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The Impact of Safeguard Import Duty (BMTP) Policies and Macroeconomic Factors on Textile Import Volumes in Indonesia

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Abstract

This study aims to analyse the effectiveness of the Safeguard Import Duty or Bea Masuk Tindakan Pengamanan (BMTP) in controlling textile import volumes in Indonesia. It is also examining the influence of macroeconomic variables, exchange rates and inflation. This study is motivated by the increasing pressure from imports on the domestic textile industry and the need to evaluate trade defence policies in the context of developing countries. In this regard, the analysis integrates trade defence policies with exchange rate and inflation dynamics in order to better illustrate how macroeconomic conditions influence the outcomes of trade policies. A quantitative approach is employed using panel data regression, combining cross-sectional data from 14 countries and times series data from January 2019 to December 2025. The data are analyzed using a Fixed Effect Model (FEM) with robust standard errors to ensure reliable estimation. The results show that the countries subjected to safeguard policy (BMTP) is associated with lower import volumes, even though the effect is not statistically significant. Meanwhile, exchange rates and inflation have a positive and significant impact on import volume, indicating that macroeconomic conditions play a crucial role in shaping import dynamics. Simultaneously, all variables significantly affect import volume, highlighting the interaction between safeguard policy and macroeconomic factors. These results indicate that the effectiveness of trade policy cannot be separated from macroeconomic context. These findings contribute to the literature by providing empirical evidence on the limited effectiveness of trade protection policies when not supported by stable macroeconomic stability and industrial development. Practically, the study suggests that policymakers should complement protectionist measures with macroeconomic strategies and industrial capacity building.

Keywords:
Safeguard policy; BMTP; Import; Exchange Rate; Inflation; Textile.

1. INTRODUCTION

International trade serves as a fundamental pillar of the global economy, enabling countries to access goods and services at more competitive prices through import and export activities, while simultaneously increasing product variety and facilitating technology and innovation transfer between trading partners (De Zwart et al., 2024). The theoretical foundation of international trade rests on comparative advantage, wherein countries export commodities produced efficiently and import goods that cannot be optimally supplied domestically, as explained in the Heckscher-Ohlin model (Krugman et al., 2018). This mechanism promotes economic efficiency at the global level and contributes to overall welfare gains for trading nations. However, these benefits are not uniformly distributed across sectors or uncontrolled import flows may create an unbalanced competitive environment for domestic industries, particularly those producing similar goods while facing technological disadvantages within their sectors. As such, this situation generates significant

pressure on domestic firms, employment, and related industries, necessitating strategic trade protection policies to safeguard domestic industrial competitiveness during adjustment periods.

Trade protection has become an increasingly important policy tool in developing economies as they face stronger global competition. Although, the World Trade Organization (WTO) supports trade liberalization, it also allows countries to temporarily protect their local industries in certain situations. These measures allow countries to limit import by increasing tarrifs or setting quotas, when sudden surge of foreign products threaten domestic producers (Abboushi, 2010; Suhendra, 2021). Some developing countries such as China, India, Vietnam, and Indonesia, have used these safeguards measures to protect their growing industries. The goal is not just to reduce imports, but also give local businesses time strengthen their competitiveness. However, the effectiveness of these policies is still uncertain, as it varies across different contexts and outcomes. These measures may help domestic industries grow in some conditions, but in others they may only provide short-term protection without improving long-term competitiveness. As such, it is important to study how these policies work in different economies, so governments can find the right balance between international trade rules and protecting their local industries.

