

The Urgency of Umkm Export Policy Relaxation as a Trade Expansion Step Amid Economic Globalization

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ABSTRACT

Micro, Small and Medium Enterprises are productive economic businesses managed by business entities or individuals. The number of MSMEs in Indonesia continues to increase every year, until in 2017 based on data from the Ministry of Cooperatives and MSMEs, the number of MSMEs in Indonesia reached 62,922,617 units. The level of interest in MSME products is very high abroad, but the high level of interest is not supported by adequate regulations. Despite the high level of interest, many MSME business actors complain about the complexity of the requirements and the high cost of the licensing process to carry out export activities. Micro, Small and Medium Enterprises cannot be equated with large companies, one of which is that in terms of funding, MSMEs are still very weak, making it difficult to accommodate the requirements and licensing fees for exporting, several MSME players canceled export activities due to problems with these requirements and licensing. It is necessary to relax policies for MSMEs so that they can carry out export activities which in turn can increase the country's foreign exchange and also as a step of trade expansion to be able to compete with other countries. This journal is then made to determine the level of urgency of the relaxation of MSME export policies as an effort to expand trade in the midst of economic globalization. The method of writing is carried out with normative juridical where the author reviews this issue based on legislation and related regulations as well as literature related to export activities by MSMEs.

Keywords: MSMEs, Exports, Policy

INTRODUCTION

The contribution and role of MSMEs (Micro, Small and Medium Enterprises) in supporting the national economy does not seem to be a new thing anymore. In fact, one of the factors that Indonesia was able to rise from the economic crisis in 1998 was thanks to the performance of MSMEs (Micro, Small and Medium Enterprises) which were able to support the national economy at that time.¹ In addition, MSMEs also play a major role in efforts to reduce the unemployment rate in Indonesia, this is because MSMEs can reach all levels of society so that of course they can maximize domestic labor sources. MSMEs themselves can be a means related to community creativity and innovation, which of

¹ Yuli Rahmini Suci, 'Perkembangan UMKM (Usaha Mikro, Kecil dan Menengah) di Indonesia' (2017) Jurnal Ilmiah Cano Ekonomos hlm. 51

course can create selling points and encourage the creation of competitiveness between communities, which of course can boost the economy of the community in the local area..²

The development of MSMEs in Indonesia is actually still faced with various fundamental problems but has a serious impact on the sustainability of the development of MSMEs in Indonesia. The problems that are still faced by MSMEs include those related to infrastructure limitations, the inequality of infrastructure in each region certainly creates various impacts which of course greatly affect MSMEs, namely related to product price rates, several product sources are often located in different regions and of course the movement of these material sources requires shipping costs, and these shipping costs are usually determined based on kilometer distance and easy or difficult road access that can be taken to the area. The farther and more difficult the road access in an area, the more expensive the price will be compared to other areas. The next problem is related to licensing, it is no secret that the licensing system in Indonesia is still far from affordable, the majority of this is based on the complexity and complexity of the licensing flow, both operational licenses and distribution licenses actually still have several obstacles which of course have a huge impact on the development of MSMEs in Indonesia.

In the midst of the complicated free market situation, MSMEs in Indonesia are certainly faced with various problems, including the flood of foreign products in the Indonesian market, so that MSMEs themselves are starting to have difficulty in entering the domestic market share. One of the efforts that can be made so that Indonesian MSMEs continue to move in this global market condition is through export activities with the intention of expanding the MSME market share and not only focusing on the domestic market. Within the scope of the global market, the marketing target is almost the entire population in the world because almost all countries have also participated in realizing this global market, this is based on if trade access between countries is facilitated, of course this will have a very good impact on state revenues due to the increasing number of enthusiasts abroad. Export activities certainly have a big impact not only on national economic issues but are also able to improve the image

² Rachmawan Budiarto, *Pengembangan UMKM Antara Konseptual dan Pengalaman Praktis* (Gadjah Mada University Press : 2015) hlm. 24

and awareness of national products in the international arena. Therefore, the global market should not be an obstacle for MSMEs, but an opportunity to continue to innovate and market their products in a wider market share.

