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THE BALANCE OF PRICE JUSTICE AND INDUSTRIAL PROTECTION: AN ANALYSIS OF THE IMPACT OF IMPORT TARIFF POLICY ON DOMESTIC CONSUMER GOODS FROM AN ISLAMIC ECONOMIC PERSPECTIVE

Nurlaili Janati, Ferlita Hanifah, Lamby Mahdalena Mirawati, Yusnidar Via Arnanda
Institut Agama Islam Imam Syafi. Riau, Indonesia
jannatinurlaili@gmail.com, hanifahferlita@gmail.com, lambymahdalena@gmail.com, yusnidarviaa@gmail.com

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Abstract

The import tariff policy implemented by the Indonesian government aims to protect domestic industries. However, this policy often results in rising consumer goods prices and weakening public purchasing power. This study aims to analyze the impact of import tariff policies on domestic consumer goods prices from an Islamic economic perspective, specifically regarding the principles of price justice, the welfare of the people, and protection of local producers (ḥimāyah al-mustahlik wa al-muntij). The approach used is qualitative through a literature study sourced from data from the Central Bureau of Statistics, academic literature, and Islamic economic principles. The results show that the consistent application of import tariffs causes price increases for basic consumer goods such as food and beverages, which impacts inflation and reduces the welfare of low-income communities. From an Islamic economic perspective, tariff policies should be based on the principles of justice and balance, so that they can protect national industries without causing dharar (loss) to consumers. Therefore, a balanced policy formulation is needed between the interests of industry and the needs of society to achieve a fair and sustainable trading system.

Introduction

International trade is a crucial foundation of today's global economic structure. The flow of goods and services across borders is a key driver of economic growth, market efficiency, and technology transfer between countries. (Krugman & Obstfeld, 2015:1). Countries with high levels of trade openness generally have greater opportunities to accelerate economic development because they can capitalize on comparative advantages, expand export markets, and access technology and resources not readily available domestically.

In the context of a developing country like Indonesia, international trade plays a strategic role not only in foreign exchange earnings but also in determining price stability, the balance of payments, and industrial sector growth. Exports contribute to state revenue and strengthen Indonesia's position in the global supply chain, while imports are needed to meet demand for goods that cannot yet be efficiently produced domestically, including raw materials and capital goods required by industry. However, high dependence on imported goods can create structural vulnerabilities in the domestic economy, such as a trade deficit, deindustrialization, and pressure on the exchange rate. To address these issues, the Indonesian government has implemented an import tariff policy as a form of protectionist trade policy. Import tariffs are imposed in the form of import duties aimed at raising the price of foreign products so that they are not cheaper than local products, thus increasing domestic products' competitiveness in the domestic market.

The import tariff policy also aims to maintain the sustainability and growth of national industry. By limiting the entry of foreign products that have the potential to dominate the domestic market, the government hopes that local industry will grow more healthily, strengthen the national production structure, and create a ripple effect in the economy, such as job creation, increased added value, and the growth of production-based MSMEs. Furthermore, tariff protection is also expected to encourage import substitution and strengthen national economic independence, in line with the long-term vision of building a resilient and globally competitive economic system.

However, import tariff policies also create a policy dilemma. On the one hand, tariffs provide protection for local producers, enabling them to compete with cheaper foreign products. On the other hand, increases in import tariffs tend to lead to price spikes for consumer goods, particularly staple goods that still rely on imported raw materials. (Fitriana, 2014:29). In These price increases reduce purchasing power, increase imported inflation, and widen socioeconomic disparities between income groups.

This phenomenon raises a critical question: to what extent is import tariff policy in line with the principles of economic justice and consumer protection? In answering this question, the Islamic economic approach offers an analytical framework oriented toward the values of justice, balance, and public welfare. The principle of maqāṣid al-syarī‘ah, which encompasses the protection of religion, life, intellect, descendants, and property, serves as the primary foundation for formulating economic policies that are not only technically efficient but also morally and socially just. (Widyantini et al., 2017:12). Islamic economic policy also emphasizes the importance of ḥimāyah al-mustahlik wa al-muntij-that is, balanced protection for consumers and producers.

