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MSME Strategies in Facing the Global Trade Tariff War

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Abstract: The global trade tariff war triggered by protectionist policies between countries has had a significant impact on the sustainability of micro, small, and medium enterprises (MSMEs). As a sector that contributes significantly to the Indonesian economy, MSMEs face challenges in the form of rising production costs due to import tariffs on raw materials, decreased competitiveness of export products, and global market uncertainty. This study uses qualitative methods with a literature review to analyze the impact of the global trade tariff war on MSMEs and formulate adaptive strategies that can be taken. The analysis results show that the main strategies that MSMEs can implement include market diversification, domestic market optimization, digitalization and utilization of e-commerce, product innovation based on local wisdom, increased production efficiency, and collaboration with the government and the private sector. By implementing these strategies, MSMEs are expected to be able to survive, be competitive, and continue to contribute as a main pillar of the national economy amidst global trade uncertainty.

Keyword: MSMEs, Trade Tariff Wars, Protectionism, Adaptive Strategies, Competitiveness.

INTRODUCTION

Global trade tariff wars are an increasingly frequent phenomenon as global economic rivalry between countries intensifies. Protectionist policies, manifested in the form of increased import duties, import tariffs, and other non-tariff barriers, create uncertainty in international trade flows. This situation not only affects large economies but also has a significant impact on developing countries like Indonesia, particularly the micro, small, and medium enterprise (MSME) sector.

MSMEs play a strategic role in the national economy. According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to Indonesia's Gross Domestic Product (GDP) and employ over 97% of the workforce. With such a significant role, the sustainability of MSMEs is crucial for national economic stability and growth. However, limited capital, access to technology, and dependence on imported raw materials make MSMEs vulnerable to global trade volatility.

In the context of tariff wars, MSMEs face challenges such as rising production costs due to expensive imported raw materials, reduced competitiveness of export products due to high import duties in destination countries, and changes in consumer consumption patterns

influenced by protectionist policies. On the other hand, this situation also opens up opportunities for MSMEs to strengthen their domestic markets, increase locally-based product innovation, and leverage digitalization as a bridge to alternative global markets.

Therefore, it is crucial to formulate appropriate strategies to enable MSMEs to survive and adapt amidst global uncertainty. This paper aims to discuss the impact of global trade tariff wars on MSMEs and offer strategies that can be implemented to ensure they remain competitive, resilient, and sustainable in both international and domestic markets.

The global trade tariff war presents both challenges and opportunities for Indonesian MSMEs. Challenges arise from rising production costs due to raw material import tariffs, decreased export competitiveness, and uncertainty in global demand. However, this situation can also provide momentum for MSMEs to strengthen their domestic markets, innovate in developing locally-based products, and utilize digital technology in marketing and distribution.

Based on the Resource-Based View (RBV) theory, MSMEs can increase their competitiveness by optimizing their internal resources, such as creativity, local wisdom, and business flexibility. Furthermore, a collaborative approach through partnerships with the government, financial institutions, and large corporations can expand distribution networks and increase business resilience amidst global dynamics.

METHOD

This research uses a qualitative approach with a literature review. This methodology was chosen to gain a comprehensive understanding of the impact of the global trade tariff war on MSMEs and the strategies that can be implemented to address it.

1. Type of Research

This research is descriptive-analytical, describing the phenomena that occur (descriptive) while simultaneously analyzing the causal factors and relevant strategic alternatives (analytical).

2. Data Sources

The data sources used in this paper consist of:

- Secondary Data, obtained from: 1) Textbooks related to international economics, MSMEs, and trade policy. 2) National and international scientific journals. 3) Official reports from international institutions such as the World Bank, OECD, and WTO. 4) Government documents, such as reports from the Ministry of Cooperatives and SMEs and the Ministry of Trade. 5) Relevant news articles and online publications.

3. Data Collection Techniques

Data were collected through a literature review by reviewing relevant literature on the topics of international trade, tariff wars, and strategies for strengthening MSMEs.

4. Data Analysis Techniques

The collected data was analyzed using descriptive qualitative analysis methods, namely:

- 1) Identifying the phenomenon of global trade tariff wars and their impact on MSMEs.
- 2) Classifying the challenges faced by MSMEs.
- 3) Formulating adaptive strategies based on theory, previous research, and the actual conditions of MSMEs in Indonesia.

RESULTS AND DISCUSSION

1. Impact of the Global Trade Tariff War on MSMEs

The global trade tariff war has had various direct and indirect impacts on MSMEs in Indonesia. Some of the main impacts are:

a. Increased Raw Material Prices

Most MSMEs still rely on imported raw materials, especially in the manufacturing, textile, and food sectors. Increased import tariffs increase production costs, making MSME products less competitive.

b. Decreased Export Competitiveness

Export-oriented MSMEs face higher import duties in destination countries. This makes MSME products less competitive than products from other countries with cheaper market access.

c. Global Market Uncertainty

Fluctuations in international trade due to the tariff war create demand uncertainty. Small-scale MSMEs struggle to adjust production volumes, risking losses.

d. Shifting Consumer Preferences

Protectionist policies can encourage consumers to prefer local products. This presents an opportunity for MSMEs in the domestic market, but requires improvements in product quality and standards.

2. Key Challenges Faced by MSMEs

In addition to direct impacts, MSMEs face a number of structural challenges, including:

1) Limited Access to Capital: Many MSMEs lack sufficient capital to innovate or expand their markets. 2) Lack of Technology and Digitalization: Low technology adoption leaves MSMEs lagging behind in production and marketing efficiency. 3) Lack of Certification and Quality Standards: MSME products often do not meet international standards, making it difficult to enter export markets. 4) Limited Distribution Networks: MSMEs generally rely solely on local or traditional markets.

3. MSME Strategies in Facing the Global Trade Tariff War

a. Export Market Diversification

MSMEs need to reduce their dependence on a single export market. For example, if the American or Chinese markets are difficult to access due to high tariffs, MSMEs can target ASEAN, the Middle East, or Africa, which tend to have looser regulations.

b. Domestic Market Optimization

With a population of over 270 million, Indonesia's domestic market holds enormous potential. MSMEs need to strengthen product branding, improve quality, and capitalize on the "proud of local products" trend to expand their sales reach.

c. Digitalization and E-Commerce

Utilizing digital platforms, global and local marketplaces, and social media can be a solution to expand the market without relying on traditional intermediaries.

d. Product Innovation and Production Efficiency

MSMEs can create products based on local wisdom that are unique and difficult to imitate. Furthermore, implementing simple but efficient production technologies will reduce dependence on imported raw materials.

e. Collaboration and Partnerships

MSMEs can establish partnerships with large companies to expand their supply chains, and collaborate with government and financial institutions to gain access to capital, training, and promotion.

f. Utilizing Government Policies

The Indonesian government provides various programs to strengthen MSMEs, such as financing through the People's Business Credit (KUR), digitalization training, and facilitating international certification. MSMEs need to proactively utilize these programs.

CONCLUSION

The global trade war has had a significant impact on MSMEs in Indonesia, particularly through rising raw material prices, reduced export competitiveness, and global market uncertainty. However, this situation not only presents challenges but also opens up opportunities for MSMEs to strengthen domestic markets, improve product quality, and leverage digitalization.

Strategies that MSMEs can adopt include: diversifying export markets, optimizing the domestic market, digitalization and e-commerce, product innovation, production efficiency,

collaboration with various parties, and utilizing government policies. With these strategic steps, MSMEs are expected to survive, adapt, and remain a key pillar of the national economy despite global uncertainty.

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