Master Thesis

Master of Environmental and Energy Management

Track: Environmental Management

University of Twente

Academic Year 2022-2023

Assessing the alignment of second-hand clothing import regulations with circular economy objectives in Indonesia

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August 20, 2023

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Acknowledgement

Abstract

The activities of second-hand clothing (SHC) imports in the textile industry are growing, with developing countries being the largest importers of SHC worldwide. Governments have noticed this, which has resulted in the development of regulations that limit, prohibit, and dispose of SHC imports in Indonesia. Given that the textile industry plays a significant role in the country's objectives on achieving a circular economy, it is crucial to consider the core elements of circular economy objectives within this sector, such as the reduction of textile waste, implementation of a circular textile life cycle, and the enhancement of sustainable production and sourcing is essential. In order to assess the effectiveness of SHC import regulations in Indonesia following circular economy objectives, this study examined the sustainability implications of the regulations across economic, environmental, and societal dimensions to evaluate the effectiveness of SHC import regulations in Indonesia in light of circular economy objectives.

This study utilised a structured method and used Regulatory Impact Assessment (RIA) as its analytical framework, in contrast to prior research that included systematic reviews, regional case studies, and National Resilience Concepts. By implementing non-monetary qualitative cost-benefit analysis (CBA) within the RIA tool, the research evaluated the alignment of SHC import regulations with circular economy objectives. Semi-structured interviews were conducted with thirteen carefully selected participants, falling into three distinct categories: regulators and implementers of regulations, regulated parties, and other stakeholders. The study followed the ordered steps of RIA, starting with problem formulation that enforced regulations creation, moving to objectives identification, exploring regulatory alternatives (continuation, improvement, or cancellation), and completing with CBA.

A balanced evaluation of regulations' effectiveness is attained by considering both positive and negative sustainability implications. The study determined the regulations to be "effective to a certain extent". Additionally, CBA was used to assess whether these SHC import regulations benefit or harm particular circular economy objectives. The study's results confirmed alignment with these objectives, particularly in waste reduction, creating circular textile lifecycles, and encouraging sustainable production. However, improvements are still needed to address local textile waste, reduce smuggling hubs, promote local SHC chains, and encourage circular consumer behaviour, which requires the active involvement of stakeholders in decision-making.

Keywords: Second-hand clothing import regulations, Regulations' alignment, Circular economy objectives, Sustainability implications, RIA, CBA, Effectiveness, Indonesia

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List of Abbreviations

BPS	Badan Pusat Statistik
CBA	Cost-Benefit Analysis
JDIH	Jaringan Dokumentasi dan Informasi Hukum
HS	Harmonised System
MoT	Ministry of Trade
NGO	Non-Governmental Organisations
PERMENDAG	Peraturan Menteri Perdagangan
PESTEL	Political, Economic, Social, Technological, Environmental, and Legal Factors
RIA	Regulatory Impact Assessment
SHC	Second-Hand Clothing
UNDP	United Nations Development Programme

1. Introduction

1.1 Research background

Indonesia's second-hand clothing (SHC) industry is experiencing growth, which has beneficial effects. The development of SHC is driven by several factors, including affordability and accessibility, style trends, sustainability considerations, economic prospects, and cultural aspects (Roux, 2006). The SHC sector depends heavily on the reuse and recycling of textile products. As consumers explore more economical and ecologically friendly fashion, SHC provides a viable alternative, according to a study by Roux (2006). Consumers take two roles; as the ones donating their unused and unwanted clothing, as well as the ones investing in second-hand garments that are still in great shape (Valor et al., 2022). Indonesia's growing SHC sector fosters the development of a more sustainably priced fashion culture (Herjanto et al., 2016).

SHC may be sourced both domestically and internationally. Within a country, SHC can be derived from various sources such as donations, charity, selloffs, and oversupply (Tibbe-Lembke, 2004). These items are sold locally, frequently for less money than brand-new clothes (Brooks, 2013). Imported SHCs, on the other hand, are obtained from other nations and then marketed in developing countries, for instance, through cross-border trading (Baden & Barber, 2005). Based on BPS-Statistic Indonesia, Indonesia recorded SHC imports worth US$272,000 with a volume of 26 tons in 2022. In value terms, imports of SHC increased by 225% from the previous year to a volume of 8 tons, worth US$44,000 (BPS-Statistic Indonesia, 2021).

However, the importation of SHC has detrimental effects. According to Baden & Barber (2005), SHC imports can threaten the domestic textile industry. It may decrease demand for domestically produced textiles, affecting economic growth and employment. Due to the high carbon footprint, the environmental impacts associated with the distribution and delivery of SHC imports must also be considered (Claudio, 2007). Waste and pollution will increase due to the final disposal of non-recyclable or low-quality materials. Ultimately, according to Claudio (2007), as chemicals or diseases may have contaminated clothing in the exporting country, SHC may need to meet safety and health regulations in the importing country.

Significantly, SHC imports undoubtedly have complicated sustainability implications on the circular economy (Chen et al., 2021). On the one hand, SHC imports can improve the circular economy by lowering the amount of textile waste generated and extending the lifespan of current garments (Okafor et al., 2021). Lowering the amount of waste means enhances the goal of the circular economy which is to optimise resource usage and enhance more closed-loop businesses (Brydges, 2021). Other than that, SHC import can help to minimise water use and pollution generated by new clothing production, lowering carbon emissions, stimulating sustainable material sourcing, and supporting the implementation of renewable energy (Chen et al., 2021). The objective is to develop a more ecologically sustainable industry that enhances economic growth while reducing negative environmental and societal impacts (Jia et al., 2020). On the other hand, circular economy objectives are affected by SHC imports as they create another cycle of waste and consumption, the demand for domestically produced textiles is reduced, and SHC imports slower the development of sustainable practices of the industry within a country, such as dependence on imported clothing causes innovation and creativity to decline (Brooks, 2013). Therefore, regulations were enacted to manage SHC imports to protect consumers and domestic textile industries.

The regulations governing the practice of SHC imports certainly have impacts on how SHC imports affect the circular economy (Baden & Barber, 2005). Despite multiple

government regulations issued in 2015, 2020, 2021, and 2022 to prohibit the import of SHC, their impacts still need to be made more explicit. These regulations have the potential to either encourage or hinder the development of circular economy objectives in the textile sector. Although the Ministry of Trade (MoT) has recognized the negative impact of SHC imports and taken steps and measures, the effectiveness of the regulations remains to be determined. This master thesis tried to complete the existing gap regarding the lack of knowledge or data regarding the impact of SHC import regulations on the economy, environment, and society. The effectiveness of these regulations was analysed through the sustainability costs and benefits of these SHC import regulations so that these regulations are in line with the circular economy objectives, especially in the textile industry.

In order to support sustainability and circular economy, this study offered insight for policymakers, industries, and consumers in Indonesia. It also conveyed knowledge that has not been available in the existing literature. While most studies on imported SHC focused on implementing regulations (Firdausy & Sudarwanto, 2022), the impacts of regulations on other developing countries such as Africa (Barber & Baden, 2005), and the effectiveness of other types of regulations (Abdullah & Shalihati, 2020), this research looked at the sustainability implications to see the effectiveness of the regulations to be implemented, and whether they are effectively in line with circular economy objectives. This research focuses on Indonesia as the research subject, and Regulatory Impact Assessment (RIA) as a tool is considered more in line with this research.

