growth in developing regions. Export-oriented industries, such as textiles, rely on access to international markets to scale production, increase employment, and drive economic development. However, the imposition of tariffs disrupts this process by reducing the marketability of locally produced goods in global markets. This finding aligns with broader economic theories that suggest protectionist policies—while beneficial in protecting domestic industries—can have adverse effects on the exporting capacity of developing nations (Baldwin, 2020). For textile producers in Madura, high tariffs can reduce demand for their products abroad, forcing them to lower production, lay off workers, or shift focus to lower-value domestic markets.

The findings also suggest that tariff policies may not just affect short-term export volumes, but could also have long-term consequences for investment and innovation within the textile industry. When faced with the prospect of consistently high tariffs in major export markets, businesses may be less inclined to invest in upgrading their production facilities, adopting new technologies, or expanding their workforce. This could result in a cycle of underinvestment, whereby Madura's textile industry fails to keep pace with global competitors in terms of both product quality and efficiency, further eroding its competitiveness on the world stage.

6.2. Impact of Non-Tariff Barriers on Import Volumes

While the negative impact of tariffs on export volumes is well-documented in both the literature and this study's findings, the impact of non-tariff barriers (NTBs) on import volumes is even more significant and presents a different set of challenges. The regression analysis shows that NTBs have a more substantial impact on import volumes, with a regression coefficient of -0.62, indicating that an increase in the stringency of non-tariff barriers by 1% results in a 0.62% decrease in import volumes. This demonstrates that NTBs, such as technical regulations, product standards, and import licensing requirements, represent a greater obstacle to trade than tariffs, particularly in the context of the textile industry's reliance on imported raw materials.

Non-tariff barriers are more challenging to overcome because they often involve complex administrative processes that can slow down trade and increase costs in ways that are harder to predict or control. Baldwin (2020) argues that NTBs are often designed to achieve non-economic objectives—such as ensuring public health, environmental protection, or product safety—but they can also be used as disguised protectionist measures. In the case of Madura, textile manufacturers rely heavily on imported raw materials, including cotton, synthetic fibers, dyes, and chemicals that are essential for producing finished textile goods that meet international quality standards. When these imports are delayed or restricted by non-tariff barriers imposed by trading partners or even domestic regulations, the entire production process can be disrupted, leading to supply chain bottlenecks, increased costs, and lower productivity.

For example, technical regulations and quality standards imposed by importing countries often require textile producers to comply with strict specifications regarding the use of certain materials, dyes, or manufacturing processes. These standards are not only costly to meet but also require advanced technology and certification processes that may not be readily accessible to smaller textile businesses in Madura. This creates an additional burden on producers who are already struggling to compete in global markets. The time and resources required to meet these standards can divert attention away from other areas of business development, such as marketing or product innovation, further limiting the growth potential of the industry.

The findings of this study also suggest that NTBs have a disproportionate impact on small and medium-sized enterprises (SMEs) within the textile industry in Madura. SMEs often lack the financial and logistical resources to navigate complex regulatory environments or to absorb the costs associated with compliance. Larger firms may be able to offset these costs through economies of scale or by passing them on to consumers, but SMEs are more vulnerable to price shocks and supply disruptions. As a result, NTBs can reduce the competitiveness of SMEs in the international market, leading to a consolidation of the industry where only the largest and most well-capitalized firms survive.

Moreover, the fact that non-tariff barriers have a more significant impact on import volumes than tariffs suggests that the global supply chain is becoming increasingly complex and interconnected. The textile industry in Madura is part of a larger global value chain, where the production of finished goods often depends on the seamless flow of materials, components, and inputs across borders. When this flow is disrupted by NTBs, the cost of production rises, lead times increase, and the ability to meet customer demand—both domestically and internationally—diminishes. This highlights the need for greater policy coordination at both the national and international levels to reduce the impact of non-tariff barriers on industries that rely on cross-border trade.

6.3. Implications for Trade Policy

The results of this study have several important implications for trade policy and the future development of the textile industry in Madura. First, the negative impact of tariffs on export volumes underscores the need for more favorable trade agreements that can lower tariff rates on Madura's textile products. The ASEAN Economic Community (AEC) and bilateral trade agreements between Indonesia and key trading partners could provide opportunities to negotiate lower tariffs and greater market access for Madura's textile exports. This would not only help to increase export volumes but also provide local producers with the confidence to invest in expanding their production capacity and improving product quality.

