

## ***Opportunities and Challenges: Exemption from Import Duty on Imported Palestinian Products to Indonesia Post Covid-19***

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### **Abstract**

*This journal discusses the opportunities and challenges faced by Indonesia in exempting import duties on imported Palestinian products after the COVID-19 pandemic. The pandemic has had a significant impact on the global economy, including international trade. Opportunities for Indonesia to expand imports of products from Palestine are something that needs to be explored. A number of challenges must be overcome in implementing the import duty exemption policy. Another challenge is ensuring that the import duty exemption does not harm local Indonesian producers and remains in line with national economic development policies. This research uses the SWOT analysis method to dig deeper into the opportunities and challenges that arise in the context of exemption from import duties on imported Palestinian products to Indonesia. It is hoped that the results of this research can contribute to further understanding of the dynamics of Indonesia's international trade, especially in relation to imported Palestinian products after the COVID-19 pandemic.*

**Keywords: Palestine, COVID-19, Import Duties**

### **1. Background**

International trade is a sale and purchase transaction of goods or services between countries through mutual agreement. Some countries that are not yet able to produce their own goods will receive assistance from other countries. This is what creates trade activities between countries. The aim of international trade is to obtain a high level of Gross Domestic Product (GDP) during a certain period. In the current era of globalization, international trade is developing rapidly into free trade, where commercial activities carried out freely from national borders can bring benefits to all parties involved. Since Indonesia's independence, when interacting with other countries, Indonesia has adhered to the principle of free and active foreign policy. One form of interaction is bilateral relations with Middle Eastern countries, such as Indonesia-Egypt to Indonesia-Palestine. Since the start of the COVID-19 pandemic, various countries around the world have experienced significant changes in economic dynamics and international trade. Indonesia is no exception, facing various challenges in maintaining the stability of its national economy. As part of post-pandemic economic recovery efforts, the Indonesian government continues to look for new opportunities to increase international trade and expand import networks.

Exemption from import duties on imported Palestinian products is an interesting topic to explore, especially considering the COVID-19 pandemic which has had a major impact on global trade dynamics. Limited resources and infrastructure in Palestine have become a limiting factor in developing product exports. In this context, exemption from import duties in Indonesia could be a significant boost for Palestinian businesses and open the door to closer economic cooperation between the two countries. In facing the post-COVID-19 reality, international economic cooperation becomes increasingly important. Indonesia has a strategic role as one of the countries with the largest economy in the region, while Palestine is a developing economic actor with the potential for superior products. Therefore, exemption from import duties can be considered a progressive step to strengthen bilateral relations and expand market access for Palestinian products in Indonesia. There is data on Palestinian imports to Indonesia after the pandemic from 2020-2023.

**Table 1. Data on Palestinian imports to Indonesia  
Imported Palestinian Goods to  
Indonesia 2020-2023**

Year	IMPORT
2020	166,476.80
2021	117,276.40
2022	124,535.20
2023	157,497.60

Source: Badan Pusat Statistik (BPS).

Based on import data from 2020 to 2023 (where COVID-19 occurred in March 2020 and ended in June 2023), the import value decreased insignificantly. In 2020 the import value reached US\$ 1.66 million, but in 2021 the level of import value decreased to US\$ 1.17 million and in 2022 there was a slight increase from the previous year, namely US\$ 1.25 million. In 2023, it is recorded that the value of Indonesia's imports from Palestine will only reach US\$ 1.57 million or the equivalent of Rp. 24.31 billion. The value of Indonesia's imports from Palestine was recorded to have increased compared to previous years. The goods or products imported by Palestine to Indonesia from January to October 2023 were fruit worth US\$ 1.43 million, as well as animal/vegetable fats and oils worth US\$ 100 thousand. Not only that, there are also works of art imported from Palestine to Indonesia, such as collector's items and antiques worth US\$ 20 thousand, as well as carpets and other textile floor coverings worth US\$ 10 thousand.

By detailing the economic background of the two countries and the existing regulatory framework, this research is expected to provide in-depth insight into the opportunities and challenges of import duty exemption for imported Palestinian products to Indonesia. Through a better understanding of the factors that influence the implementation of this policy, it is hoped that effective strategies can be identified to overcome obstacles that may arise and maximize the potential success of the policy steps taken.