1.2 Problem statement

In this study, the issues discussed are the current condition of SHC import regulations in Indonesia and their impact on the economy, environment, and society. Given that many government regulations prohibit the import of SHC, the effect of these regulations on sustainability still needs to be discovered, leading to questions about whether they contributed to or hindered the alignment with circular economy objectives. The existing regulations faced disputes to be implemented effectively. The existence of different perspectives and disagreement from the public towards this regulation created challenges and a prolonged game of cat and mouse; SHC importers resist complying with the regulations, while the governments need more ideas to enforce these regulations. Port smuggling continues under the government's radar (Baden & Barber, 2005). Therefore, it is vital to assess the effectiveness of the regulations and the ongoing impact of the SHC import regulation on the economy, environment, and society to understand how these regulations align with circular economy objectives in Indonesia.

1.3 Research objectives

This research aimed to evaluate Indonesia's regulations on SHC imports and their potential impacts on the economy, environment, and society. This study examined how these regulations support Indonesia in accomplishing its objectives for the circular economy. The research objectives are:

1. To identify Indonesia's current SHC import regulations;
2. To understand the implications of SHC imports regulations on the economy, environment, and society;

3. To assess the effectiveness of SHC import regulations in aligning with circular economy objectives; and
4. To provide recommendations on how regulations can be improved in line with circular economy objectives.

This research could provide insights into whether regulatory tools are practical and thus able to control SHC import practices in Indonesia. The findings of this research can help by informing governments, industry representatives, and other parties involved in improving regulations regarding circular economy objectives. Additionally, the research can contribute to the academic literature on SHC importation and the circular economy objectives in textiles.

1.4 Research questions

The overarching question of this research is: "To what extent do SHC import regulations align with circular economy objectives in Indonesia?". Several sub-questions were formulated to help the process of the research analysis.

a. SQ 1: What are the current regulations governing the import of SHC in Indonesia?
b. SQ 2: What are the sustainability (economic, environmental, and societal) implications of SHC import regulations in Indonesia?
c. SQ 3: How effective are the regulations of SHC imports in aligning with circular economy objectives?
d. SQ 4: What recommendations can be proposed to enhance the alignment of SHC import regulations in Indonesia with circular economy objectives?

The first sub-questions objective is to describe Indonesia's existing SHC regulations. The second sub-question examines the sustainability implications of regulations governing SHC imports by looking into the economic, environmental, and social aspects. The third sub-question seeks to ascertain if Indonesia's existing SHC import regulations are effective and in line with the objectives of the circular economy. The final sub-question asks for concrete actions and approaches that can be taken to strengthen the current SHC import regulations and make them more in line with circular economy objectives.

This study will use a mixed-method approach to achieve the research objectives by combining literature reviews, interviews, and RIA as an analytical framework and the Cost-Benefit Analysis (CBA) included within this framework. RIA will thoroughly analyse the effectiveness of SHC import regulations in aligning with circular economy objectives in Indonesia. RIA offers a structured methodology to assess the implications of regulations on the economy, environment, and society, focusing on qualitative and non-monetary aspects of CBA.

1.5 Thesis outline

This master thesis comprises seven chapters: 1. Introduction; 2. Literature Review; 3. Analytical Framework; 4. Research Design; 5. Findings; 6. Discussions, and 7. Conclusions. In the first chapter of this master thesis, the research background, problem statement, objectives, and research question are presented. The second chapter emphasises the context of this study which covers SHC imports, the sustainability implications of SHC imports, circular economy objectives, and regulatory instruments governing SHC imports in Indonesia. The third chapter presents the theory of RIA, which is applied in the research. The fourth chapter stresses the data collection and analysis methods from the interviews. The fifth chapter

provides the results and findings from the analysis of the collected data. The sixth chapter explains a discussion of the findings. Finally, the last chapter provides conclusions and recommendations for future research.

2. Literature review

This chapter reviews the relevant literature regarding the growth of SHC imports, including the key drivers that affect SHC imports, and the implications for sustainability from the behaviour of SHC imports, including social, environmental and economic aspects. Furthermore, this chapter also discusses circular economy, especially circular economy objectives specifically in the textile sector. Regulatory instruments on SHC are also discussed in this chapter.

2.1 Second-hand clothing (SHC) imports

In Indonesia, SHC or used clothing has a long history that dates back to the 19th century when European and Chinese traders would bring in used clothing to be sold in local markets (Eckhardt, 2009; Hansen, 1994; Norris, 2012). These imports often included rejected clothing that had been discarded by other countries (Claudio, 2007), and they were seen as low-quality or inadequate goods (Degenstein et al., 2020) that were convenient to people with low incomes (Dicken & Hassler, 2000). Due to the high poverty and unemployment rates, many people needed help to afford brand-new apparel. Research by Roux (2006) shows that SHC provided a cost-effective substitute in recent years. As a result, customers in developing nations profit significantly from the SHC as it gains popularity and user engagement.

However, SHC originating from other countries is currently a highly controversial subject in Indonesia. SHC frequently results from importation by developing nations, including Indonesia. Importers from developing countries attempt to fulfil the domestic market's need for garments by bringing in SHC from other nations, making their countries the final endpoint for SHC imports. It came to the attention of critics worldwide (Laitala & Boks, 2012). As SHC is classified as waste and is governed by regulations controlling the trading and importation of waste, this creates a significant issue (Firdausy & Sudarwanto, 2022).

Figure 1. Import value chain
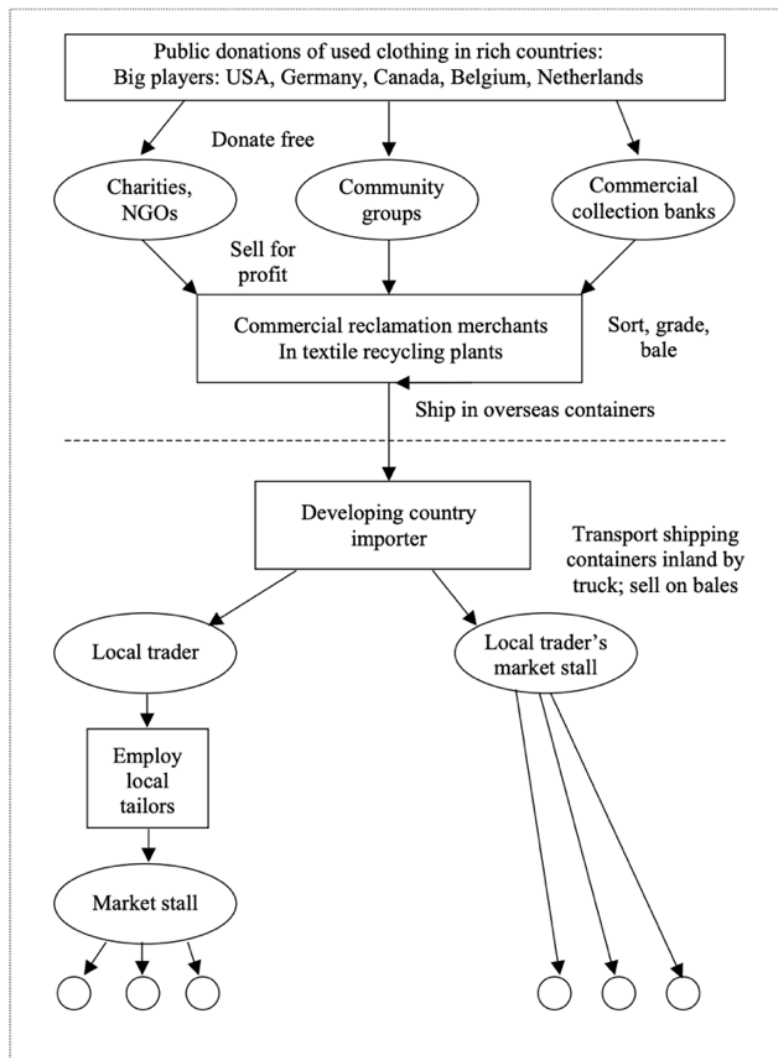
Note. Adapted from Raworth, K. (2004), as cited in Baden, S., & Barber, C. (2005).