Therefore, this study aims to analyze the impact of import tariff policies on the prices of domestic consumer goods in Indonesia, with an emphasis on Islamic economics. The main focus of this study is to examine whether the currently implemented tariff policies have met the principle of price justice ('adl fī al-as‘ār) and have not caused harm to the wider community, especially vulnerable groups. This study uses a qualitative approach with a literature review method, sourced from national statistical data, academic literature, and contemporary Islamic economics literature. The findings of this study are expected to contribute to the formulation of more balanced, fair, and sustainable tariff policies, in accordance with sharia values and national economic needs.

1. Conventional Import Tariff Theory

Classical theories such as the Theory of Comparative Advantage (Ricardo) and the Theory of Protectionism (Mill & Smith) suggest that tariffs are used as a tool to protect domestic sectors from global competition. The Infant Industry Theory (Friedrich List) emphasizes the importance of tariffs as temporary protection for growing industries. However, these theories emphasize efficiency and long-term economic profits, without explicitly considering ethical dimensions and overall social welfare. (Krugman & Obstfeld, 2015:34).

2. Islamic Economic Principles Related to Tariffs

In Islamic economics, all forms of economic policy must adhere to the maqāṣid al-shari'ah (the principle of protection of religion), the soul (al-nafs), the intellect (al-‘aql), the posterity (al-nasl), and the wealth (al-māl). Import tariffs that increase the prices of basic consumer goods can violate the principles of ḥifẓ al-māl and ḥifẓ al-nafs, as they burden household finances and complicate access to basic necessities. (Widyantini et al., 2017:121).

The principle of al-‘adl (justice) also emphasizes that no group should be disproportionately disadvantaged by economic policies. Therefore, tariff policies must be formulated in a balanced manner so that the benefit of producers does not result in mafsadat (harm) for consumers. (Widyantini et al., 2017:123).

Reasearch Methods

This study uses a qualitative approach with library research. Data sources come from reports from the Central Statistics Agency (BPS) regarding consumer goods import data, scientific journals on economics and trade, and relevant Islamic economics literature discussing the principles of pricing and distribution policies in Islam.

The analysis is conducted using a qualitative descriptive approach, examining the impact of tariff policies on consumer goods prices and the extent to which they align with or conflict with Islamic economic principles. (Taufik, 2017:4)

Discussion

Import Tariff Policy in Indonesia

Import tariffs are state levies on goods imported from abroad, imposed for fiscal purposes (state revenue), protection of domestic industry, and import control.

Types of Tariffs in Indonesia:

a. Specific Tariff: Set at a specific amount per unit of goods (e.g., IDR 1,000/kg.(

b. Ad Valorem Tariff: Based on a percentage of the value of the goods (e.g., 10% of the CIF value.(

c. Mixed Tariff: A combination of specific and ad valorem tariffs. Law No. 17 of 2006 concerning Amendments to Law No. 10 of 1995 concerning Customs.

The following is the development of consumer goods imports in Indonesia from 2014 to 2023. The following data was obtained from the Central Statistics

Agency via (www.bps.go.id)

Tabel.1

Development of consumer goods imports in Indonesia from 2014 to 2023

Years	Import total (ribu ton)	Change Persentase (%)
2014	5.599,1	—
2015	4.929,2	-11,96%
2016	5.899,5	+19,70%
2017	5.315,0	- 9,91%
2018	7.398,9	+39,22%
2019	5.255,6	-28,96%
2020	5.204,9	-0,96%
2021	5.878,8	+12,91%
2022	6.464,9	+9,96%
2023	9.038,6	+39,80%

Source: Central Statistics Agency

Based on data from the Central Statistics Agency (BPS), the trend of consumer goods imports in Indonesia between 2014 and 2023 experienced significant fluctuations. In 2014, total consumer goods imports were recorded at 5,599.1 thousand tons, which then decreased by 11.96% in 2015 to 4,929.2 thousand tons. This decline could be indicated as an impact of weakening domestic purchasing power or tightening foreign trade policies. However, in 2016, imports again increased drastically by 19.70%, reaching 5,899.5 thousand tons, likely triggered by increased domestic demand that was not commensurate with national production capacity. In 2017, another decline of 9.91% was recorded, indicating volatility in domestic consumption policies and needs.(BPS, 2024)