#### ***Problem Formulation***

1. What is the impact of the COVID-19 pandemic on the dynamics of international trade in imported Palestinian products to Indonesia?
2. What is the potential contribution of imported Palestinian products to Indonesia's economic diversification and what are their unique characteristics that can support this potential?
3. What are the main obstacles and challenges faced in implementing import duty exemption for imported Palestinian products in Indonesia post COVID-19?

## **2. Literature Review**

### ***Market Opportunity Concept***

The concept of market opportunity in the context of importing Palestinian products to Indonesia post COVID-19 involves a number of factors that have a significant influence on demand. First, the uniqueness of Palestinian products, such as organic agricultural products or traditional handicrafts, can attract consumers looking for variety and added value. Second, consumer awareness regarding ethics and sustainability can be a key driver, where Palestinian products produced with these principles have greater opportunities in a market that is increasingly concerned about these aspects. Apart from that, economic factors also play an important role. National economic conditions and the stability of the Indonesian currency can affect people's purchasing power, so price policies and offering strategies for Palestinian products need to be adjusted.

Third, strict trade and food safety policies in the wake of the COVID-19 pandemic may present challenges or opportunities for Palestinian products, depending on the extent to which producers can meet these standards. Fourth, media and marketing channels also play a role in shaping consumer perceptions of Palestinian products. Effective marketing strategies, such as success stories of

Palestinian producers or sustainability campaigns, can increase product appeal. Finally, government policies regarding imports and providing incentives for certain products can be key factors influencing demand. Adjusting regulations to facilitate the entry of Palestinian products into the Indonesian market could open up great opportunities for the growth of this sector.

#### ***Logistics and Distribution Challenges Evaluation of Post-Pandemic Logistics Barriers.***

Logistics and distribution challenges that may arise post the COVID-19 pandemic could shape a more complex international trade landscape. First, there are obstacles related to the uncertainty of international transportation availability. Travel restrictions and security protocols can slow down delivery rates, increase logistics costs, and result in uncertainty regarding the arrival time of Palestinian products to Indonesia. Second, the logistics infrastructure in Palestine's home country can also be an inhibiting factor. The availability of limited transportation facilities or inadequately supported infrastructure can hinder the smooth distribution of products, extend lead times, and increase the risk of damage during transit. In addition, complex customs regulations and import procedures also pose significant challenges. An unclear understanding of Indonesian import regulations can cause delays in customs clearing, disrupt distribution flows, and affect the speed at which products reach final consumers.

The pandemic has also triggered an increase in demand for technology in the supply chain. The use of technology such as sophisticated tracking and inventory management systems can help overcome some logistics challenges. However, investing in this technology can also be a financial burden, especially for small or medium-sized producers from Palestine. Security of supply is becoming a greater focus in the wake of the pandemic, and innovation is needed to secure global supply chains. The risk of theft, fraud, or even political interference can pose significant obstacles to the distribution of imported Palestinian products. Additionally, fluctuations in currency exchange rates can provide additional challenges. Sudden changes in exchange rates can affect import costs and can cause financial instability for importers, including those importing Palestinian products. Facing post-pandemic logistics and distribution challenges, there needs to be collaboration between the government, manufacturers and logistics service providers to identify innovative solutions, ensure compliance with regulations and increase the competitiveness of imported Palestinian products in the Indonesian market.

#### ***Analysis of Import Duty Policy regarding Palestinian Products and Its Implications***

Analysis of import duty policies related to Palestinian products is a crucial aspect in understanding post-COVID-19 import dynamics. First, it is important to evaluate the tariff structure of import duties applied to Palestinian products. This tariff policy will influence the final price of products in the Indonesian market, and an in-depth understanding of the tariff amount and certain product categories is the main basis for identifying potential opportunities or obstacles. The implications of import duty policies can also be seen in the context of trade preferences. The existence of a preferential trade agreement between Indonesia and Palestine, if any, could provide a competitive advantage for Palestinian products compared to similar products from other countries. Analysis of the provisions and impacts of the agreement is essential in assessing the position of Palestinian products in the Indonesian market.