As illustrated in Figure 1, SHC may arise from charity donations given by various developed nations and distributed to numerous community organisations. Worn clothing or clothing waste is obtained for a cheap rate, repurposed (sorted, graded, and baled), and then delivered through ports to developing nations such as Indonesia (Baden & Barber, 2005). These used clothes are resold through local trade and marketed through markets or thrift shops.

Considering the critical drivers of SHC imports providing context and insight to identify the causes of the demand for SHC, consumers' motivations, and the various factors affecting the circulation of these imports into Indonesia, this research adopted a PESTEL (Political, Economic, Socio-cultural, Technological, Environmental and Legal) framework to investigate and understand the external factors influencing the situation, in this case, SHC importation. PESTEL framework has an original form, namely ETPS (economic, technical, political, and social), invented by a scholar, Professor Francis Aguilar (Yüksel, 2012).

Figure 2. PESTEL framework
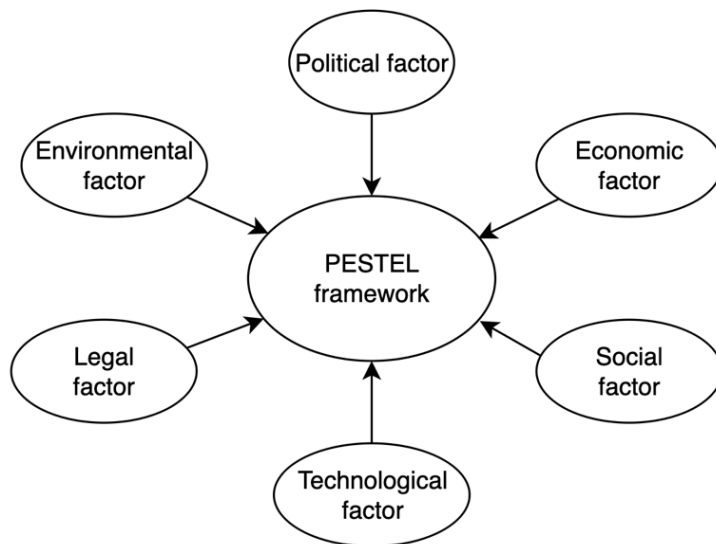
Based on the PESTEL framework, several key drivers of SHC imports have been identified. These drivers encompass political, economic, social, environmental, and legal factors influencing importation. Additionally, the analysis also takes into account psychological factors.

Economic factors

The demand for SHC is mainly dominated by low-income nations, where used clothing is typically a more cost-effective yet higher-quality substitute for new clothing. The import of SHC can also support the economy by creating jobs in the local retail and recycling areas. The SHC market made it easy to find employment in processing, laundering, repairing, and modifying. It was discovered that the SHC market raised government revenue and had higher labour rates than tailoring or, in other words, creating new clothing (Hansen, 2004). Additional factors contributing to higher volumes of SHC imports include the growing number of donating organisations that gather and distribute SHCs (Baden & Barber, 2005). As seen in Figure 1, before exporting to developing nations, the used clothing is donated to NGOs, charity organisations, community groups, and containers by businesses to collect used clothes for recycling. However, the remainder is being sold for profit to the developing nations due to a large number.

Social factors

The appeal of vintage and retro fashion has raised a demand for SHC, particularly among younger, more fashion-conscious consumers. They embrace the excitement of developing their perspective on the market, encouraging an entrepreneurial mindset. A cultural custom offers an approach to purchasing that involves digging into storage supplied with clothes rather than going through a store (Hansen, 2004).

Environmental factors

SHC is often presented as a more sustainable alternative to fast fashion and helps reduce the amount of textile waste in landfills. SHC benefits the environment by balancing the production

of new textile materials by reducing water use by 18 billion gallons and removing more than 200,000 tons of CO2 yearly. While tackling environmental concerns, many well-known brands from abroad encouraged importers to import SHC goods (Herjanto & Hendriana, 2020).

Political and legal factors

Regulations prohibiting SHC imports in some nations might promote imports in other countries because the supply of worn clothing still exists but is redirected to nations with less strict rules or nations with no such restrictions (Baden & Barber, 2005; Hansen, 2004).

Symbolic and Psychological factors

When people are forced to consider the origins of their clothing, positivity and acceptance spread, there are specific clothing that represents uniqueness and authenticity (e.g. vintage band t-shirts) where it accomplishes the needs of particular consumers. For some people, the emphasis is on finding stunning, high-end, used items that represent a great deal they could not have afforded at a total price. Some SHCs the consumers bought had their meanings (Roux, 2006).

2.2   Sustainability implications

According to the PESTEL framework, several significant factors impact SHC imports. Economic, social, and environmental implications are three variables highlighted in this subchapter and demonstrate a connection to the three main pillars of sustainability. According to Brundtland (1987), sustainability is the ability to meet current demands without compromising the ability of future generations to fulfil their own needs. As shown in Figure 3, the conceptual foundations for this study's three pillars of sustainability are drawn from the work of Purvis, Mao, and Robinson (2019). These pillars are social, economic, and environmental issues, and they must all be balanced to ensure a sustainable future. To further understand the sustainability consequences of SHC imports, this study examined how they affected the three pillars. Therefore, the distribution and import of SHC could either benefit or harm the environment, society, and economy. Sustainable and circular fashion strategies aim to decrease waste and maximise the use of materials throughout a garment's life cycle (UN Alliance for Sustainable Fashion, 2021).

Figure 3. Representation of sustainability as three pillars
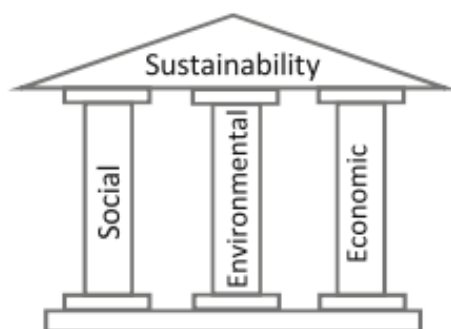
Note. By Purvis, Mao, & Robinson. (2019)

However, the high interest in SHC has skyrocketed the volume of imported SHC in Indonesia. The challenge is that not all of these imported clothes make it into the hands of

consumers due to the massive volume of imports. Instead, a significant part of the imported SHC clothing goes to waste in landfills (Bick et al., 2018). The negative impact of the import of SHC has made the government intensify the restriction on these goods (Oyejide et al., 2005). However, on the other hand, it is predicted that the restriction on the import of SHC will affect small and medium-sized markets, which rely on selling used clothes as their primary income (Persson & Hinton, 2023). According to Hansen & Le Zotte (2019), SHC imports affect various societal aspects in both positive and negative ways.