The largest surge occurred in 2018, when total imports surged 39.22% to 7,398,900 tons, indicating that Indonesia was again experiencing an increased dependence on imported consumer goods. However, in 2019, there was a sharp contraction of -28.96%, allegedly in response to import control policies and the weakening rupiah exchange rate. (BPS, 2024)

In 2020, despite the COVID-19 pandemic impacting global trade activity, total imports only declined slightly by -0.96%, indicating that demand for imported consumer goods remained relatively stable. In 2021 and 2022, imports increased by 12.91% and 9.96%, respectively, in line with the post-pandemic economic recovery. The peak of the surge occurred in 2023, with total consumer goods imports reaching 9,038.6 thousand tons, a 39.80% increase compared to the previous year. This increase was the highest in the past decade and raised concerns about Indonesia's dependence on imported consumer goods, particularly in the context of the competitiveness of local industries and pressure on domestic prices. (Krugman & Obstfeld, 2015)

This increasing import trend indicates that the tariff policies implemented have not been effective enough in curbing the influx of foreign consumer goods. Furthermore, this data also indicates limited substitution of domestic products for imported ones, so the price burden of tariffs will likely remain borne by end consumers. This situation has the potential to exacerbate inflationary pressures and widen the purchasing power gap between segments of society, particularly among low-income groups. (Fitriana, 2014:76)

The Impact of Import Tariffs on Consumer Goods Prices

One of the most direct impacts of import tariffs is an increase in the price of consumer goods, particularly those that rely on imports, either as finished products or as production inputs. Data shows that import tariffs drive up the prices of basic consumer goods, such as tofu and tempeh, due to the increase in the price of imported soybeans. This creates inflationary pressure and reduces people's purchasing power.(Taufik, 2017:11)

The mechanism by which import tariffs impact consumer goods prices is that import tariffs increase the CIF (Cost, Insurance, and Freight) price of imported goods, thus increasing distribution costs, resulting in a fixed profit margin, and increasing market selling prices. In a case study, when the government raised import tariffs on electronic products by 10% in 2019, the prices of LED TVs and other household electronic devices rose by an average of 6–8% within three months (Data: Indonesian Electronic Industry Association, 2020).

Furthermore, import tariffs will also lead to inflation in consumer goods, particularly in the imported inflation component. According to a 2022 report by Statistics Indonesia (BPS), following a 5% increase in tariffs on imported agricultural products, the food, beverage, and tobacco group recorded an annual inflation increase of 1.2%, above the general inflation rate of 0.9%. Products with an import content of more than 40% (e.g., powdered milk, chocolate, and frozen meat products) experienced inflation 1.5 to 2 times higher than that of purely domestic goods. The following are the sectors most impacted by the increase in import tariffs: (laporan BPS tahun 2022)

Table. 2.
Import Tariff Policy on Various Sectors of Consumer Goods in the Indonesian Domestic Market

Consumer Goods Sector	**Impact of Import Tariffs**	**Price increases (%)**	**Rate of Substitution**
Electronic	High	6–8%	Low
Processed Foods	Medium–High	3–5%	Medium
Clothing & Textiles	Medium–High	2–3%	High
Building material	High	5–10%	Low
Cosmetics	Medium	4–6%	Medium

The table shows that the electronics and building materials sectors are most affected by import tariffs, with significant price increases and limited substitutes. Meanwhile, the clothing and processed food sectors are more flexible due to the availability and competitiveness of local products.

Islamic Economic Analysis of Tariff Policy

From an Islamic perspective, tariff policies that increase the prices of basic goods violate the principle of availability and affordability (al-kifāyah al-iqtiṣādiyyah). Rising prices of basic necessities are considered a form of ḍarar ʻām (public harm) that must be prevented. Some important principles in trade are:

1. Prohibition against harm: "Lā ḍarar wa lā ḍirār" (There must be no harm and no mutual harm) - HR. Ibn Majah.
2. Principle of al-kifāyah al-iqtiṣādiyyah: The state is obliged to guarantee the availability and affordability of basic necessities for the entire community.
3. Maqāṣid al-syarīʻah: Protecting the soul (ḥifẓ al-nafs), protecting property (ḥifẓ al-māl), protecting offspring (ḥifẓ al-nasl), etc.(Sugiarto, 2017:26)