Second, addressing the challenges posed by non-tariff barriers requires a multifaceted approach. While reducing NTBs at the national level is important, there is also a need for greater capacity-building within the textile industry to help producers comply with international standards. This could involve investments in training programs, technological upgrades, and certification processes that allow local businesses to meet the technical and quality requirements of foreign markets. Additionally, the Indonesian government could play a more active role in negotiating the removal of unjustified NTBs in international trade forums, ensuring that Madura's textile industry is not unfairly disadvantaged by protectionist measures in other countries.

7. CONCLUSION

This study provides a comprehensive examination of the impact of tariff and non-tariff policies on the international trade performance of the textile industry in Madura Island, offering valuable insights into how external trade barriers shape the competitive landscape for local businesses. The findings demonstrate that both tariffs and non-tariff barriers (NTBs) exert significant, albeit different, pressures on the ability of Madura's textile industry to participate effectively in global markets. These barriers hinder not only the export potential of the industry but also its access to crucial imported inputs, which are essential for maintaining production quality and capacity.

7.1. Tariffs and Their Impact on Exports

The study concludes that tariffs have a notably negative impact on the export volumes of textile products from Madura Island. The regression analysis reveals a strong inverse relationship between tariff rates and the volume of textile exports, with the results showing that each 1% increase in tariffs leads to a corresponding 0.45% reduction in export volumes. This finding underscores the price sensitivity of the textile sector, where even marginal increases in export costs due to tariffs can have a substantial impact on the demand for Madura's textiles in international markets.

This result aligns with existing literature, such as that presented by Krugman and Obstfeld (2021), which argues that tariffs raise the price of exported goods, thereby reducing their competitiveness relative to products from countries with lower or no tariff barriers. For an industry like textiles, where price competition is fierce and profit margins are thin, tariffs can significantly erode the ability of producers to expand their market share in key export destinations. Moreover, given the global nature of the textile market, where Madura's textile exports compete directly with those from countries like China, Vietnam, and Bangladesh, even small increases in tariff rates can make Madura's products less attractive to foreign buyers.

Thus, it is evident that the export performance of Madura's textile industry is highly dependent on the level of tariff barriers it faces in international markets. High tariff rates can curtail the industry's potential to grow and diversify, limiting its ability to contribute to regional development and employment generation in Madura. Therefore, one of the key conclusions of this study is the need for tariff reduction as a means to enhance the competitiveness of Madura's textile exports. This could be achieved through bilateral or multilateral trade agreements that grant Madura's textile products preferential access to major export markets. Such agreements would lower the cost burden imposed by tariffs, allowing local producers to compete more effectively on the basis of quality and innovation rather than price alone.

7.2. Non-Tariff Barriers and Their Impact on Imports

The study also concludes that non-tariff barriers have an even more substantial negative impact on the import volumes of textile raw materials into Madura. The regression results show that a 1% increase in the stringency of non-tariff barriers leads to a 0.62% decline in import volumes, indicating that these barriers create significant obstacles for textile manufacturers who rely on imported raw materials to sustain their production processes. The heavy dependence of Madura's textile industry on imported inputs, such as cotton, synthetic fibers, dyes, and other materials, means that disruptions in the supply of these inputs can have a disproportionate effect on production capacity, product quality, and delivery schedules.

The conclusion that NTBs pose a greater challenge than tariffs is particularly important for policymakers to consider. Unlike tariffs, which are relatively straightforward to quantify and adjust, NTBs are often embedded in complex regulatory frameworks that are difficult to navigate and overcome. These barriers can take many forms, including technical regulations, product standards, health and safety requirements, and import licensing procedures—each of which introduces additional costs and delays for businesses seeking to import the materials they need.

The findings suggest that non-tariff barriers create significant logistical bottlenecks in the supply chain, particularly for small and medium-sized enterprises (SMEs) in the textile sector. These businesses often lack the resources to comply with stringent international standards or to absorb the costs associated with prolonged import delays. As a result, NTBs not only limit the availability of raw materials but also reduce the overall efficiency and competitiveness of textile production in Madura. This is particularly concerning in an industry where timely access to inputs is critical for maintaining production schedules and meeting customer demand, both domestically and internationally.