First, on the social element, SHC imports can provide affordable clothing options for low-income populations, which in turn can raise their living standards and enhance social equality. However, this can also lead to a dependency on international donations through importation which may affect the domestic clothing industry. This can result in a loss of cultural identity and self-esteem.

Second, from an environmental point of view, importing SHC helps lower the waste generated in manufacturing new textiles, promoting the circular economy, and decreasing environmental pollution. On the other hand, the transportation and disposal of SHC may need to be revised. SHC imports may increase greenhouse gas emissions and play a part in raising environmental damage and textile waste.

Lastly, regarding the economy, SHC imports can create new opportunities for organisations that engage in used clothing, supporting career growth and economic expansion. However, they may also cause domestic textile industries to lose the opportunity to gain profits, leading to an economic decline and potential worker exploitation in the SHC sector.

It is essential to consider both the advantages and disadvantages of SHC imports from a sustainability perspective to develop a balanced approach. By understanding these challenges and trade-offs, the relationship between the sustainability implications of SHC imports to the primary research objective, circular economy objectives, can be formed. The research thoroughly understood SHC import practices by examining the sustainability implications, which serve as a broader framework covering the three pillars of the economy, society, and environment to ensure that the objectives of the circular economy aligned with more general sustainability objectives. This inclusive approach evaluated how current regulations contribute to a more sustainable and circular fashion ecosystem.

2.3   Circular economy objectives

The circular economy is a production and consumption model that prolongs the product life cycle. This model could overcome the challenges of climate change and other global challenges. In the standard linear economic model, raw resources were extracted, processed into products, and discarded as waste. The procedure proceeds linearly. On the other hand, a circular economy model addresses waste from the beginning, ensuring products have extensive lifespans. This strategy involves recycling products once their intended purpose has ended, bringing them back into the cycle to eliminate waste.

If a circular economy is consistently applied, it is forecasted that CO_2 emissions will be reduced between 11 to 15 per cent in 2030 (UNDP, 2022). According to UNDP (2022), the circular economy model is based on three principles. Reduce waste and pollution, circulate goods and materials, and regenerate nature. First, reduce waste and pollution by making the most of raw materials' value and use, decreasing the amount of waste produced and dumped in landfills. Pollution can be prevented according to this concept, particularly during the

production, manufacturing, maintenance, and disposal stages. Second, to achieve economic transition in Indonesia, the circular economy model is used along with other strategies, such as enhancing the use and value of a product. Promoting a green economy and low-carbon future development helps to accomplish this. Finally, renewable or regenerative natural resources must be emphasised over initial natural resources to restore nature. A circular economy minimises ecological harm by recycling waste and lowering resource consumption, unlike a linear economy built on a "take-make-dispose" business paradigm. (Stahel, 2016).

In 2021, the opportunity for establishing Indonesia's most outstanding circular economy has been found in five major sectors, one of which is textile (UNDP, 2022). A term for a critical concept in the circular textile economy is called "circular fashion", which blends circular economy and sustainable fashion concepts. Circular fashion considers the flow of substances and products throughout time in order to benefit the economy, treating resource shortages and environmental consequences that are in favour of the transition of the conventional business model to the closed-loop circular economy model (Lieder & Rashid, 2016; Bocken et al., 2016; Prieto-Sandoval, 2018). By altering society's common sense, it also emphasises the end-of-life phase, flow of materials, and production (UNDP, 2022). Circular fashion has received attention as an environmentally beneficial fashion industry strategy (Kim et al., 2021). It is essential to ensure that the economic expansion of the fashion industry is accompanied by social equality, labour rights, and a reduction in environmental impact, considering that these aspects significantly impact society and the environment. All of these aspects can be accomplished by implementing circular economy procedures as well as sustainable systems of consumption and production. These initiatives are intended to support accomplishing the Sustainable Development Goals set within the 2030 Agenda for the United Nations (Jacometti, 2019).

Quality, design, value, connections and participation are essential components of the creative method that operates circularly, according to Niinimäki & Hassi (2011). Post-consumer textile waste, or SHC, is difficult to decompose, which causes accumulation, area occupancy, and significant environmental problems such as odours, disease, and parasites (Pensupa, 2020). As a result, there has been an increase in post-consumption textile waste globally, encouraging people from all socio-economic levels to buy SHC as part of the circular fashion initiative (Herjanto et al., 2016).

The second-hand business model promotes attempts to include producers and consumers in the circular economy by reducing resource consumption and waste generation (Turunen & Leipamaa-Leskinen, 2015). Waste reduction, a circular textile life cycle, and sustainable production and sourcing are circular economy objectives for the textile industry (Jacometti, 2019). The Indonesian textile sector can concentrate on reusing textiles, recycling textile waste and utilising sustainable products to reduce the amount of waste going to landfills. Next, extending the lifespan of products and closing the cycle will enhance the product's longevity. Finally, promoting renewable energy, reducing greenhouse gas emissions, conserving water and energy, and extracting materials responsibly from sustainable sources are the elements of sustainable production and sourcing. These objectives align with the circular economy's initial goal of drifting away from the "take-make-waste" linear model of production and consumption.

2.4   Regulatory instruments on SHC

The circular economy provides a strategic framework for sustainable practices in the textile sector. However, effectively implementing SHC import regulations requires appropriate and targeted regulatory instruments. Concerning the regulatory instrument for SHC import, the subject of this study is focused on Indonesia. Regulations on SHC imports aim to manage

sustainable development, economic growth, and public health (Firdausy & Sudarwanto, 2022). The government considers that imported used clothes significantly disrupt the domestic textile industry (detikNews, 2023). However, there might still be many more imports that still need to be recorded due to smuggling activities (Arlini, 2011). The regulations governing this practice are explained below.

Law No. 7 of 2014

This law encourages national economic expansion and improves local product usage and business activity. The relevant minister is the official with the authority to decide whether products can be imported in a non-new condition. As a result, all importers are obligated to import goods in new conditions. Additionally, those who own, operate, or lease warehouses to hold items meant for business must keep administrative records that record the volume of goods held and the entry and departure of goods from the warehouse. Importers that violate the ban on bringing in used products run the possibility of facing jail time or other legal sanctions (UU, 2014).

Regulation of MoT No. 51/M-DAG/PER/7/2015

Regulations of MoT are the derivatives of law. This regulation consists of prohibiting the import of used goods. Since SHC from imports has the potential to endanger human health, it is not safe to be utilised and used by the public. SHC that arrives in the Republic of Indonesia on or after the date of this regulation establishment must be destroyed under the provisions of the laws and regulations (*Permendag*, 2015).

Regulation of MoT No. 40/2022

Regulations regarding the types of goods that are prohibited from being imported have been regulated in Regulation of the Minister of Trade Number 18 of 2021. SHCs are one of the items that are prohibited from being imported. The regulation states, *"Used clothing is categorised as fashion waste and is prohibited from being imported as it relates to health, safety, security, and environmental aspects"* (*Permendag,* 2021). The government has recognized that current regulations were no longer appropriate given societal advancements and requirements. In order to improve the regulations, amendments were made, notably about the categories of items that are not permitted for import, including considerable modifications to the definition of SHC. In the previous regulation (No. 18 of 2021), SHC was defined as clothing individuals have used. However, in the new regulation (No. 40 of 2022), the definition has been expanded to include clothing that either has been used or is no longer in its original packaging. According to Fatah et al. (2023), the new definition addresses concerns about the potential risks of importing used clothing in health and quality concerns. By requiring this, the government hopes to protect the health and safety of Indonesian citizens and prevent any negative impacts on the environment (*Permendag*, 2022).

