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LEGAL PROTECTION OF SMALL AND MEDIUM INDUSTRIES IN DEALING WITH GLOBAL CHALLENGES

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ABSTRAC

Along with the era of globalization, free trade to enter the market of a country is marked by entry of goods from abroad and impact of one of them is to threaten the local industry. The aims of this research are: (1) to know the legal protection of small and medium industries in facing global challenges, (2) Gain way of developing the resources of small and medium industries in order to have competitiveness in global era. The type of research is normative research, type and source of data is secondary data and data source using literature study, data analysis technique using deduction logic. Conclusions: (1) small and medium industry protection policy through RIPIN, KIN and further elaborated in provincial and district government or city level; (2) In order to realize national industrial development objectives, SME development efforts need to be continuously carried out through development strategy through : Human Resource Development (HRD) Industry; Employment; Utilization of technology, innovation, and creativity.

Key Words: Legal Protection, Small Industry, Medium Industry

A. Introduction

The globalization of the economic field is marked by the emergence of several international multinational agreement agreements (GATT-PU General Agreement on Tariffs and Trade), AFTA, APEC, ASEAN Free Trade Area. GATT-PU approval signify the emergence of the era of world trade liberalization without protection and obstacles in enhancing the level of trade competition between business actors⁴.

For developing countries that are not ready to face globalization can hamper growth in the industrial sector. Economic globalization causes

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developing countries can no longer use high tariffs to protect newly developed industries (infant industry). Thus, relatively free foreign trade poses barriers to developing countries in advancing the industrial sector. In addition, increasing dependence on industries owned by multinational companies.

Small and medium industry sectors have an important role in encouraging the growth of the Indonesian economy, such as unemployment due to the unabsorbed labor force in the world of work is reduced. This sector has also proven to be a pillar of a tough economy that drives the surrounding economy, and become a motor of economic growth in the environment.

The lack of solid economic fundamentals of Indonesia at this time, encourage the government to continue to empower small and medium industries. This sector is able to absorb a large enough workforce and provide opportunities for small and medium industries to grow and compete with companies that are more likely to use capital (capital intensive). The existence of small and medium industries is undoubtedly proven to be able to survive and become the driving wheel of the economy, especially after the economic crisis. On the other hand, small and medium industries also face many problems, namely the limited working capital, low human resources, and the lack of mastery of science and technology.

Based on the above background the authors are interested to examine the legal protection that has been implemented by the government to protect small and medium industries in facing global challenges.

B. Formulation Of The Problem

1. What is the legal protection of small and medium industries in facing the challenges of globalization?
2. How is the development of small and medium industry resources in order to have competitiveness in the global era?

C. Aim of Research

1. Obtaining legal protection data on small and medium industries in facing the challenges of globalization being implemented.
2. Acquire ways of building the resources of small and medium industries in order to have competitiveness in the global era.

D. Discussions

1. Basic Law of Protection of Small and Medium Industry at National Level.

Law No. 3 of 2014 on Industry has placed the industry as one of the pillars of the economy and provided a substantial role for the government to promote the progress of the national industry in a planned manner. Such a role is necessary in directing the national economy to grow faster and catch up with other developed countries.

To strengthen and clarify the role of government in national industrial development, it is necessary to formulate a systematic, comprehensive and futuristic national industrial development plan in the form of the National Industrial Development Master Plan 2015-2035, hereinafter referred to as RIPIN 2015-2035.

The preparation of RIPIN 2015-2035 besides intended to implement the mandate of Article 9 of Law Number 3 Year 2014 on Industry is also intended to emphasize the seriousness of the government in realizing the objectives of the organization of industry, namely:

1. realize the national industry as a pillar and a driver of the national economy;
2. realize the depth and strength of industrial structure;
3. realize an independent, competitive, and advanced industry, as well as the Green Industry;
4. realize business certainty, fair competition, and prevent centralization or control of industry by a group or individuals that harm society;
5. open opportunities for employment and expansion of employment opportunities;

6. realizing the equitable distribution of industrial development throughout Indonesia to strengthen and strengthen national resilience; and
7. Increase prosperity and prosperity of society equally.

RIPIN 2015-2035 is prepared with attention to several aspects that have characteristics and relevance that is strong enough with the development of national industries related to industry sector, including:

- a. Increasing numbers, changing composition, and improving the welfare of the population.