However, it seems that the Indonesian export government has not maximized the opportunities of this global market to increase the level of exports, especially for MSMEs. This can be proven from the number of MSMEs in Indonesia which reached 64 million, only 14% of the total contributed to export activities.³ Of course, there are many factors behind the low contribution of MSMEs in export activities and one of the factors that is quite influential on MSME export activities is related to licensing and also several policies that are still difficult for MSMEs to reach. Especially for novice MSMEs, which do not have sufficient understanding of the flow and stages of exporting and limited funds to take care of the various licenses needed to export. These things are one of the reasons for the reluctance of MSMEs to export. Therefore, the government should relax the export policy for MSMEs, which is intended as a step to expand trade in the era of global markets.

In the context of the background that has been described, this study aims to highlight a number of problem formulations that are the main focus. First, how does the global market affect the rate of export growth by MSMEs? Second, the efficiency of applicable regulations in increasing export activities by MSMEs is an important concern, how is the impact? Finally, how does the relaxation of export policies affect the stimulus of export activities by MSMEs? The formulation of these problems will be the basis for an in-depth analysis of the dynamics of MSME exports in the context of global markets and applicable regulations.

Legal Basis

- Law No. 20 of 2008 on Micro, Small and Medium Enterprises
- Law No.11 of 2020 on Job Creation

³ Nasori dan Triyan Pangastuti, Kontribusi UMKM Ke Ekspor Baru 14%, <https://investor.id/business/kontribusi-umkm-ke-ekspor-baru-14#:~:text=JAKARTA%20investor.id%20%E2%80%93%20Kementerian.ekspor%20Indonesia%20baru%20sekitar%2014%25.&text=Sementara%20dari%20sisi%20ketenagakerjaan%2C%20menurut.kontribusi%20terhadap%20PDB%20mencapai%2058%25.> > diakses pada 24 April 2021

- Government Regulation No.7 of 2021 on the Ease, Protection and Enablement of Cooperatives and Micro, Small and Medium Enterprises.
- Minister of Trade Regulation No. 13/M-DAG/PER/3/2012 on General Provisions in the Export Sector
- Minister of Trade Regulation No. 48/M-DAG/PER/2015 on General Provisions on Imports

ANALYSIS AND DISCUSSION

The Effect of Free Market on Export Growth Rate by MSMEs

The definition of Micro, Small and Medium Enterprises (MSMEs) according to Rudjito is all businesses that have an important role in the Indonesian economy, both in terms of creating employment and in terms of the type of business. Meanwhile, in Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises, there is no unified definition of MSMEs, the definitions contained in the regulation are separated between Micro, Small and Medium Enterprises. 1) Micro Business is a type of productive business owned by individuals or business entities that meet the criteria as contained in this Law.⁴ 2) Small Business is an independent productive economic business, which can be carried out individually or as a business entity that is not a subsidiary or branch of a company owned, controlled or part of a Medium or Large Business that meets the criteria in this Law.⁵ 3) Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled by Small Enterprises or Large Enterprises with a total net worth or annual sales results in accordance with what is regulated in this law.⁶ The provisions of the criteria regarding Micro, Small and Medium Enterprises in Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises have been revoked and replaced with provisions contained in Law No.11 of 2020 concerning Job Creation and Government Regulation No. 7 of 2021 Facilitation, Protection and Enrichment of Cooperatives and Micro, Small and Medium Enterprises.

⁴ Pasal 1 ayat 2 UU No. 20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah

⁵ Pasal 1 ayat 3 UU No. 20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah

⁶ Pasal 1 ayat 4 UU No. 20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah

The free market or what is often called economic globalization is a phenomenon of the process of economic and trade activities, where the marketing target is not only limited to a place or region, but covers almost all countries in the world.⁷ The participation of countries in the world in free market activities is certainly increasingly creating integration between countries because territorial barriers are no longer an obstacle, especially in trade activities in the free market there are no longer any restrictions related to the flow of capital, the provision of goods, and services. In some sources, it is defined that a free market is an activity where tariff and non-tariff barriers to trade are reduced or eliminated. Tariffs can be in the form of import tariffs, which are taxes imposed on imported goods so that the price of these goods will be higher than the price in the domestic market, which is certainly detrimental to consumers because they are the ones who bear high prices. With the free market, such tariffs are reduced or eliminated in a free market environment where it is intended to increase the creativity of producers by providing much cheaper production costs.