Indonesia presents a particularly important case study for examining safeguard policy effectiveness. As the largest economy in Southeast Asia and a major player in global textile manufacturing, Indonesia's policy decisions have significant regional and international implications (Sarasi et al., 2024). The Textile and Textile Products (TPT) industry represents a critical sector in Indonesia's economy, ranking as the fifth-largest manufacturing sector and providing employment for approximately 3.7 million workers (Ministry of Industry, Indonesia, 2021). Beyond employment, the TPT sector contributes substantially to export revenues, industrial value-added, and foreign exchange earnings. For decades, the textile industry has served as a foundation for industrial development and poverty reduction in Indonesia, particularly in rural areas where textile manufacturing provides crucial livelihood opportunities. Despite its strategic importance, the TPT industry faces mounting pressures from global competition, particularly from countries with lower labor costs and more advanced manufacturing technologies.

The structural vulnerability of Indonesia's textile industry lies in its high dependence on imported raw materials. The upstream and downstream segments of this sector, such as fiber production and yarn manufacturing are heavily reliant on imported materials, including cotton, fiber, synthetic fiber, yarn, and semi-finished fabrics. According to data from Indonesia's Central Statistics Agency (BPS), approximately 67.86% of fabric imports originate from China, reflecting both the comparative cost advantages and the established supply chain relationships between Indonesian manufacturers and Chinese suppliers (CNBC, 2019). More concerning, imports experienced a dramatic surge between 2016 and 2018, increasing by 23.8% during this period. This sustained import growth reflects the significantly lower prices of imported products compared to domestic alternatives, creating powerful incentives for downstream industries to use foreign materials rather than domestic supplies. Lower input costs resulting from cheaper imports enable downstream firms, particularly the clothing and apparel sectors to enhance their price competitiveness in domestic and international markets (Nurkomariyah & Tyasti, 2022). However, this structure creates a problematic dynamic in which downstream industries benefit from import liberalization, while upstream producers face increasingly intense competitive pressure and declining profitability.

As response to this import surge and its potential threat to domestic textile producers, the Indonesian government implemented a comprehensive safeguard policy in the form of Safeguard Import Duties (BMTP-Bea Masuk Tambahan Pengamanan) beginning in November 2019. This policy was established through Minister of Finance Regulation No. 162/PMK.010/2019, which imposed additional import duties on textile products comprising 107 tariff codes across HS (Harmonized System) codes 52, 54, 55, 58, and 60. The initial safeguard measures were intended to operate for 200 days, from November 9, 2019 to May 26, 2020. However, recognizing the continued need for protection, the government extended this policy through Minister of Finance Regulation No. 55/PMK.010/2020. Subsequently, the government made strategic adjustments through Minister of Finance Regulation No. 78/PMK.010/2021, which modified the exemption list by removing several countries from preferential treatment. Additional refinements were implemented through Minister of Finance Regulation No. 34/PMK.010/2022. Most recently, the government re-established and extended the BMTP policy through Minister of Finance Regulation No. 48/PMK.010/2024, which extends protection measures through August 2027, representing a multi-year commitment to safeguarding the domestic textile industry.

Safeguard measures, as defined by the WTO Agreement on Safeguards (GATT Article XIX, 1994), operate as emergency trade protection instruments designed to provide temporary relief when a product experiences a sudden surge in imports that threatens to cause substantial injury to domestic producers (Pesulima, 2017; Rachmawati & Indrasari, 2017). Unlike permanent tariffs or trade agreements, which form part of a country's legal framework, safeguard measures are explicitly temporary and must be applied without discrimination (with limited exceptions). These measures serve as an essential safeguard in a rules-based international trading system, recognizing that a rapid surge in imports can pose adjustment challenges for domestic industries. The Temporary Safeguard Policy is an example of such temporary protection, intended to provide the domestic textile industry with the necessary adjustment period to reorganize production, invest in technology, improve quality standards, and ultimately build sustainable competitiveness

in the global market (Suhendra, 2021). The logic underlying this policy assumes that with temporary protection from import competition, domestic firms will undertake structural improvements that will enable them to compete effectively once the safeguard measures expire.