The conclusion drawn from these findings is that reducing the burden of non-tariff barriers should be a priority for policymakers aiming to support the development of Madura's textile industry. This could involve streamlining import procedures, improving the capacity of local businesses to comply with international standards, and negotiating the removal or reduction of unnecessary NTBs in trade agreements. Such efforts would help to lower the costs of importing critical inputs, thereby improving the productivity and global competitiveness of Madura's textile producers.

7.3. Recommendations for Balanced Trade Policies

The overarching conclusion of this study is the need for more balanced trade policies that take into account the dual impact of both tariffs and non-tariff barriers on the textile industry in Madura. While tariffs primarily affect export performance, non-tariff barriers have a more profound influence on the industry's ability to access the imported raw materials necessary for production. Therefore, trade policies should be designed to address both dimensions of the problem, ensuring that textile producers in Madura can compete effectively in international markets while also maintaining reliable access to the inputs they need to sustain their operations.

Balanced trade policies would involve both domestic reforms and international negotiations. Domestically, the Indonesian government could implement policies aimed at reducing import-related barriers for critical raw materials used in textile production. This could include measures such as simplifying customs procedures, providing technical assistance to SMEs in navigating import regulations, and investing in infrastructure to improve the efficiency of logistics and supply chains.

On the international front, Indonesia could seek to negotiate more favorable terms for its textile exports through free trade agreements or preferential trade arrangements that lower tariffs and NTBs on textile products from regions like Madura. Such agreements could open up new market opportunities for Madura's textile producers while also ensuring that they are not disproportionately affected by trade barriers in key export destinations.

7.4. Contribution to the Literature and Policy

This study contributes to the existing literature on international trade and trade barriers by providing empirical evidence of the specific challenges faced by the textile industry in a developing region like Madura. By focusing on both tariffs and non-tariff barriers, the study offers a nuanced understanding of how different types of trade barriers affect various aspects of the textile trade, from exports to imports.

Moreover, the findings of this study have important policy implications for both regional and national governments. In particular, the study highlights the need for targeted policy interventions that address the specific challenges faced by industries in peripheral regions, such as Madura, which may lack the resources and infrastructure needed to fully participate in global trade. By adopting more balanced trade policies, governments can help to ensure that industries like textiles continue to grow and contribute to economic development in these regions.

8. RESEARCH LIMITATIONS

While this study provides valuable insights into the impact of tariff and non-tariff barriers on the international trade performance of the textile industry in Madura Island, it is essential to acknowledge certain limitations that may affect the generalizability and scope of the findings. These limitations are inherent to the research design, the selected variables, and the geographical focus of the study, and they offer opportunities for further research to build upon and expand the conclusions drawn here.

8.1. Geographical Scope

One of the primary limitations of this study is its geographical focus on Madura Island, which may limit the extent to which the findings can be applied to the broader textile industry across Indonesia. While Madura represents a unique case within the Indonesian textile sector—characterized by small and medium-sized enterprises (SMEs), reliance on traditional production methods, and significant export-import activity—the results of this study may not fully capture the diverse range of conditions present in other regions of Indonesia, such as Java, Sumatra, or Bali, where the textile industry is more industrialized and globally integrated.

In regions like Java, for instance, the textile industry may benefit from greater access to infrastructure, technological advancements, and capital investment, which could mitigate some of the negative effects of tariffs and non-tariff barriers observed in Madura. Large-scale manufacturers in Java may also have the capacity to absorb the costs associated with compliance with non-tariff barriers or to leverage economies of scale to offset the impact of higher tariffs. Conversely, in more remote or underdeveloped areas of Indonesia, the challenges associated with trade barriers could be even more pronounced than those experienced in Madura, particularly due to the lack of logistical support and limited access to raw materials.

Thus, while the findings from Madura provide valuable insights into the effects of trade barriers on regional textile industries, they may not be fully representative of the national textile sector as a whole. Future research could expand the scope of this study by conducting similar analyses in other regions of Indonesia to identify whether the magnitude and nature of the impact of tariffs and non-tariff barriers vary across different geographical contexts.

8.2. Focus on Two Independent Variables

Another important limitation of this study lies in its focus on only two independent variables: tariffs and non-tariff barriers. While these variables are crucial for understanding how trade policies affect the textile industry, international trade is influenced by a multitude of factors, many of which were not addressed in this study. By focusing solely on tariffs and non-tariff barriers, the study may have overlooked other important economic, political, and logistical variables that can significantly impact trade performance.