Entering economic globalization, the government certainly hopes that MSMEs are not only too focused on the domestic market because the essence of the free market is for producers to continue to be creative with target markets that cover all countries in the world. However, it seems that the things offered in the free market have not been able to move Indonesian MSMEs to export, this is based on data from the Central Statistics Agency (BPS) that out of 64 million MSMEs in Indonesia, only 14% of MSMEs are able to contribute to export activities, of which the sector that contributes most to this export activity is the oil and gas sector. This figure is quite low if we compare it with SMEs from APEC (Asia-Pacific Economic Cooperation) countries which are able to touch 35%. One of the fundamental reasons for the low number of exports by MSMEs in Indonesia is that the majority of MSMEs in Indonesia are small businesses, where funds are still limited and understanding of exports is still very minimal.

However, in facing the free market, the government has prepared various strategies to encourage MSMEs to take part in export activities. One of the first steps in attracting MSMEs to enter the world of exports is through empowerment evenly to MSMEs,

⁷ Lidaya Christin Sinaga, 'Indonesia Di Tengah Kesepakatan ACFTA', (2010) VII Jurnal Penelitian Politik, hlm. 11

considering that the majority of MSMEs in Indonesia are small businesses, exclusive empowerment can consciously stimulate the actors to enter the world of exports. One of the empowerments that is routinely carried out by the government in collaboration with BUMN, namely Bank Republik Indonesia (BRI) through BRILian Preneur UMKM Export activities. In this activity, there are hundreds of Indonesian MSMEs from various fields to carry out various empowerments and training for MSMEs on how to improve product branding, as well as the stages and requirements needed if they want to export. Not only that, in the BRILian Preneur UMKM Export activity, several prospective buyers from 82 different countries were also presented, the prospective buyers were of course intended so that products made in Indonesia created awareness of local products to foreign countries.⁸ Based on what has been said, it can be concluded that the influence of the global market on the rate of MSME exports is still quite low and reflecting on this fact, various efforts have been made by the government through empowerment which is actually intended to increase the understanding of the community, especially MSMEs, regarding the benefits obtained from export activities and it is hoped that this activity can trigger MSMEs to continue to innovate and take part in Indonesia's export activities.

The Efficiency of Applicable Regulations in Improving MSME Export Activities

As stated in the previous discussion, there are changes in the criteria for Micro, Small and Medium Enterprises contained in Law No. 20 of 2008 which is amended in the provisions of Law No. 11 of 2020 concerning Job Creation and Government Regulation No. 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises. In Law No. 28 of 2008, it states that the criteria for Micro, Small and Medium Enterprises. 1) Micro Enterprises have criteria, namely having a net worth of at most IDR 50,000,000.00 (fifty million rupiah) excluding land and buildings of the place of business.⁹ 2) A Small Business has a net worth of more than Rp50,000,000.00 (fifty million rupiah) up to a maximum of Rp500,000,000.00 (five hundred million rupiah) excluding land and building of the business premises.¹⁰ 3) Medium Enterprises have a net worth of more than Rp500,000,000.00 (five hundred million rupiah) up to a maximum of

⁸ Tira Santia, 'BRI Kembali Gelar BRILian Preneur UMKM Export 2020' <https://www.liputan6.com/bisnis/read/4422294/bri-kembali-gelar-brilian-preneur-umkm-export-2020#> > diakses pada 22 April 2021

⁹ Pasal 6 ayat 1 UU No. 20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah

¹⁰ Pasal 6 ayat 2 UU No.20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah

Rp10,000,000,000.00 (ten billion rupiah) excluding land and buildings of the business premises.¹¹