The large population is a potential market for the consumer goods industry and its supporting industries, including component industries. Moreover, the composition of demographic structure of the larger productive age population is an opportunity for increasing national industrial productivity. This increase in market potential and productivity will affect welfare improvement through increased per capita income.

- b. Local wisdom growing in the community

Local wisdom is a cultural richness that grows and develops in society, and is a positive human behavior in dealing with nature and the surrounding environment that comes from the values of religion, customs or local culture, which naturally builds in a community to adapt to the environment surrounding.

- c. Technological development

Future technological developments will focus on nanotechnology, biotechnology, information technology and cognitive science, with a focus on energy, food, health and the environment. These developments will have an effect on the development of the national industrial sector so that it is necessary to prepare appropriate technology transfer and innovation technology and innovation systems, including increased research and development (R & D) financing, including synergy between government, employers and academics.

d. Globalization of production processes

Globalization has an impact on national industry engagement in the global supply chain where the creation of value added through the production process is spread across many countries. Component trading is predicted to further dominate the inter-state trade structure. The involvement of national industries in the global supply chain also has the potential for vulnerability to the world economic turmoil. Therefore, national self-reliance and resilience policy becomes very important in the future.

e. Scarcity of energy

The scarcity of energy has begun to be felt and to ensure the sustainability of industrial development requires a policy of saving and diversifying energy as well as greater attention to the development of renewable energy sources and cheap and safe nuclear energy.

f. Scarcity of non-renewable raw materials

The scarcity of petroleum as raw material for petrochemical industry has resulted in the industry being unable to operate again or operating at high cost so it is not competitive. This condition should be further anticipated by other upstream industries such as mineral-based industries, by strengthening R & D in order to use other raw materials, including using the recovery process

g. Increased Awareness of the Environment

To ensure the sustainability of the industrial sector in the future, the development of green industry (green industry) needs to be prioritized, among others through eco product regulation, the use of renewable energy and environmentally friendly, as well as hazardous materials.

h. Increasing demand for food

Food needs will increase in line with the increase in population, as well as the purchasing power and level of consumer education. These needs are not only in terms of quantity, but also in terms of quality, attractive, quick and practical presentation, as well as higher hygiene

standards and competitive and affordable pricing. The need for healthy, safe, and *halal* food products is also higher.

i. Manufacturing Paradigm

Changes in the manufacturing paradigm resulted in a mass manufacturing system transformation from mass production to mass customization, where the first concern was given to designing to produce product quality according to customer needs, followed by market considerations for price fixing, and investment aspects to define production costs. Thus, attention is given to the planning stage in order to meet market acceptability.

j. Outsourcing and Collaboration

The outsourcing process is an evolving alternative, even many industries in developed countries carrying out their entire manufacturing process in developing countries, otherwise known as industrial relocation, mean outsourcing not only to the whole process but also to the use of people outsourcing, .

5
k. Availability of competent workforce

The free labor market will be enforced in the ASEAN region with the establishment of the ASEAN Economic Community (MEA). To that end, the development of competent industrial workforce becomes an urgent need that is done through vocational education, education and training, apprenticeship, and supported by the enforcement of Indonesian National Work Competency Standards (SKKNI).

In an effort to realize RIPIN 2015-2035, the National Industrial Policy (KIN) is adopted for 5 (five) years and its operation is carried out through the Industrial Development Work Plan which is prepared for the validity period of 1 (one) year. RIPIN 2015-2035 and KIN are used as reference by ministers and heads of non-ministerial government agencies in determining sectoral policies related to the industry sector as outlined in their strategic plan documents in their respective duties as part of the National Medium Term Development Plan. In addition, RIPIN 2015-2035 and KIN are also used as a reference for governors

and regents / mayors in the preparation of regional industrial development plans both in the provincial scale and in the district / city scale.

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Based on National Industry Master Plan (RIPIN) and National Industrial Policy (KIN) and downgraded to Provincial Industrial Development Plans, and translated into District / Municipal Industrial Development Plans which are industrial plans that lower industrial policy from above and integrate it into policy related at the local level.