Empirical research examining safeguard policy effectiveness in Indonesia presents mixed findings. Rachmawati & Indrasari, (2017) found that safeguard measures on zinc-aluminium-coated steel products significantly strengthened industry competitiveness and facilitated structural improvements in the protected sector. Similarly, Anam and Solikin (2020) demonstrated that safeguard import duties substantially reduced import volumes for protected products, as the tariffs increased relative prices of imported goods and made domestic alternatives more price-competitive. These studies provide encouraging evidence that safeguard protection can achieve its primary objective of reducing import volumes. However, Nurkomariyah & Tyasti (2022), examining the textile industry specifically, found more nuanced results, while the BMTP policy successfully suppressed imports, it has not yet generated significant improvements in global market competitiveness for textile products. These findings provide evidence that safeguard protection achieve its primary objective of redung impor volumes. However, research examining whether import volumes differ significantly among specific countries of origin subject to different safeguard treatments remains limited. This study aims to fill that gap by investigating whether textile fabric imports from countries subject to BMTP differ from those from countries not subject to it.

Additionally, the interaction between trade policy instruments and macroeconomic variables remains underexplored in the Indonesian textile context**.** Exchange rate fluctuations and inflation rates significantly influence import dynamics (Suryanto & Kurniati, 2022), yet limited research systematically investigates their interaction with safeguard policies. An exchange rate is the value of one country's currency relative to another country's currency used in international transaction and serves as a key indicator in determining the relative prices of imported goods compared to domestic goods (Suryanto & Kurniati, 2022). The rupiah exchange rate is tied to the US dollar (USD), and fluctuations in this rate affect export and import performance. If the exchange rate increases (the rupiah weakens), the price of imported goods becomes more expensive, which can reduce import volumes, though goods become cheaper in international markets. Conversely, if the exchange rate decreases (the rupiah strengthens), the prices of imported goods become cheaper, which tends to increase import volumes while making export less competitive (Br Silitonga et al., 2019; Dewi et al., 2025). Several previous studies have shown that exchange rate has a negative but insignificant effect on import volumes in Indonesia, where an appreciation in a country's currency expands import activities, leading to an increase in import volumes (Fan et al., 2018; Kurniasari & Lisa, 2019).

Furthermore, inflation is also a key factor influencing international trade through changes in consume purchasing power and domestic productions costs. High domestic inflation causes raw material prices to become more expensive relative to imported goods, leading producers to reduce output, which in turn results has led to a decline in export volume and competitiveness (Purwanti et al., 2014). On the other hand, high inflation also tends to increase import volumes, this occurs because domestic goods become more expensive, leading economic players to prefer cheaper foreign products (Don Sama Lelo et al., 2018). Consequently, demand for imported goods increases, and import volume tend to rise. Romer, (1993) also argues that in an open economy, changes in domestic prices are heavily influenced by trade openness, high inflation increases reliance on imported goods due to relative price differentials. However, the findings of this research are not entirely consistent. The study by Batubara et al., (2023) show that the exchange rate and inflation do not have a significant effect on imports when considered individually, but they do have a significant effect when considered simultaneously. This difference in findings indicates that the impact of macroeconomic variable on imports remains empirical and depends on economic conditions, industry structure, and the observation periode. As such, this study will re-examine the impact of exchange rate and inflation on import volumes, particularly on Indonesia's textile industry, which relies heavily on imported raw materials. Overall, this study considers combination and interactive effects of trade policy instruments, especially safeguard measures (BMTP), interact with macroeconomic variables in influencing import volumes. This approach is important to provide a more complete understanding of policy effectiveness.

As such, based on above discussion and addressing those gaps, this study focuses on the key issue of how effective the BMTP policy is in controlling imports, both directly and through its interaction with macroeconomic factors. Therefore, this study develops the following research hypotheses:

H1 : There is a difference in the volume of imports between countries affected by and those not affected by safeguard policy (BMTP)

H2 : The exchange rate influences the volume of textile imports in Indonesia

H3 : The inflation rate influences the volume of textile imports in Indonesia

H4 : The BMTP dummy variable, the exchange rate, and inflation simultaneously influence the volume of textile imports in Indonesia

By integrating trade policy analysis with macroeconomic variables in a developing country context, this study contributes to the literature on safeguard policy effectiveness and import dynamics in ways that address current theoretical and empirical gaps.