Meanwhile, the provisions of the criteria for Micro, Small and Medium Enterprises regulated in Article 6 of Law No. 20 of 2008 have undergone changes which are further regulated in Law No. 11 of 2020 and Government Regulation No. 7 of 2021. The criteria regarding Micro, Small and Medium Enterprises have changed to, 1) Micro Enterprises have a business capital of up to a maximum of Rp1,000,000,000.00 (one billion rupiah) excluding land and buildings of the business premises.¹² 2) Small Enterprises have a business capital of more than Rp1,000,000,000.00 (one billion rupiah) up to a maximum of Rp5,000,000,000.00 (five billion rupiah) excluding land and buildings of the business premises.¹³ 3) Medium Enterprises have a business capital of more than Rp5,000,000,000.00 (five billion rupiah) up to a maximum of Rp10,000,000,000.00 (ten billion rupiah) excluding land and buildings of the business premises.¹⁴ This change in criteria is based on increased economic growth, so the criteria for MSMEs previously stipulated in Law No. 20/2008 are no longer considered relevant.

Furthermore, the facilities provided to MSMEs in terms of implementing export activities are regulated by various regulations, including Government Regulation No. 7 of 2021 concerning the Ease, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises. Article 42 of Government Regulation No. 7 of 2021 states that small businesses that have just established a business can directly apply for a business identification number, standard certificate and business licensing that is integrated electronically. This provision certainly makes it easier for small business actors to be able to obtain a business identification number through an electronic system so as to minimize expenses, considering that a business identification number is a general and basic requirement needed for MSMEs to carry out trade activities, especially export activities. Furthermore, the facilities provided for MSMEs after having a Business Identification Number (NIB) are related to standardization and certification

¹¹ Pasal 6 ayat 3 UU No.20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah

¹² Pasal 35 ayat 3 butir a Peraturan Pemerintah No 7 Tahun 2021 tentang Kemudahan, Perlindungan, dan Pemberdayaan Koperasi dan Usaha Mikro, Kecil dan Menengah

¹³ Pasal 35 ayat 3 butir b Peraturan Pemerintah No 7 Tahun 2021 tentang Kemudahan, Perlindungan, dan Pemberdayaan Koperasi dan Usaha Mikro, Kecil dan Menengah

¹⁴ Pasal 35 ayat 3 butir c Peraturan Pemerintah No 7 Tahun 2021 tentang Kemudahan, Perlindungan, dan Pemberdayaan Koperasi dan Usaha Mikro, Kecil dan Menengah

facilities in the context of exports and related to intellectual property rights ownership facilities for MSMEs. This certainly makes it easier for MSMEs to gain legitimacy, which is expected that MSME products can compete with other foreign products.¹⁵ Ease of business entity formation by MSMEs in reality

Apart from licensing issues, there are various other things that the government has done to increase the productivity and creativity of Indonesian MSMEs, one of which is related to financing. The problem of financing is certainly a common problem and is most often a factor in the death of Indonesian MSMEs, to minimize the death of MSMEs, the government makes various facilities in the field of financing, one of which is through working capital credit guarantees, capital assistance and distribution of revolving funds. Then related to the production process, not only related to assistance regarding facilities and infrastructure for MSMEs to carry out their activities, there is also assistance related to human resources where education, training, internships, and mentoring are held by the government with the intention of regenerating people's understanding of production in the hope of increasing the quality of domestic products.

Furthermore, the marketing problem is often an obstacle for novice MSMEs that do not yet have brand awareness, and as an effort to market MSME products so that they are able to compete in domestic and foreign markets is to provide a promotional place for MSMEs. In terms of promotion, the government has collaborated with BUMN, one of which is Bank Rakyat Indonesia (BRI), which collaborates with various well-known marketplaces in Indonesia, with the hope that this will help MSMEs in promoting their products. Furthermore, regarding efforts to increase the intensity of exports by MSMEs, in accordance with the provisions of Article 126 of Government Regulation No.7 of 2021 that there is a provision of customs intensive in the form of granting exemption or relief of import duties for export-oriented MSMEs.¹⁶ These various facilities are actually the government's strategy to stimulate MSMEs to take part in Indonesia's export activities.