National Industrial Development Focus

Based on the criteria of the study in the drafting of the national industry master plan policy, ten priority industries are specified in the leading industries, supporting industries and upstream industries as follows:

Different	Covers
Industry mainstay	<ol style="list-style-type: none"> 1. Food Industry 2. Pharmaceutical Industry, Cosmetics and Medical Devices 3. Textile, Leather, Footwear and Multifarious Industries 4. Transportation Equipment Industry 5. Electronics and Telematics Industry / ICT 6. Energy Generating Industry
Supporting Industries	<ol style="list-style-type: none"> 1. Industrial Goods Capital, Components, Rescue Materials and Industrial Services
Upstream Industry	<ol style="list-style-type: none"> 1. Upstream agro industry 2. Basic Metal and Non Metal Metals Industry 3. Basic Chemical Industry Based on Oil and

	Gas and Coal
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In realizing the achievement of the national industrial development objectives, in the RIPIN document has been determined the implementation period of program strategies listed in the period of the first five years and the next twenty years.

With the focus of national industry development on three priority aspects as follows:

industry upstream-based agro, minerals, and oil and gas and deep coal reinforcement frame industrial structure through the development of upstream industries that are integrated the industry between and downstream industries

Enhancement industry capability through enhancement competence of human resources and mastery technology

Industrial development throughout the region Indonesia through regional development growth center industry (WPPI), designated area industry (KPI), industrial estate, and centers small industries and medium industries (Sentra IKM)

In an effort to synergize the policy from the central government level to the industrial regulatory policy at the regional level, Law No. 23 of 2014 on Regional Government Article 11 of the Regional Government Law paragraph (1) on the concurrent matters of regional government in the field of industry. Article 7 of Law Number 3 Year 2014 concerning Industry that the management of industry is carried out jointly between the government, provincial government, district or city government to be able to jointly build national industry

Based on the mandate of the law, each provincial government identifies the potential of the industry in its territory, and the district or city government also identifies the potential of small and entrepreneurial industries to formulate

industry policies with reference to ¹¹ the National Industrial Development Master Plan (RIPIN) and the National Industrial Policy (KIN).

2. Development of Small and Medium Enterprise Resources To Have Competitiveness in the Global Era.

Development of industrial resources is a requirement for industry growth. Without these resources then the industry certainly will not grow. Resources are not just natural resources (SDA), but also human resources (HR), capital resources, appropriate technology and other supporters. Therefore, the development of industrial resources is done through the development of industrial human resources; utilization, supply and distribution of natural resources; ⁹ development and utilization of industrial technology; development and utilization of creativity and innovation; provision of financing sources.

1. Development of Human Resource (HR) Industry.

Industrial actors are human resources, so in order to build a strong industry, a growing and emerging industry, a strong industrial human resource is needed as well, in the sense that industry players meet the needs of the industry itself both in quality and quantity. So there must be programs designed to ensure the availability of industrial human resources.

2. Utilization, Supply and Distribution of Natural Resources

Natural resources are the basis for industrial development so that various matters related to the utilization, supply and distribution of natural resources is crucial to the success of industrial development.

3. Development and utilization of industrial technology

Industrial development necessarily requires the ⁹ development and utilization of industrial technology to meet the standardization of products and production processes, as well as the efficiency and effectiveness of production. So there must be programs designed to ensure the ⁹ development and utilization of industrial technology.

4. Development and utilization of creativity and innovation.

To improve the competitiveness and aggressiveness of the market requires continuous creativity and innovation. So there must be programs that are designed to ensure the development of creativity and innovation of the industry.

5. Provision of financing sources

Financing is often a problem that constrains the growth of the industry. So there must be programs that are designed to ensure that the financing of the industry is not a problem. It's just that capital problems sometimes not merely on the presence or absence of capital, but on the management or financial management. The weak financial capital management available (especially in IKM) makes development often lead to failure. Therefore, it takes program 3 to ensure the effectiveness of capital culminate in the expected development.

6. ³Development ¹⁷industrial facilities and infrastructure

In addition to ³the development of industrial resources, ¹⁷the development of industrial facilities ^{and} infrastructure is also a determinant of the success of industrial development, and has always been a strategic issue that in fact is directly related to the success of industrial development. Therefore ⁴it is important to formulate the planning of development of facilities and infrastructure of this industry which is integrated with the Priority Industrial Development Action Plan above. It is also important to pay attention to issues and planning. ¹⁴The development of industrial facilities ¹⁴and infrastructure is at least done through the development of transportation facilities and infrastructure; water, electricity ^{and} telecommunications networks; and infrastructure / environmental management.