This research provides practical implications for policymakers by delivering evidence-based insights to evaluate and refine trade protection measures, particularly in enhancing the competitiveness and resilience of the domestic textile industry. In addition to Indonesia, these findings have implications for other developing countries that are striving to balance trade obligations with the protection of domestic industries during periods of structural transformation. This paper is structured as follows: The methodology section details the research design, data collection, and analytical methods employed. The results section presents the key findings, followed by a discussion of their implications in the discussion section. Finally, the conclusion summarizes the main findings and offers recommendations for future research and practice.

2. RESEARCH METHOD

This study employs a quantitative research design using panel data regression analysis to examine the causal relationship between safeguard import duties (BMTP), macroeconomic variables (exchange rate and inflation), and import volumes. The panel data approach is particularly suitable for this study as it combines cross-sectional variation across countries with temporal variation across monthly observations, thereby enabling the analysis of both time-invariant and time-varying effects (Bell & Jones, 2015). The study focuses on textile fabric products subject to Indonesia's safeguard import duty policy, specifically those classifie under 107 tarrif codes as stipulated in the Indonesian Ministry of Finance Regulations. The population includes all countris exporting textile products (fabric) to Indonesia. The sample is selected using a purposive sampling method, based on the following criteria: (1) countries rank among the largest textile fabric exporters to Indonesia; (2) countries subject to BMTP safeguard duties; (3) countries not subject to BMTP safeguard duties; and (4) countries with complete monthly data availability for the entire observation period (January 2019 through December 2025). This multi-tiered selection ensures representativeness across policy-affected and non-affected exporters, thereby enabling rigorous comparative analysis of BMTP policy effects. Based on these criteria, a final sample of 14 countries is included in the analysis, representing approximately 85% of Indonesia's textile fabric imports by value during the study period. The balanced panel structure contains 14 countries times 84 months, equal to 1,176 observations.

This study utilizes secondary data from official, authoritative and publicy accessible sources, ensuring data reliability and objectivity. The specific data sources are as follows: (1) Central Bureau of Statistics of Indonesia (Badan Pusat Statistik), this source provide monthly textile import data (in USD), inflation data, and exchange rate data; (2) Regulations issued by the Minister of Finance regarding the safeguard policy (BMTP) for the textile sector, which specify the HS codes subject to BMTP and identify the countries subject to and exempt from such import duties. Previous studies have also utilized similar variables and data sources (Anam & Solikin, 2020; Don Sama Lelo et al., 2018; Fan et al., 2018; Kurniasari & Lisa, 2019; Purwanti et al., 2014).

Based on these data sources, all variables in this study are carefully defined and structured to ensure consistency and suitability for empirical analysis. The dependent variables is import volume, measured as the natural logarithm of monthly textile import (in USD) to reduce data skewness and facilitate the interpretation of results. The main independent variables include a BMTP policy dummy, which distinguishes between countries subject to safeguard measures and those that are not. The exchange rate, measured as the monthly average of IDR per USD, and the inflation rate, calculated as the monthly percentage change in the Consumer Price Index. These variables are selected to capture the effects of policy and macroeconomic fators on import volumes. The use of monthly data allows the analysis to better reflect short-term dynamics, including policy changes and macroeconomic fluctuations, during the observation period.