Despite numerous adjustments to Indonesia's regulation restricting the import of SHC, its effectiveness still needs to be discovered. Although data and information are easily accessible through international trade reports and bulletins, due to various obstacles in their implementation and enforcement, it is challenging to determine the impact and alignment of these regulations on the circular economy objectives. The MoT recently discovered hundreds of bales of imported SHC in several provinces, which suggested that many SHC imports are still making their way into the country.

3.   Analytical framework

Regulatory Impact Assessment (RIA) is a comprehensive and evidence-based strategy used to evaluate the potential impacts of regulations, including their consequences for the economy, society, and environment. RIA seeks to assess the effectiveness of Indonesia's current SHC import regulations and their alignment in supporting circular economy objectives, to better align the regulatory decision-making and practice with these objectives (Kirkpatrick & Parker, 2004).

3.1   Regulation's effectiveness

This study assessed the effectiveness of regulations by analysing the alignment of the regulations' impact and results with their intended objectives. Moreover, it examined how the regulations contribute to fostering circular economy objectives in Indonesia. Effectiveness is frequently connected with efficiency, and both concepts are often used interchangeably, according to Sundqvist, Backlund, and Chronéer (2014). While "effective" refers to regulations' capacity to carry out their intended purposes in a way that is both desirable and feasible, "efficient" implies regulations' ability to accomplish the intended goals while acquiring the least resources or expenses possible (World Bank Group, 2018). The qualitative nature of this research limits investigating efficiency as it requires a thorough quantitative analysis to determine whether the costs of these regulations outweigh the benefits. As a result, the research concentrated on the effectiveness of the regulations in order to examine if the current regulations successfully advance the intended objectives of the circular economy. A regulation's effectiveness is determined by how well it addresses the issue it aims to solve, achieves its goals, and impacts various stakeholders.

3.2   Data of RIA in Indonesia

In order to ensure that the regulations are successful in reaching their intended goals, such as advancing the circular economy objectives in the case of this research, this knowledge can then be used to enhance the regulations. RIA can contribute to ensuring that the regulations follow Indonesia's other policy interests and objectives (Susanto et al., 2018).

According to the World Bank's Global Indicators of Regulatory Governance (2018), it was determined and published that RIA results on regulation need to be distributed more transparently. Because the RIA assessment on regulations in Indonesia has not been distributed openly and thoroughly, and no specialised government body is tasked with reviewing and monitoring RIA on regulations, the effectiveness of existing regulations cannot be concluded, particularly those concerning SHC import practices discussed in this study. This data is shown in Table 1.

Table 1. Publication of impact assessment in Indonesia

Economy ⌄	Conduct regulatory impact assessments ⌄	This assessment is distributed on a unified website for all proposed regulations ⌄	This assessment is distributed on the website of the relevant ministry or regulator ⌄	This assessment is distributed through public meetings ⌄	This assessment is distributed through targeted outreach to stakeholders ⌄	Is there a specialized government body tasked with reviewing and monitoring regulatory impact assessments conducted by other individual agencies or government bodies? ⌄
Indonesia	Yes	No	No	Yes	No	No

Note. (The World Bank, 2023).

Other than that, only a few ministries or regulatory bodies in Indonesia have carried out RIA on regulations. In these cases, there are still no specific RIA guidelines, and the usage of RIA still needs to be mandated by law. The detailed rulemaking data is shown in Table 2.

Table 2. Transparency of rulemaking in Indonesia

Question	Answer	Note
Do ministries or regulatory agencies conduct an impact assessment of proposed (not yet adopted) regulations?	Yes, in some ministries/regulatory agencies only	
Are there criteria used for determining which proposed regulations are subjected to an impact assessment?	Yes	ⓘ
Are there any specific regulatory impact assessment guidelines?	No	
Are impact assessments required by law?	No	
Are impact assessment made publicly available?	Yes	
How is this assessment distributed?	Through public meetings.	
When is this assessment distributed?	Together with the draft proposed legislation.	
Is there an obligation for regulators to consider alternatives to proposed regulation?	No	
Is there a specialized government body tasked with reviewing and monitoring regulatory impact assessments conducted by other individual agencies or government bodies?	No	
Please provide the name of this government body, and explain its functions.	n/a	

Note. (The World Bank, 2023).

3.3 Stages of RIA

In conducting RIA analysis on regulations, whether it is a new regulation or an existing one, the OECD (2008) has provided the following guidance on the stages of the systematic RIA design process. The stages of the RIA procedure are explained below.

Formulating the Problem

The first stage of the RIA procedure is formulating the problem. This process involves defining and identifying the regulatory issue and determining the necessity for regulatory action, the potential risks and advantages of the regulation, and any potential costs. This phase is

performed to confirm that the regulation is required and that the specified issue will be successfully addressed by it (World Bank Group, 2018).

Identifying the objectives

Defining the goals of the proposed regulations are meant to achieve is necessary for identifying the objectives. This step involves a thorough comprehension of the issue or problem the proposed regulation intends to address and the anticipated effects and impacts that the regulation might have. Among the possible objectives are economic concerns like promoting growth and competitiveness, environmental goals like protecting the environment or reducing emissions, and social aspects such as improving equity or public health. The goals should be clear, measurable, and feasible, and they should act as a benchmark for assessing how well the proposed regulation may perform in reaching its intended result (World Bank Group, 2018; Purwanto et al., 2021).

Formulating alternatives

Formulating alternatives refers to identifying and assessing potential options or strategies that could resolve the issue or accomplish the goals specified in earlier steps. This approach considers various realistic, doable, and practical possibilities for obtaining the intended results. A range of alternatives covering improvement, continuation, and cancellation should be included in the alternatives determined in this step (World Bank Group, 2018; Purwanto et al., 2021). In continuance, the existing regulations are enforced, or minor changes are conducted to solve problems. In improvement, the current regulations are modified, and innovative ideas are enacted to manage social and environmental issues connected to SHC imports adequately. Finally, issues with SHC imports are addressed in cancellation, and existing regulations might be removed, or a voluntary method could be used.

Conducting cost and benefit analysis

Cost-benefit analysis (CBA) is a systematic procedure used to analyse the advantages and disadvantages of various regulations. Through stakeholder input and involvement, the costs and benefits of the regulations can be obtained (Kirkpatrick & Parker, 2004). This analysis entails identifying, quantifying, and comparing the proposed regulation's costs and benefits to determine if the advantages outweigh the disadvantages to achieve specific regulatory objectives (World Bank Group, 2018). Typically, CBA is conducted on a monetary basis. However, in this research, non-monetary CBA was employed to analyse whether the environmental, economic and social benefits outweigh the costs. Furthermore, this analysis assessed the regulations' alignment with circular economy objectives (Munda et al., 1995).

Conducting Public consultation

Public consultation is included in the analysis and conducted after CBA, carried out through group discussions and joint meetings involving related stakeholders. For a regulation to be implemented effectively, the discussion will result in strategies and measures that could be adopted to enhance regulation implementation (Abdullah & Shalihati, 2020).