One such variable is the exchange rate, which plays a critical role in determining the competitiveness of exports and the cost of imports. For countries like Indonesia, fluctuations in the exchange rate can have a profound impact on the pricing of textile products in international markets. A depreciation of the rupiah, for example, could make Indonesian textiles more competitive by lowering their relative price abroad, even in the presence of tariffs. Conversely, an appreciation of the rupiah could make imports more affordable, potentially offsetting some of the negative effects of non-tariff barriers. By not including exchange rates in the analysis, this study may not fully capture the dynamic interplay between currency fluctuations and trade barriers in shaping the international trade outcomes for Madura's textile industry.

Similarly, logistics costs represent another variable that was not included in this study but could have significant implications for the ability of textile producers in Madura to participate in global trade. The cost of transportation, shipping delays, customs procedures, and port infrastructure can all affect the timeliness and cost-efficiency of exports and imports. In regions like Madura, where logistical challenges may be more pronounced due to its peripheral location and limited infrastructure, high logistics costs could compound the negative effects of tariffs and non-tariff barriers. For example, even if trade barriers were reduced, high shipping costs could still limit the competitiveness of Madura's textile products in international markets. Future studies could integrate logistics-related variables to provide a more holistic view of the factors influencing international trade performance.

Additionally, this study does not account for political stability, international trade agreements, or demand fluctuations in target markets, all of which could significantly influence trade dynamics. For instance, changes in political relations between Indonesia and its trading partners could lead to sudden shifts in tariffs or non-tariff barriers, altering the competitive landscape for exporters and importers. Similarly, the existence of free trade agreements (FTAs) could mitigate some of the negative impacts of tariffs by granting preferential access to certain markets. By not including these variables, the study may offer an incomplete picture of the multifaceted nature of international trade.

8.3. Time Constraints and Data Availability

The time constraints associated with data collection and analysis also present a limitation for this study. The data collected were cross-sectional, capturing the relationship between tariffs, non-tariff barriers, and trade volumes at a specific point in time. However, international trade is inherently dynamic, and the effects of trade barriers can evolve over time due to changing economic conditions, shifts in global demand, or the implementation of new trade policies. The use of cross-sectional data limits the study's ability to assess long-term trends or to capture lag effects, where the impact of tariffs or NTBs may only become evident after several months or years.

For example, the immediate impact of tariffs on export volumes might be less pronounced in the short term if businesses can initially absorb the costs, but over time, as these costs accumulate, the effects on export performance may become more substantial. Similarly, the full impact of non-tariff barriers may take time to materialize, particularly if businesses are required to undergo lengthy certification processes or to invest in new technologies to meet international standards. A longitudinal study, tracking trade volumes over several years, would provide a more nuanced understanding of how tariffs and NTBs affect the textile industry in both the short and long term.

In addition, data availability posed a limitation in this study, particularly in relation to secondary data on specific tariff and non-tariff measures affecting Madura's textile industry. While official sources, such as Statistics Indonesia (BPS) and the Ministry of Trade, provide valuable data on export-import statistics and trade policies, the granularity of this data—particularly with regard to regional trade flows—was limited. As a result, this study relied heavily on primary data collected through surveys of textile industry players, which, while insightful, may not fully capture the broader trends in international trade affecting Madura.

8.4. Potential Response Bias

Finally, this study may be subject to response bias, as the primary data were collected through a self-reported survey of textile industry players in Madura. Respondents were asked to provide their perceptions of the impact of tariffs and non-tariff barriers on their businesses, and while efforts were made to ensure accuracy and honesty in responses, there is always the potential for bias in self-reported data. Some respondents may have overestimated or underestimated the impact of these barriers based on subjective experiences or misinterpretations of the questions. Moreover, businesses that are more negatively affected by trade barriers may have been more likely to participate in the survey, leading to a selection bias that could skew the results.

To mitigate this, future studies could incorporate objective measures of trade performance, such as actual export and import records, financial data, and profit margins, in combination with survey data, to provide a more balanced perspective on how tariffs and NTBs impact the textile industry. Triangulation of data sources would also help to reduce the risk of bias and ensure that the findings are more robust.

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