As such to test the hypotheses, the following panel regression model is employed :

$$ln(imporit) = \alpha_i + \beta_1 dummy\_bmtp_{it} + \beta_2\ exchange\ rate_{it} + \beta_3 inflation_{it} + \varepsilon_{it}$$

ln(imporit)	= natural logarithm of impor volume (USD) for country i at time t
α	= Country-specific intercepts (individual fixed effects)
$dummy\_bmtp_{it}$	= safeguard import duties (BMTP) dummy variable, 1: countries subject to BMTP, 0: countries not subject to BMTP
$Exchange\ rate_{it}$	= Exchange rate (IDR/USD)
$Inflation_{it}$	= Inflation rate
Eit	= Error
i	= cross-section (countries)
t	= time (monthly observations

The data is analyzed using panel data regression techniques, the analysis includes, first, model selection test (Common Effect Model, Fixed Model Effect, and Random Effect Model). Second, classical assumptions test and lastly hypothesis using t-test (partial effect) and F-test (simultaneous effect) (Al Aqilah & Setiawan,

2025). Statistical analysis is conducted using software sucah as Stata 19 to ensure accuracy and reproducibility. Data preparation includes data cleaning, tranformation, and coding of dummy variables.

3. RESULTS AND DISCUSSION

3.1. Descriptive Statistics Results

Table 1 presents descriptive statistics for the dataset comprising 1,176 observations. The average import value is 16.71 in log USD, with a standard deviation of 2.03. This indicates that, in general, the volume of textile imports is relatively stable, although there are variations between countries and over time. The minimum value is 10.81 for Sri Lanka, a country not subject to the BMTP policy, and the maximum is 22.39 for South Korea, which is subject to the BMTP policy. This indicates a significant difference in import volumes between observations. The exchange rate shows an average of 15,092 IDR/USD with a standard deviation of 878, ranging from 12,662 to 16,787, reflecting exchange rate fluctuations during the observation period. Average inflation stood at 0.23% per month, ranging from -0.76% in January 2025 to 1.65% in March 2025, reflecting periods of deflation and relatively high inflation. Furthermore, the BMTP dummy variable indicates that 53.4% of the observations are from countries affected by the BMTP policy, whilst 46.6% are not, providing a nearly balanced distribution between the two comparison groups.

Table 1. Descriptive Statistics Results

Variable	Obs	Mean	Std. De.	Min	Max
In_Impor	1,176	16.70776	2.030989	10.80803	22.39092
Dummy_bmtp	1,176	.5340136	.499054	0	1
Kurs	1,176	15092.21	878.1023	13662	16787
Inflasi_num	1,176	.222619	.3499008	-.76	1.65

3.2. Model Selection

Table 2 shows the results of the panel data selection tests conducted using three tests: the Chow Test, the Hausman Test, and the Lagrange Multiplier (LM) Test (Al Aqilah & Setiawan, 2025). The results of the Chow Test indicate that the probability value of 0.0000 is less than 0.05, suggesting that the Fixed Effects model is preferable to the Random Effects model. Furthermore, the results of the Hausman Test show a probability value of 0.0003, which is also smaller than 0.05, meaning that the Fixed Effects model is more appropriate than the Random Effects model. Meanwhile, the results of the LM Test show a probability of 0.0000, meaning that the Random Effects model is better than the Common Effects model.

Based on these three tests, it can be concluded that the most appropriate model to use in this study is the Fixed Effects Model (FEM), as it provides consistent estimates and is able to capture differences in characteristics between countries.

Table 2. Model Selection Test Results

Testing	P-Value	Conclusion
Chow Test	0.0000 < 0.05	FEM is better than CEM
Lagrange Multiplier Test	0.0000 < 0.05	REM is better than CEM
Hausman Test	0.0003 < 0.05	FEM is better than REM

3.3. Testing Classical Assumptions

In panel data analysis, tests of classical assumptions generally focus on three main issues, multicollinearity, heteroscedasticity, and autocorrelation, as panel data are vulnerable to these three problems. Classical assumption test is conducted to assess whether there are any issues in the regression model that could affect the regression results (Mardiatmoko, 2020). In table 3, the multicollinearity test using the Variance Inflation Factor (VIF) shows a mean VIF of 1.03, which is less than 5, indicating no multicollinearity issues. The heteroscedasticity test using the Modified Wald Test yields a p-value of 0.0000, indicating the presence of heteroscedasticity in the residuals. The autocorrelation test use residual correlation analysis shows a value of r = 0.8082, indicating significant autocorrelation, which is common in panel series data. As such, addressing the presence of heteroscedasticity and autocorrelation, the model is estimated using a robust standard model using country-level clustering to ensure the validity of statistical inference (Mahrani et al., 2025; Moody & Marvell, 2020). This approach corrects for bias in the standard errors and produces valid t-statistics and p-values (table 3).