¹⁵ Pasal 42 Peraturan Pemerintah No 7 Tahun 2021 tentang Kemudahan, Perlindungan, dan Pemberdayaan Koperasi dan Usaha Mikro, Kecil dan Menengah

¹⁶ Pasal 126 Peraturan Pemerintah No 7 Tahun 2021 tentang Kemudahan, Perlindungan, dan Pemberdayaan Koperasi dan Usaha Mikro, Kecil dan Menengah

The Effect of Export Policy Relaxation in Efforts to Stimulate Export Activities by MSMEs

In the previous discussion, it was noted that various facilities were provided to MSMEs to encourage their performance in the export sector. However, in several regulations related to export activities, there are several provisions concerning operational activities that are considered to still seem complicated, which often makes it difficult for MSMEs. One policy that is considered complicated is the difference in licensing for export goods as classified in Article 2 of MOT 13/2012, which classifies that export goods consist of, 1) Export-free goods, 2) Goods, 3) Export Prohibited Goods.¹⁷

Of course, the requirements needed to export both export-free and export-restricted goods will be different. This will certainly make it difficult for MSMEs, because they have to prepare different requirements and of course it will take a long time and a lot of money. Based on the provisions of Article 7 paragraph (1), if a business entity wants to export the classification of export-free goods, it must fulfill the following requirements, 1) Trade Business License (SIUP), 2) Company Registration Certificate, 3) Taxpayer Identification Number, and other required documents.¹⁸ Furthermore, regarding the additional requirements needed as stipulated in Article 7 paragraph (2) regarding the requirements needed in the form of, 1) Recognition as an Exporter, 2) Export Approval, 3) Surveyor's Report, 4) Certificate of Origin, and other documents required by law.¹⁹ Reviewing this, it can be concluded that there are several requirements that must be obtained by MSMEs outside the general requirements contained in the policy. This should be the government's consideration regarding these requirements, whether the supporting requirements contained in the regulation really affect export products and the pace of Indonesia's export activities or these requirements are based on mere formality.

The issuance of licenses itself is sometimes an unfinished polemic, seeing from the provisions of Article 10 of MOT 13/2012, that related to the issuance of licensing letters can be carried out by the Minister of Trade or Officials authorized to issue licenses.²⁰

¹⁷ Pasal 2 Permendag No. 13 Tahun 2012 tentang Ketentuan Umum Ekspor

¹⁸ Pasal 7 ayat 1 Permendag No. 13 Tahun 2012 tentang Ketentuan Umum Ekspor

¹⁹ Pasal 7 ayat 2 Permendag No. 13 Tahun 2012 tentang Ketentuan Umum Ekspor

²⁰ Pasal 10 Permendag No. 13 Tahun 2012 tentang Ketentuan Umum Ekspor

The thing that is emphasized in this ruling is related to the real implications for community life because there are still many areas where officials who are closest to the community such as the Camat or Lurah are not given the authority to take care of the issuance of licenses, this will certainly cause legal uncertainty for the community, because not a few people have prepared various files but it turns out that the local kecamatan and kelurahan do not have the authority related to the issuance of licenses. Therefore, this provision should be amended and all interests related to the issuance of licenses should be handed over to the officials closest to the community.

CONCLUSION

In the discussions above, it can then be concluded that based on the number of Indonesian MSMEs reaching 64 million, the level of productivity of MSMEs in export activities is arguably not optimal, this is evidenced by data obtained from the Central Statistics Agency (BPS) where from the total number of MSMEs, only 14% are able to penetrate the export market. The low figure was apparently influenced by several factors including the complexity of licensing, the limited capital of MSMEs, and the low understanding of Indonesian MSMEs regarding export issues ranging from target markets to the operational stages that MSMEs will take. This is then a separate problem for the government to address the problem.

Then as a response to this problem, several policies were formed to support the productivity of MSMEs in terms of facing and contributing to the free market. Various facilities, both licensing and coaching for MSMEs, have been carried out by the government with the intention that this will stimulate Indonesian MSMEs to take part in export activities. However, after a deeper understanding of the applicable policies, it was found that there are several things that are still a polemic because they have the potential to reduce the interest of Indonesian MSMEs to participate in free trade. Therefore, relaxation of policies that are considered to have the potential to make it difficult for MSMEs is needed.

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