

LAB 45 — TELAAH KEBIJAKAN

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The Hidden Cost of Gender Equality from Trump's Tariff

In the past three weeks, world leaders have been forced to deal with a similar issue, which is the United States' (US) aggressive tariff policy. The President of the US, Donald Trump, unleashed his "liberation tariff" strategy on 2nd April 2025, imposing an import tariff on all US trading partners with a 10% minimum rate. Due to tariffs, UN Trade and Development (UNCTAD) projected that global economic growth is expected to slow from 3% to 2,3% in 2025. Citizens in developing countries, particularly women, will be the most affected.

Reports by the World Bank and World Trade Organization (WTO) in 2020 showed that, historically, countries with higher trade-to-GDP ratios have better levels of gender equality. When firms engage in global competition, the cost of discriminating against women in the labor force is raised. Firms that are part of the global market employ 9% more female workers with better wages and secure jobs. Increasing women's income may expand their access to better education, healthcare, and financial services.

Trump's tariff not only threatens to stall but potentially reverse the advancement of gender equality. Indonesia's female workers in the manufacturing sector, especially garment, textile, and footwear, may also suffer from the US import tariff. According to the Trade Map data, apparel and footwear are among the top six US most imported goods from Indonesia. The US market accounts for 61% of Indonesia's textile and 30% of its footwear exports. Before announcing the 32% tariff for Indonesia, both textile and footwear already faced 14% and 12% import tariffs, respectively. Assuming the latest tariff is still in place, the effective rate on Indonesia's textiles and footwear could soar to nearly 46%. Eroding Indonesia's competitiveness in the US market.

Indonesia's Statistical Bureau (BPS) reported that most women work in the manufacturing sector, with approximately 4,5 million or 19,57% of female labor force. Many of them are involved in garments (2%), textiles (0,75%), footwear (0,66%), wood processing (1,06%), furniture (0,61%), and food production (4%). Thus, any increase in US tariff may accelerate layoffs in Indonesia's textile industry, with women



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potentially being the most affected.

Besides being affected by potential lower demand, Indonesia's market has to compete with cheaper goods from countries renowned for their competitive textile products, such as China, Bangladesh, and Vietnam. Dumping has become a potential practice adopted by countries seeking new alternative markets. During the US-China tariff war era 1.0 in 2018, which disrupted the local market as industries struggled to respond to the surge of imported products. The situation led to reductions in working hours, wage stagnation, and even massive layoffs, resulting in women's welfare declining.

While facing external pressure, the government chooses a risky policy that may be counterproductive. Two days after Trump's tariff announcement, the President of Indonesia, Prabowo Subianto, explained the government's strategic mitigation policies: revoke import quota and local content requirement (TKDN). These two policies need a cautious formulation; if implemented recklessly it will massively blow the textile industry. National textile industry is already in its sunset phase. Indonesia's Filament Yarn and Manufacturers Association recorded that 60 textile companies went bankrupt in the last two years due to cost inefficiency. In July 2024, the Ministry of Industry reported increasing textile imports by 136.360 tons after Trade Minister Regulation 8 of 2024, while textile workers continued declining. The import policy makes investors reluctant to establish new factories due to product in-competitiveness. Thus, reckless deregulations will do more harm than good.

A lack of government oversight on this issue may lead to gender inequality in terms of income and general welfare. This could worsen the social structure and lead to exclusive socio-economic development. To navigate this challenge, the government could consider responses on two levels: global trade strategy and domestic industry policy.

Indonesia must optimize trade remedies schemes – anti-dumping, subsidies, and safeguard measures – to protect domestic industries from market distortions caused by unfair trade practices. Simultaneously, to absorb the tariff shock, a safety net for the impacted workers is essential. The government has already moved in this direction with the upcoming formation of a special task force (Satuan Tugas PHK).

For the medium to long-term strategy, if the government wants to save the textile industry, it must revamp the entire production chain while increases women's contribution to innovation and leadership. Reskilling programs are also required to support women's transition into emerging sectors, such as the health services, digital economy, and creative industries. Around 64,5% or up to 37 million MSME actors in Indonesia are women. Providing fiscal stimulus and establishing business incubators could be a key opportunity to ensure women benefit from a gender-responsive industrial development agenda.

Lastly, women are the backbone of enhancing family resilience; when their economic security is under threat, the well-being of the entire community is at stake. As late Kofi Annan once said, "There is no tool for development more effective than the empowerment of women." Therefore, a strong national industry should give respect to the rights of women workers. Without gender equality the idea of national welfare is only a great illusion.

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