Table 3. Testing Classical Assumptions

No	Testing Classical Assumptions	Method	Result	Conclusion
1	Multicollinearity	Variance Inflation Factor (VIF)	Mean VIF = 1,03 (< 5)	There is no multicollinearity
2	Heteroscedasticity	Modified Wald Test	Prob > chi2 = 0,0000	There is heteroscedasticity
3	Autocorrelation	Residual correlation	r = 0,8082 (nearly 1)	There is autocorrelation

3.4. Regression Test Results

Table 4. Regression Test Results

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Fixed-effects (within) regression               Number of obs     =       1,176
Group variable: id_negara                       Number of groups  =          14

R-squared:                                      Obs per group:
     Within  = 0.1988                                         min =          84
     Between = 0.4039                                         avg =        84.0
     Overall = 0.0172                                         max =          84

                                                F(3, 13)          =        8.20
corr(u_i, Xb) = -0.1803                         Prob > F          =      0.0025

                                (Std. err. adjusted for 14 clusters in id_negara)
------------------------------------------------------------------------------
             |               Robust
    ln_impor |      Coef.   Std. err.      t    P>|t|     [95% conf. interval]
-------------+----------------------------------------------------------------
 dummy_bmtp  |  -.3717524   .1902033    -1.95   0.072    -.7826617    .0391569
        kurs |   .0006613   .0001633     4.05   0.001     .0003085     .001014
inflasi_num |   .1597756   .0403633     3.96   0.002     .0725761    .2469751
       _cons |   6.890603   2.403926     2.87   0.013     1.697236    12.08397
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Based on the estimates from a fixed effects model with a robust standard model using country-level clustering, as shown in Table 4. Hypothesis 1 indicates that the coefficient for the BMTP dummy variable is negative at -0.3717, with a p-value of 0.072. This suggests that countries subject to the BMTP policy tend to have lower import volumes than those not subject to the BMTP. In the log-linear model, this coefficient indicates that the implementation of the BMTP policy is associated with a reduction in import volume of approximately 31%. However, this effect is not significant at the 5% significance level, so it is not yet statistically robust. Therefore, H1 is not strongly supported, meaning there is not yet sufficient evidence of a difference in import volumes between countries subject to and not subject to BMTP at the conventional significance level. Moreover, Hypothehsis 2 indicates that the exchange rate variables has a positive and significant effect on import volume, with a coefficient of 0,0006613 and a p-value of 0,001. This suggests that a one-unit increases in the exchange rate will increase import volume by approximately 0,066%. As such, H2 is accepted. The hypothesis 3 also suggests that the inflation variable shows a positive and significant effort on impor volume, with a coefficient of 0,1598 and a p-value of 0,002. This indicates that an increase in inflation tends to be followed by an increase in import volume. Lastly, Hypothesis 4 indicates, the results of the F-test show a Prob > F value of 0,0025, which less than 0,05. This suggests that the dummy_bmtp, exchange rate, and inflation variables simultaneously have a significant effect on import volume. Consequently, H4 is accepted.