Fairness in tariff setting is permitted provided that the tariff aims to protect vulnerable local producers from unfair competition, does not result in excessive price increases for basic necessities, and does not create inequality or social disparities. The following are the impacts and implications of tariffs from an Islamic economic perspective: (Widyantini et al., 2017:38)

Tabel. 3
A Critical Evaluation Matrix of the Consequences of Conventional Economic Policies (Import Tariffs) with Islamic Law (*Maqāṣid al-syarīʻah*).

Aspect	Impact of Tariffs	Islamic Economic Analysis
Price of Basic Goods	It could increase drastically if it is not balanced by local production.	Including ḍarar ʻām – must be prevented. Contrary to maqāṣid al-syarīʻah
People's Purchasing Power	Weakening, especially for the poor	Not in accordance with the principles of justice and maslahah
Manufacturer Protection	Positive if it helps local industry grow	It is permissible if it does not cause injustice to consumers.
Social gap	It could increase if basic goods are only affordable for the elite.	Contrary to the principle of equitable distribution (tawazun)

This matrix table presents a critical analysis of the impact of import tariff policies with reference to the fundamental principles of Islamic Economics (Maqāṣid al-syarī'ah). The results of the analysis show that tariff policies have the potential to cause significant losses that are contrary to the objectives of Sharia.

Specifically, tariffs that cause an increase in the price of basic goods are categorized as ḍarar 'ām (public losses) that must be prevented, because they directly violate the principles of the protection of life and property (ḥifẓ al-nafs and ḥifẓ al-māl). This price increase ultimately weakens the purchasing power of the community, especially the poor, which is considered not in accordance with the principles of justice (al-'adl) and benefit (maslahah). The collective impact of this is the potential to widen social gaps, a condition that is contrary to the principle of equal distribution (tawāzun) in Islam. Although the table acknowledges that producer protection has a positive impact because it helps local industries, this action is permissible (jā'iz) only if it does not cause greater injustice or harm to consumers, emphasizing the need for balance in any policymaking.

Price Justice in Islam

Islamic economics rejects the practice of hoarding and supports fair pricing. In this context, import tariffs should be directed at stimulating local industry without sacrificing consumers, ensuring accessibility at fair prices, and preventing exploitation of economically disadvantaged groups.

However, if the resulting price increases result in the public losing access to basic necessities, then such policies are inconsistent with the maqāṣid al-shari'ah (the principles of Islamic law). Price fairness in Islam is not merely a matter of numbers, but rather social justice, protection of the vulnerable, and ethical market balance. Increasing import tariffs that cause consumer goods to skyrocket and become unaffordable for the poor is a form of price injustice (ẓulm fī al-as‘ār), which contradicts Islamic values. (Sugiarto, 2017).

Conclusion

The import tariff policy implemented by the Indonesian government has the primary objective of protecting domestic industries from pressure from foreign products. However, this study shows that this policy has had a knock-on effect in the form of rising prices of basic consumer goods, which ultimately weakens people's purchasing power, especially low-income groups. The price increases resulting from import tariffs contribute to imported inflation and widen social disparities, especially when local product alternatives are not yet fully capable of replacing imported products. From an Islamic economic perspective, tariff policies must be implemented based on the principles of al-'adl (justice), al-maslahah (general benefit), and maqāṣid al-syarī‘ah (objectives of justice), especially in protecting people's property and lives. The increase in the price of basic necessities caused by import tariffs without adequate consumer protection constitutes a form of ḍarar ‘ām (general loss) that contradicts the basic principles of Islamic economics. Therefore, tariffs can only be justified if implemented proportionally, selectively, and do not cause injustice to vulnerable groups.

The implementation of fair import tariffs according to Islam must maintain a balance between the interests of local producers and consumers' right to fair prices. The state has a moral and sharia obligation to ensure the affordability of basic consumer goods for all levels of society. Thus, the implemented trading system can reflect the values of justice, blessings, and sustainability as recommended by Islamic economic principles.

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