Choosing the best alternative

Choosing the best alternatives is the objective of public consultation after conducting CBA. The goal is to make the given regulations more effective. Improvements are planned by establishing goals and practical measures that can reduce or eliminate the costs or issues that still remain (Abdullah & Shalihati, 2020). For example, in the case of this study, strategies such

as strengthening the domestic textile industry to produce high-quality clothing at affordable prices can be an indirect alternative to improving the regulations.

Implementing the strategy

Strategy implementation is the last stage in the RIA process, usually employed after a strategy is determined. It entails several actions to deliver the established regulations and ensure they have the intended impact (World Bank Group, 2018). In order to effectively carry out regulations, the implementation strategy is essential. Even though regulations are conceptualised well, they can only be implemented effectively with designing strategies. Socialisation, placement of implementation, and evaluation are some ways to carry out strategies (Abdullah & Shalihati, 2020).

This research was conducted using RIA as an analytical framework in stages from the first to the sixth step, which is formulating the problem, identifying the objectives, formulating alternatives, conducting cost-benefit analysis, conducting public consultation, and choosing the best alternatives as the scope is limited and the steps are enough to answer the research questions. However, in step five, the public consultation was replaced by one-on-one interviews with stakeholders as it was unlikely to conduct focus group discussions and joint meetings with all interviewed stakeholders.

4. Research design

This chapter explains the methods and procedures used to achieve the research objective and address the research questions. According to Verschuren & Doorewaard (2010), to formulate a conceptual plan, it is necessary to classify the objective of this research, and it is essential to include a thorough framework of the research process to show the methodology sequentially that is used to complete the research and obtain the research objective. The research design contains an analysis framework, research material, content analysis, interview design, research limitations, and research ethics.

4.1 Analysis framework

The methodology of data collection and analysis can be seen through an analysis framework below.

Table 3. Schematic analysis framework
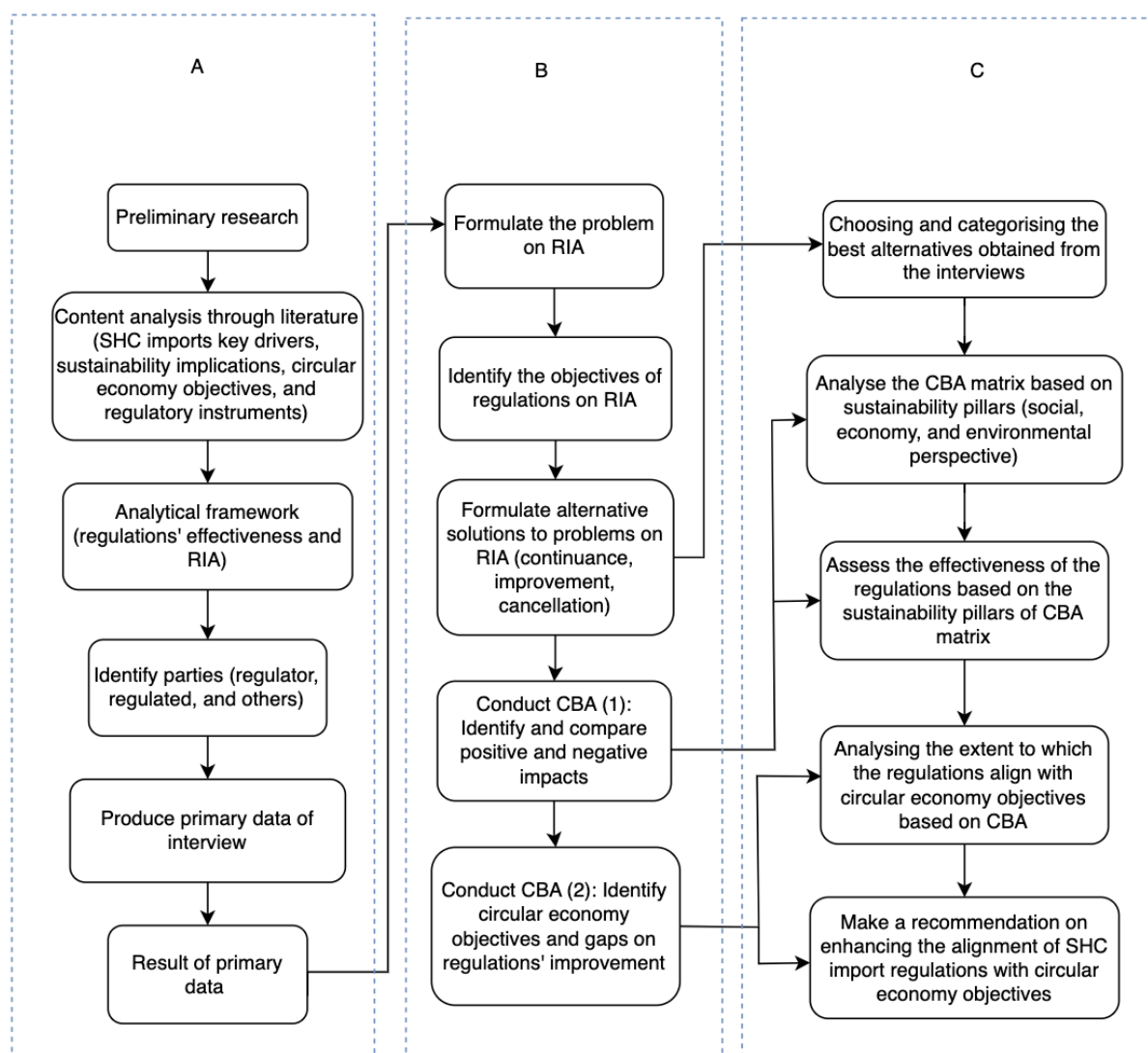
Note. Own interpretation

This study used the analysis framework in Figure 5 to collect and analyse data. The step-by-step process is formulated as follows:

A. Scheme A begins with preliminary research, content analysis on critical drivers of SHC imports in Indonesia, sustainability implications on SHC import, circular economy objectives in the textile industry, and regulatory instruments on SHC import. Then, determining the analytical framework is necessary to obtain a basis that underlies the research, such as the regulations' effectiveness and RIA as the analytical tool. Subsequently, it is essential to identify the parties involved in this research to conduct interviews. The outcomes of these interviews were then transcribed to lay the groundwork for producing primary data. The primary data results will then be used for RIA analysis in Scheme B.

B. In scheme B, a framework process of RIA analysis is illustrated starting by "formulating the problem", "identifying the objectives of regulations", "formulating alternative solutions", which consist of continuance, improvement, and cancellation of regulations, and "conducting CBA". To create the first CBA, the objectives of the regulations and the positive and negative impacts are identified according to the stakeholders' perspectives. Next, three circular economy objectives are identified based on the stakeholders' perspectives to create the second CBA. The fifth step of "conducting public consultation" is not included in the analysis framework, as this step has been substituted with the implementation of interviews which will be further discussed in section 5.5.

C. In scheme C, this analysis framework continues with the next stage of RIA, namely "choosing and categorising the best alternatives" after "formulating alternative solutions" previously in the third step. This stage is separated into scheme C because it marks a pivotal transition from extensive analysis to decisive action. The first CBA in scheme B is used to analyse the positive and negative implications of sustainability from regulations across social, economic, and environmental perspectives so that the effectiveness of these regulations can be assessed. On the other hand, the second CBA in scheme B is used to analyse the extent to which the regulations align with three circular economy objectives. If any misalignment remains, this study can conclude recommendations that can enhance the alignment of SHC import regulations with circular economy objectives.