Simultaneously, the test results show that the independent variable have a significant effect on import volumes, as indicated by the F-test probability value of 0,0025. Thus, using the Fixed Effects regression with a robust standard error approach, the following regression equation is obtained:

$$\ln(impor_{it}) = \alpha\text{^}i - 0{,}3718\ dummy\_bmtp_{it} + 0{,}0006613\ exchange\ rate_{it} + 0{,}1598\ inflation_{it} + \varepsilon_{it}$$

3.5. Discussion

Safeguard Import Duties (Bea Masuk Tindakan Pengamanan or BMTP) are a safeguard instrument in international trade designed to protect domestic industries from harmful surges in imports. Within the framework of international trade theory, the imposition of tariffs increases the relative price of imported goods, thereby reducing demand for imports (Krugman et al., 2018). However, the results of the analysis show that the safeguard dummy variable has a negative but insignificant impact on import volumes, meaning that such policies are capable of reducing import volumes and that import values tend to be lower in countries that implement safeguard policies. This finding suggest that the safeguard policy has not yet been able to effectively curb imports in aggregate. Empirically, such condition may be explained by several mechanisms.

Firstly, in many developing countries, imports of raw materials and capital goods exhibit low price elasticity of demand. Ahmad et al. (2020) note that developing countries exhibit lower import elasticity compared to high-income countries, whilst Kee, Nicita, and Olarreaga (Grübler et al., 2022) found that the manufacturing sector exhibits even lower elasticity than other sectors. According to data from Indonesian Ministry of Trade (2022), around 60% of raw materials are imported with no viable domestic substitutes. Consequently, when additional import tariffs are imposed, imports do not decrease in proportion to the price increase because domestic production is fundamentally dependent on those imports. Secondly, the effectiveness of protectionist policies is often limited in the short term due to trade rigidities, such as long-term contracts and global supply chains. This means that adjustments in import volumes do not occur immediately after such policies are implemented (Bown, 2021). Thirdly, this situation may also have occurred because imports have shifted from countries affected by the safeguard measures to other countries not affected by them. This suspicion arises because, in the early stages of the policy's implementation, Vietnam and Malaysia were exempt from tariffs, whilst imports from both countries subsequently increased significantly. This may therefore indicate a shift in import sources, known as trade diversion. Jacob Viner Viner (2014) define trade diversion as a situation where tariff protection shifts trade towards less efficient suppliers within a preferential group. Contractor (2025) also emphasizes that when countries grant exemptions to certain suppliers, countries subject to tariffs experience a decline in imports whilst those exempted experience an increase, so that aggregate import volumes remain unchanged. Furthermore, another possible reason why the result is not significant is that the structure of the textile industry in Indonesia is heavily reliant on imports, consequently, when trade protection policies are introduced, they will not have the optimal effect in the short term (Hill, 2020).

Moreover, the effect of the exchange rate on import volume show that the exchange rate has a positive and significant effect on impot volume. This finding is inconsistent with some previous studies, but it is noteworthy because according to classical theory, the depreciation of exchange rate should reduce imports by increasing the price of foreign goods (Fan et al., 2018; Kurniasari & Lisa, 2019; Suryanto & Kurniati, 2022). As such, these contrasting empirical results reflect the structural conditions of the Indonesia economy, particularly in the textile industry, which is highly dependent on imported raw materials. Under such conditions, the exchange rate can have a positive effect on import due to the inelastic nature of import demand (Bahmani-Oskooee & Kara, 2005). A study by Bahmani-Oskooee & Hegerty, (2007) also confirm that the impact of exchange rates on trade can be positive, negative, or even insignificant, depending on market characteristics and the elasticity of demand. Other reasearchers have also noted that the exchange rate remains a primary determinant of trade, yet import responses are often influenced by other factors such as industrial needs, limitations of domestic substitutes, and import dependency (Baek et al., 2009; Hill, 2020). Thus, the textile industry in Indonesia is indicated to have dependency on raw materials, which causes import remain high despite the depreciation of exchange rate. This result is supported by Nurkomariyah & Tyasti (2022), which explains that Indonesia is positioned as an importing country based on Trade Specialization Index calculation.