IKM development strategy

In order to realize the national industrial development objectives, SME development efforts should continue through the following development strategies:

3 1. Utilization of potential raw materials

Indonesia has a potential source of national raw materials, but is naturally located in dispersed locations. The utilization of these resources will be efficient if done on a certain economic scale (generally medium and large scale) which often require adequate facilities and infrastructure. Along with the construction of necessary facilities and infrastructure, in accordance with the scale of its operations, IKM can play a significant role as a pioneer by doing the processing that adds value to the raw materials.

2. Absorption of manpower

Behind the limitations of IKM in capital, IKM has the potential for employment in labor-intensive industries. Through the simple support of IKM centers, the preparation of new IKM operations and existing IKM development can be relatively easy to compare to large industries, potentially opening up wider employment in a relatively short period of time. However, this effort needs to be followed by increasing the competency of IKM workers directly through on-the-job training, both in managerial and technical aspects, which will have an effect on increasing the competitiveness of IKM.

3 3. Utilization of technology, innovation, and creativity

Technology is developed in various levels, from simple to sophisticated. A variety of simple technologies, proven to provide great benefits to applications in industries that have limited resources (raw materials, capital, and labor) but have a high level of innovation and creativity. Utilization of technology accompanied by innovation and creativity in accordance with IKM characteristics that have a high degree of flexibility. In this way, the IKM is capable of producing products with relatively low cost but with sufficient quality so that it can expand its market. The IKM development strategy needs to be complemented by efforts to overcome the weaknesses of IKM that is in the availability of capital and network development cooperation.

Industrial Development Strategy also needed some strategies include: (1) Identification of the needs of foreign market / customers (export market); (2) Synchronization of cultural events with the production of products from the creative industries (batik, garment, handicraft, food and souvenir) with the theme set forth in advance; (3) Improvement of the weakness of industrial entrepreneurs through the strengthening of industrial cluster institutions; (4) Improving the quality of the workforce and new entrepreneurs including foreign language proficiency; (5) IKM are encouraged for long-term relationships with customers (established modern and e-commerce stores); (6) Strengthening of internal cluster business system so as to make industrial cluster area become the center of growth of creative or tourism economy; (7) IKM / Cluster / cooperative relating to suppliers and customer relationships; (8) Enhanced business and financial management management capabilities; (9) Increased capacity of non-traditional sales media: WEB, National / international exhibitions; (10) Improvement of production process innovation capability so as to increase productivity and efficiency of production process; (11) Encouraging industries to improve the quality of products to obtain halal certification, environmentally friendly, healthy products (BPOM) and SNI, so as to enter the broad market.

Porter's theory of national competitiveness departs from his belief that the classical economic theory that explains the comparative advantage is insufficient, or even inappropriate. According to Porter, a country obtains a competitive advantage (CA) if the company (which exists in that country) is competitive. The competitiveness of a country is determined by the industry's ability to innovate and improve its capabilities. The company obtains (CA) because of the pressures and challenges. The company benefits from competition in the domestic market, aggressive domestic suppliers, and high demand local markets. Differences in national, cultural, economic, institutional, and historical values all contribute to the success of competition. Companies become competitive through innovations that can include technical improvements to the production process or product quality.

E. Conclusions

1. In an effort to realize a competitive industry in the global era, the government has implemented the National Industrial Development Master Plan (RIPIN) within 2015-2035. In order to realize RIPIN 2015-2035, the National Industry Policy (KIN) is set for 5 (five) years and its operations carried out through the Industrial Development Work Plan prepared for the validity period of 1 (one) year. RIPIN 2015-2035 and KIN are used as reference by the ministers and heads of non-ministerial government agencies in determining sectoral policies related to the industrial sector as outlined in the strategic plan documents in their respective duties as part of the National Medium Term Development Plan. In addition, RIPIN 2015-2035 and KIN are also used as a reference for governors and regents / mayors in the preparation of regional industrial development plans both in the provincial scale and in the district / city scale.
2. In order to realize the national industrial development objectives, SME development efforts should continue through the development strategy through: Human Resource Development (HR) Industry; Employment; Utilization of technology, innovation, and creativity.

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