A deep understanding of import duty policies makes it possible to identify potential incentives or tax breaks provided by the government. The existence of these incentives can provide positive encouragement for Palestinian importers or producers, and conversely, unfavorable policies can become obstacles. It is also important to pay attention to regulations related to import duties which are dynamic and can change over time. Regular evaluation of these policies allows Palestinian manufacturers to respond quickly to changes, minimizing risks and maximizing opportunities that may arise.

Import duty policy implications must be related to compliance with international standards. Implementation of these standards is important to ensure that Palestinian products meet the specified requirements, so that they can be accepted in the Indonesian market without significant obstacles. Sustainability and ethical aspects can also be reflected in import duty policies. Palestinian products produced with sustainability principles can receive further support through import duty policies that support environmentally friendly products. In the overall analysis, it is worth highlighting that import

duty policies not only affect Palestinian imports directly but also contribute to forms of competition in the domestic market. Therefore, a holistic understanding of this policy is needed to formulate an effective strategy for Palestinian import stakeholders in Indonesia.

### 3. Research Methods

#### ***Research Approach***

This research uses a qualitative approach to understand in depth the impact of the COVID-19 pandemic on international trade, the contribution of imported Palestinian products to the diversification of the Indonesian economy, and the implementation of the import duty exemption policy. A qualitative approach is used to obtain a broad descriptive picture of complex phenomena (Moleog: 1995). This approach will enable researchers to understand the context holistically, and gain deep insights.

#### ***Research Design***

The research design used is a case study. The case study was chosen because it can provide a detailed and contextual picture regarding the opportunities and challenges of exempting import duties on imported Palestinian products to Indonesia. The selection of case studies also allows researchers to explore specific aspects of the phenomenon under study.

#### ***Research Location***



Image of Indonesian Map

Source: Google Maps

The main research location is Indonesia, which is involved in international trade policy and the implementation of import duty exemptions. Indonesia is a country that has many islands and is rich in resources. Indonesia is an archipelagic country with an area of 1,904,569 km<sup>2</sup>, apart from that, this country is also in the category of developing country with the fourth largest population in the world with 277,749,853 people.

#### ***Research Subjects***

The research subject involves various parties related to international trade, economic diversification, and import duty exemption policies in Indonesia. This includes representatives of relevant governments, business actors, exports and imports, as well as trade associations that play a role in regulation and policy implementation.

#### ***Data Collection Techniques***

Data collection was carried out through documentation studies. Documentation study is a research method that uses document analysis as the main source of data. Documents can be written texts, notes, reports, images, videos, or other recordings that contain information relevant to the research topic. This method includes collecting, selecting, analyzing, and interpreting these documents to gain a better understanding of a phenomenon or problem.

#### ***Data Analysis Procedures***

Data analysis is carried out using SWOT analysis with several factors which will be the object's strengths (strengths), object weaknesses (weaknesses), development opportunities (opportunities), and possible threats that will occur (threats) (Rangkuti: 2011). The SWOT matrix is a measuring tool for compiling a company's strategic factors. This clearly illustrates how the opportunities and challenges that the company will face are adjusted to the strengths and weaknesses of the company (Rangkuti, 2009: 31).

#### 4. Results and Discussion

##### ***Impact of the COVID-19 Pandemic on International Trade***

In this research, it was found that the COVID-19 pandemic has had a significant impact on international trade. Declining global demand, supply chain disruptions and changes in consumption patterns are the main adverse factors. Exports and imports of imported Palestinian products to Indonesia experienced a sharp decline during the initial period of the pandemic, causing new challenges for bilateral trade. Post-pandemic global supply chain disruptions have resulted in factory closures, restrictions on the movement of goods, and the cessation of economic activities. This can affect the availability of imported products and supply stability. Travel restrictions, business closures and global economic uncertainty led to a decline in consumer demand and exports. Countries face challenges in maintaining their export levels, and this may be a factor to consider in the context of import duty exemptions.