4.2 Research material

A detailed explanation of varied methods was elaborated in this section to answer the research questions. The purpose is to present a thorough understanding of the data collection procedure to establish the data's reliability. A matrix of data sources and collection methods below will illustrate the data collection in Table 3.

Table 4. Data source and collection method

Research Sub-questions	Desired Information	Source of data	Accessing data	Method of analysis
What are the current regulations governing the import of SHC in Indonesia?	Comprehensive overview of existing import regulations specific to SHC in Indonesia	Grey literature	Content analysis	Qualitative (identifying the exiting import regulations specific to SHC in Indonesia)
	Law and amended regulations related to SHC imports in Indonesia	Publicly accessible articles, journals, studies	Content analysis	Qualitative (identifying the amended import regulations)
	Statistic data on SHC import in Indonesia	Governments' websites	Content analysis	Qualitative (analysing the statistical data of SHC import from year to year)
	Objectives of regulations related to SHC imports in Indonesia	Various perspectives of stakeholders	Interview	Qualitative (identifying the objectives of regulations related to SHC imports)
	Regulatory impact assessment tool	Governments' websites	Content analysis	Qualitative (identifying the tool for regulatory analytical framework)
What are the sustainability (economic, environmental, and societal) implications of SHC import regulations in Indonesia?	Identification of stakeholders (e.g., local business, consumers, government)	Publicly accessible articles, journals, studies	Content Analysis	Qualitative (identifying the stakeholders related to SHC imports regulations)
	SHC import factors	Publicly accessible articles, journals, studies	Content Analysis	Qualitative (identifying the SHC import key drivers)
	Sustainability pillar related to regulations' implications	Publicly accessible articles, journals, studies	Content Analysis	Qualitative (analysing the sustainability pillar implications)
	Comprehensive understanding of SHC import regulations' positive and negative implications in sustainability (economy, environment, and society)	Various perspectives of stakeholders	Interview	Qualitative (analysing the sustainability implications of SHC imports regulations)

How effective are the regulations of SHC imports in aligning with circular economy objectives?	Circular economy objectives on textile	Publicly accessible articles, journals, studies	Content Analysis	Qualitative (identifying the objectives of the circular economy related to the textile industry)
	Regulations' objectives alignment with positive implications	Various perspectives of stakeholders	Interview	Qualitative (analysing the alignment of SHC imports regulations objectives with the positive implications of sustainability they obtained)
	Regulations' alignment toward circular economy objectives	Various perspectives of stakeholders	Interview	Qualitative (analysing the alignment of SHC imports regulations with circular economy objectives)
What recommendations can be proposed to enhance the alignment of SHC import regulations in Indonesia with circular economy objectives?	Gaps for improvement in aligning regulations more with circular economy objectives	Various perspectives of stakeholders	Interview	Qualitative (analysing the room for improvement in aligning SHC imports regulations with circular economy objectives)
	Specific recommendations and circular economy strategies to align regulations more toward circular economy objectives	Various perspectives of stakeholders	Interview	Qualitative (determining recommendations to improve the alignment of SHC imports regulations with circular economy objectives)

4.3 Content analysis

Content analysis was conducted by systematically reviewing and analysing a variety of written sources, including academic articles, books, reports, and any other publications, including previously accessible theses, in order to find relatively common concepts and ideas. Specifically, the information on SHC import data in Indonesia was gained from BPS-Statistic Indonesia. This research used the Indonesian regulations database on JDIH (*Jaringan Dokumentasi dan Informasi Hukum*) or Documentation and Legal Information Network for the regulatory instruments.

4.4 Interview design

As part of the data collection process for this research, interviews were conducted with stakeholders involved in the SHC import regulations in Indonesia. The interview method is convenient and helpful as it can provide in-depth and accurate data based on each stakeholder's opinion with their respective expertise and involvement in Indonesia's SHC import regulations. The interviews were semi-structured (Cheron et al., 2022), face-to-face or through an online platform, and were audio-recorded and transcribed to obtain comprehensive information about the current regulations governing SHC import in Indonesia.

The semi-structured interviews were conducted with thirteen interviewees representing each stakeholder from May 9, 2023 until June 6, 2023. Types of stakeholders, positions, dates, and codes of the interviewees are presented in Table 4. The interviewees were approached via personal messages. After the interviewee stated their availability, the researcher sent a consent form to be agreed upon. The interviews were scheduled using online meeting platforms (e.g., Google Meet).

Table 5. Data of interviewee

Type of Stakeholder	Position	Interview Date	Interviewee Code
Ministry of Trade (MoT) officials	Circulated Goods and Services Supervisor	09/05/2023	Interviewee 1
Ministry of Trade (MoT) officials	Trade Analyst Handling Strategic Issues	21/05/2023	Interviewee 2
Non-Governmental Organisations (NGOs)	Founder Community of Fashion Waste Sustainability	10/05/2023	Interviewee 3
Non-Governmental Organisations (NGOs)	Country Coordinator of Slow Fashion Movement Community	11/05/2023	Interviewee 4
Non-Governmental Organisations (NGOs)	Researcher of Slow Fashion Movement Community	11/05/2023	Interviewee 5
Local Sustainable Business	Founder and Owner of Upcycling Sustainable Fashion	10/05/2023	Interviewee 6
Local Sustainable Business	Head of Marketing Sustainable Vintage Preloved Store	17/05/2023	Interviewee 7

Environmental Law researchers	Researcher of Law Association on Regulation and Implementation of Waste Import Activities in Indonesia	09/05/2023	Interviewee 8
Environmental Law researchers		14/05/2023	Interviewee 9
Economic Academia	Research Assistant Training in Economics and Business (Faculty of Economics and Business)	12/05/2023	Interviewee 10
Economic Academia	PhD Researcher and Graduate Teaching Assistant in Economics	06/06/2023	Interviewee 11
SHC import sellers	SHC import seller in Java and Sumatra	18/05/2023	Interviewee 12
SHC import sellers		26/05/2023	Interviewee 13

The stakeholders are classified into three categories; MoT officials as the regulators and regulations implementers, SHC import sellers as the regulated parties, and other stakeholders (NGOs, environmental law researcher, sustainable local business, and economic academia).

Consideration of interviewee

The criteria for selecting interviewees are based on their roles and relevance concerning SHC import regulations. Officials from the MoT were chosen due to their direct involvement in establishing and implementing regulations (Ministry of Trade Republic of Indonesia, 2023). SHC import sellers are an essential representative for this study, representing business viewpoints influenced by the regulations. A varied group of stakeholders was considered, including NGOs, environmental law researchers, economic academia, and last but not least, sustainable local businesses affected by the SHC importation. Their various viewpoints contribute to creating an extensive understanding of the complex mechanisms in the SHC import sector. In assessing the effectiveness of SHC import regulations, it is crucial to consider each of these stakeholders.

Interview questions

Interview questions can be seen in Appendix B. Interviews were intended to formulate problems, identify regulatory objectives, formulate alternative regulations, understand the positive and negative impacts of SHC import regulations on the economy, environment, and society, as well as to gather insights to evaluate the effectiveness of SHC import regulations in line with the circular economy objectives in Indonesia.

The interview questions were uniformly given to all stakeholders, but there were slight differences based on the role of each stakeholder. For instance, this research aimed to discover the significant challenges SHC import regulations face. Therefore, all stakeholders were given an interview question following the "formulating the problem" stage of RIA. However, the SHC import sellers were exempted from this question due to their participation and support of SHC imports. As a result, the interview question about the significant challenges faced by SHC import regulations was then changed to the significant challenges they face as sellers of imported SHC.