Furthermore, the results of the inflation on import volumes also show positive and significant results, which is consistent with international economic theory. It is stating that an increase in domestic prices will boost demand for imported goods because they become more relatively cheaper compared to domestic ones. This finding is consistent with several previous studies, in which inflation caused a decline in local purchasing power and the local exchange rate, leading to shift toward cheaper imported goods (Don Sama Lelo et al., 2018). According to Bahmani-Oskooee & Kara (2005), changes in relative prices (including those caused by inflation) have a significant impact on import demand, particularly in the long run. However, the results of this study do not align with with some previous research emphasizing that inflation does not always increase imports. High inflation can actually constrain imports by reducing overall purchasing power

(Siregar & Rajaguru, 2005). This difference in results is likely due to the industries studied. In the context of textile industry in Indonesia, the findings confirm that inflation is a key factor driving an increase in import volumes, through the mechanism of substituting domestic goods with imported goods.

Lastly, the results of the simultaneous test of all independent variable indicate that BMTP, the exchange rate, and inflation collectively have a significant effect on import volume. This finding confirms that import dynamics cannot be explained by a single factor alone, but rather result from the interaction between trade policies and macroeconomic conditions that influence one another. A study by Bown & Crowley (2013) also state that trade policies such as tariff and safeguard not only directly affect import volume but also trigger adjustments in international trade patterns, including changes in the sources and directions of imports (trade diversion). This indicates that the impact of policies is heavily influenced by market responses and broader economic conditions. Furthermore, Bahmani-Oskooee & Kara (2005) emphasizes that macroeconomic factors such as exchange rates and changes in relative prices play a crucial role in determining import demand, particularly in the long run. Thus, trade policy cannot be separated from the underlying macroeconomic conditions.

4. CONCLUSION

This study aims to analyze the effectiveness of the safeguard policy (BMTP) in controlling import volumes of textile products in Indonesia and examine the influence of macroeconomic variables, namely exchange rates and inflation. The findings provide several important insights. First, the result indicate that the countries subject to the BMTP policy tend to have lower import volumes compared to those not subject to the policy. However, the effect of BMTP in reducing import volume is not significant, suggesting that while the policy may contribute to import control, its effectiveness remains limited. Second, the exchange rate is found to have positive and significant effect, implies that an increase in the exchange rate is associated with higher import volumes. This finding contrast with classical economy theory, indicating the presence of structural characteristics in Indonesia's textile industry, particularly its dependence on imported raw materials, which weakens the expected negative relationship. Third, inflation has a positve and significant effect on import volume, indicating that higher domestic prices encourage increased imports. This result is consistent with economic theory, where rising domestic prices lead to a shift in consumption toward relatively cheaper imported goods. Fourth, the simultaneous test shows that all independent variables have a significant effect on import volumes. This findings highlight that import dynamics are not determined by trade policy alone but are the result of interactions between policy instruments and macroeconomic conditions.

Based on these findings, several recommendation can be proposed. Policymakers or government should not rely solely on safeguard protection but also focus on improving domestic industrial competitiveness, reducing dependency on imported raw materials, and maintaining macroeconomic stability. Future research is encouraged to conduct a comparative analysis between the periods before and after the implementation of safeguard policy, particularly by considering policy extensions. Moreover, this study is subject to several limitations, such as (1) limited number of sample countries; (2) macroeconomic variables used are still limited, which could potentially lead to omitted variable bias. Other important factors such as economic growth (GDP), domestic prices and trade openness have not yet been included in the model, even though these variables may also influence import dynamics; (3) this analysis uses regression analysis only and has not yet directly tested the difference in average imports between countries subject to and not subject to the safeguard policy. These limitations may affect the generalizability of the findings. Future studies may expand the scope of analysis by including more countries, longer time periods, variables or alternative methodological approaches.

In conclusion, this study emphasize that the effectiveness of safeguard policy depends not only on the policy itself but also on the broader economic environment and industrial structure. Therefore, a comprehensive and integrated policy approach is required to ensure sustainable import control and strengthen domestic industry competitiveness.

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