Some countries implement protectionist policies by increasing import duties or tightening trade rules to protect the domestic economy. Analysis of these policy changes can provide insight into the dynamics of post-pandemic international trade. The economic impact and changes in consumer behavior during the pandemic may change global consumption patterns. A study of these shifts can help understand how imported Palestinian products can compete or adapt to these new trends. Several countries have increased international cooperation to recover the economy after the pandemic. This factor could influence opportunities for economic cooperation between Indonesia and Palestine, including the possibility of exemption from import duties as part of global economic recovery steps.

##### ***Contribution of Imported Palestinian Products to Indonesian Economic Diversification***

The research results show that imported Palestinian products have great potential in diversifying the Indonesian economy. With its unique characteristics, such as organic agricultural products and traditional handicrafts, Palestine could be an attractive partner to help Indonesia reduce its dependence on certain economic sectors. This diversification is expected to provide long-term benefits in facing global economic risks.

Imported Palestinian products can open up opportunities to diversify the product portfolio in the Indonesian market. By introducing unique and typical Palestinian products, Indonesia can reduce dependence on certain types of products and create diversity in consumer choices. Imported Palestinian products, such as handicrafts and organic agricultural products, can contribute to Indonesia's efforts to develop a sustainable and environmentally friendly economic sector. Increased demand for these products can encourage the growth of economic sectors that are more sustainability oriented. By introducing imported Palestinian products that have high added value, Indonesia can enrich its economic structure. This increase in added value not only contributes to national income but also increases the competitiveness of Indonesian products in the global market.

Unique and traditional imported Palestinian products can be a source of inspiration for innovation and creativity in local product development. The introduction of these new elements can stimulate the creative industries sector in Indonesia, help create jobs and increase competitiveness at the global level. The contribution of imported Palestinian products is not only limited to economic aspects but also involves diplomatic dimensions. By accepting and supporting imported Palestinian products, Indonesia can strengthen economic and diplomatic relations with Palestine, opening the door for further cooperation in various sectors.

##### ***Implementation of Import Duty Exemption Policy and Competitiveness of Imported Products***

Exemption from import duties on imported Palestinian products is an effective policy strategy in increasing their competitiveness in the Indonesian market. This policy provides incentives for Palestinian businesses, motivates innovation, and improves product quality. The competitiveness of imported Palestinian products has been proven to increase, and setting more competitive prices is one of the positive impacts of implementing the import duty exemption policy.

Implementation strategy for import duty exemption policy, explain the concrete steps that will be taken by the Indonesian government in implementing the import duty exemption

policy. This can include short-term and long-term planning, including the role of various government agencies and necessary regulations. Discusses efforts to improve coordination between the Indonesian and Palestinian governments in order to ensure smooth implementation of policies. Diplomatic and negotiating steps need to be emphasized to overcome potential obstacles and ensure the interests of both parties are met. Improving trade facilities and infrastructure presents a strategy to improve trade facilities and infrastructure, including ports and logistics terminals. Adequate infrastructure will facilitate the efficient flow of goods, supporting the development of bilateral trade.

### **SWOT analysis**

In analyzing and determining strategic decisions, you can use the SWOT matrix, where each relationship will be given a solution that must be carried out. Based on the levels and weights that are crossed, it can produce a combination of several situations, such as strength (strength) and opportunity (opportunity) or SO which can make the best use of strength as an opportunity. Weaknesses and opportunities or WO means a situation that requires making a strategy to minimize weaknesses by taking advantage of opportunities. Strengths and challenges or ST, which can utilize strengths to overcome a challenge or threat. WT Weaknesses and Challenges, situations where weaknesses must be minimized to avoid future challenges or threats (Fahmi, 2014: 324).

**Table 2. SWOT Analysis Matrix**

	Strength (strength-S)	Weakness (weakness-W)
	<ul style="list-style-type: none"> <li>• A strong brand gives customers confidence.</li> <li>• Skilled and motivated employees increase productivity.</li> <li>• An efficient supply chain reduces operational costs.</li> <li>• Strong financials provide flexibility in investments.</li> </ul>	<ul style="list-style-type: none"> <li>• Limitations in product variety can limit market share.</li> <li>• High employee turnover can disrupt operational continuity.</li> <li>• Weak online privacy can reduce market visibility and access.</li> <li>• Dependence on a single supplier can increase supply risks.</li> </ul>
Opportunity (opportunity-O) <ul style="list-style-type: none"> <li>• Increasing market demand opens up growth opportunities.</li> <li>• Leverage new technology trends to increase innovation.</li> <li>• Changes in regulations that support more efficient business.</li> <li>• Expansion into untapped international markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage the power of brand image to capitalize on growing market demand.</li> <li>• Optimize a skilled workforce in adopting new technologies and emerging trends.</li> <li>• Leveraging an efficient supply chain to respond more quickly to regulatory changes.</li> <li>• Leveraging a strong financial position to explore untapped international markets</li> </ul>	<ul style="list-style-type: none"> <li>• Product diversification to capitalize on growing market demand.</li> <li>• Reduce employee turnover rates by increasing training and development opportunities.</li> <li>• Increase online presence to support market penetration and reach wider consumers.</li> <li>• Look for alternative suppliers and reduce dependence on one supplier to minimize risk.</li> </ul>
Threats (threats-T) <ul style="list-style-type: none"> <li>• Increasing market demand opens up growth opportunities.</li> <li>• Leverage new technology</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the brand to face intense competition in the industry.</li> <li>• Optimizing workforce to increase operational efficiency in the face of economic</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the risk of competition by diversifying products</li> <li>• Adapt human resource management strategies to address the impact of the</li> </ul>

<p>trends to increase innovation.</p> <ul style="list-style-type: none"> <li>• Changes in regulations that support more efficient business.</li> <li>• Expansion into untapped international markets.</li> </ul>	<p>downturn.</p> <ul style="list-style-type: none"> <li>• Use efficient supply chains to address policy changes and regulatory uncertainty.</li> <li>• Using strong financials to overcome political and regulatory uncertainty.</li> </ul>	<p>economic downturn on employees.</p> <ul style="list-style-type: none"> <li>• Increase online presence to stay relevant with changing consumer preferences.</li> <li>• Create contingency plans to address the impact of political and regulatory uncertainty on the supply chain.</li> </ul>
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**5. Conclusion**

Based on the results and discussion of research, the impact of the Covid-19 pandemic on international trade in imported Palestinian products to Indonesia has experienced a decline in consumer demand, supply chain disruptions and changes in consumption patterns. The contribution of imported Palestinian products will help Indonesia improve economic sectors that are more oriented towards sustainability. Exemption from import duties on imported Palestinian products is an effective policy strategy in increasing their competitiveness in the Indonesian market. The SWOT analysis for Palestinian products imported to Indonesia after the exemption from import duties depicts a comprehensive picture of the internal and external factors that influence the performance of these products. The success of import duty exemption provides a great opportunity for Palestinian products to capitalize on internal strengths such as strong brand reputation, efficient supply chains and stable finances. However, challenges such as dependence on a single supplier, regulatory uncertainty, and weaknesses in product diversification need to be overcome with careful strategies so that these products can continue to compete in international markets.

Decision makers and stakeholders can design appropriate strategies to increase the competitiveness of imported Palestinian products. Proactive steps are needed, such as product diversification, increased online presence, and collaboration with alternative suppliers, to maximize growth opportunities. This conclusion emphasizes the need for a balance between leveraging internal strengths and adapting to changes in the external environment in order to achieve long-term sustainability and success in international trade.

**Suggestions**

Several strategic suggestions that can be proposed to improve the performance of Palestinian imported products to Indonesia. First, it is important to focus on product diversification in order to minimize the impact of limitations in product variations which become weaknesses. Innovations in product offerings, such as the development of new organic products or products with high added value, can open new market opportunities and increase consumer appeal. Apart from that, steps to increase online presence and digital marketing also need to be considered to make products more accessible to consumers, expand the customer base and increase brand visibility.

Second, closer collaboration with local and international suppliers could be a profitable strategy to overcome dependence on a single supplier. Building strong relationships with multiple suppliers can reduce supply risks and provide flexibility in meeting fluctuating market demands. In addition, the Indonesian and Palestinian governments can work together to harmonize trade regulations and quality standards to facilitate product distribution. By implementing these suggestions, imported Palestinian products can optimize opportunities and overcome challenges, creating a more solid foundation for sustainable growth in the Indonesian market.

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