There are, in total, nine interview questions which were divided into three parts. In the first part of questions one to three, the questions follow the first three stages of RIA related to the most significant challenges that need to be addressed by regulations, the objectives of

regulations, and alternative formulation of regulations. The answers to these questions will be discussed further in the Findings chapter, which was structured according to RIA stages. The second part of questions four to six contains questions about the stakeholders' perspectives on sustainability implications of regulations in the social, economic, and environmental aspects, which then was analysed through CBA to identify whether regulations have been effectively implemented in the opinion of each stakeholder. Finally, the last part of questions seven to nine includes the alignment of regulations on the achievement of circular economy objectives (reducing textile waste, circular life cycle, and sustainable sourcing and production), which was also analysed through CBA to determine the extent to which these restrictions align to the objectives of the circular economy.

4.5   Research limitations and boundaries

The limitation of this research is the scope and capacity. This research only focused on the regulations of SHC imports in Indonesia rather than on other countries as the subject of study. Other than that, this study conducted a CBA as one of the steps in the RIA assessment with solely a qualitative focus by explaining from both the primary and secondary data results and literature studies that no quantification was performed (Abdullah & Shalihati, 2020). Finally, the research was conducted using only steps one up to six and excluded "implementing the strategy" as the seventh step of RIA, as the scope of this study was limited. The six-step RIA was sufficient to answer the research questions. However, in step five, the public consultation was replaced by conducting interviews with stakeholders as it was unlikely to conduct a focus group discussion.

Furthermore, the interviewed parties are limited to six stakeholders: MoT officials, SHC importers, Non-Governmental Organisations (NGOs), Environmental Law researchers, sustainable local businesses, and economic academia. While the current group of selected stakeholders provides comprehensive insights, other stakeholders, such as the Ministry of Industry, could offer valuable insights. Nevertheless, due to limitations in time and resources, the focus was settled on the selected stakeholders, given their immediate relevance and specialised knowledge in fields critical to the research objectives.

4.6   Research ethics

All research that involves people as subjects or participants via interviews or the use of potentially sensitive data must adhere to the Behavioural, Management, and Social Sciences (BMS) Faculty's ethical policy. As a result, consent forms for individuals involved, such as interviewees, should be prepared and filled out by the interviewees before the interview. The consent form is presented in Appendix A. Furthermore, the consent form clarifies the interviewee's privacy and data confidentiality issues. All of the interviewees remain confidential and anonymous. They can also dismiss themselves when they no longer want to participate in the research. Supervisors and the ethics committee examined and approved the research plan for at least three weeks before completing the online application form, including the data-gathering procedure. Additionally, data should be maintained securely in compliance with BMS Data Lab Procedure

5. Findings

This chapter presents the collected data and findings from the interviews related to stakeholders' perspectives on SHC import regulations. The findings are presented through the stages RIA conducted in this research, which include: formulating the problem, identification of the objectives, formulating alternatives, conducting CBA, conducting public consultation, and choosing the best alternatives.

5.1 Formulating the problem

Generally, SHC import practices disrupt the local businesses and domestic textile industries. There is always a massive difference between the recorded and the SHC imports' actual quantity. Thus, it increases unfair competition towards the local and domestic due to the consumer's preference for the affordability of SHC import products. It is considered unfair as the price of SHC imports' capital is very cheap, so they can still be sold at a low price (Interviewee 3, May 10, 2023). Selling low-priced SHCs has made many local business sellers lose their jobs due to the lower demand for local clothing. Moreover, since this is illegal by law, the high demand for SHC imports leads to smuggling through smaller unmonitored ports (Interviewee 2, May 21, 2023).

"Clothing manufacturers need to pay an 11% production tax, not to mention service fees and others. It is an unfair competition. Of thousands of tons of clothes that enter Indonesia from illegal imports, usually only 20% are sold. It already covers the importers' profit. That is how cheap it is." (interviewee 3, May 10, 2023)

"The Indonesian textile industry has experienced setbacks … which showed a decrease of nearly 50,000 workers in the textile industry sector. It suggests that the domestic textile industry in Indonesia cannot compete with imported used clothing." (interviewee 10, May 12, 2023)

On the other hand, the stakeholders also added hygiene concerns regarding SHC imports. Health risks and improper disposal are debated, as SHC imports are often in poor conditions. The low-quality or unsold clothes are then disposed of, leading to additional waste issues and costs. At the same time, textile waste management in Indonesia has yet to reach an optimal and efficient level. Regulation loopholes cause clothing waste to enter the country freely (interviewee 6, May 10, 2023). The regulations must still be implemented as they prohibit importation without restricting the circulation of SHC. Consequently, the SHC import sellers can shift towards selling SHC domestically.

"In 2021, the number of imported clothing recorded at the BPS-Statistics Indonesia was 8 tons, while in reality, the number of imported clothing entering Indonesia in 2021 was 27,420 tons. There is a difference of 3000 times than existing data" (interviewee 3, May 10, 2023)

Almost all stakeholders have the same opinion; regulations are needed to address the problems. However, some interviewees argued that the impacts of SHC import on local businesses need to be more significant, underscoring the necessity to justify establishing such regulations. Further causal effect research should determine whether SHC imports cause a decline in demand for local clothing.

"This business has its own segment, but it does not mean that the high demand for SHC import means reduced sales of locally produced clothing. Some prefer new clothes, while others enjoy thrifting because it is affordable." (interviewee 12, May 18, 2023)

In conclusion, SHC import disrupts the local businesses and domestic textile industries due to the high demand for cheap, imported SHC, resulting in unfair competition and leading to local business workers losing their jobs. Apart from that, there are health problems due to the imported from other countries whose quality still needs to be discovered. Since large amounts of SHC were sent to Indonesia, not all of them could be sold, and some had to be disposed of. Disposed textiles resulted in the accumulation of textile waste, even though Indonesia has not been able to manage waste in landfills. The problem grew when these illegal SHC imports continued to enter Indonesia through small ports that the government overlooked.

5.2 Identification of the objectives

In identifying the objectives of the regulations, the primary objectives are to protect the domestic textile industry, ensure uninterrupted sales and develop expansive opportunities. Regulations will increase the domestic economy and protect national interests (interviewee 9, May 14, 2023).

"SHC is a prohibited import item based on the Regulation of the Minister of Trade Number 18 of 2021, as changed by the Minister of Trade into Regulation Number 40 of 2022 concerning Amendments to the Minister of Trade Regulation Number 18 of 2021 on Prohibited Export Goods and Prohibited Import Goods." (interviewee 2, May 21, 2023)

In addition, the consumers are also protected by regulations, including being protected from skin diseases and by setting standards for clothing regarding health and safety (interviewee 11, June 6, 2023). The damaged, poor-quality, unusable or contaminated products are all avoided, as the regulations aim to regulate the quantity and quality of products since they can come in without curation (interviewee 6, May 10, 2023). Regulations also prevent SHC waste from abroad from being disposed of in Indonesia, which causes Indonesia to become a "dumping ground" country for SHC imports (interviewee 7, May 17, 2023). In addition, pollution from shipping and delivering SHC imports is also avoided, thereby contributing to the preservation of environmental sustainability and achieving a circular economy within the country.

Regulations may exist in writing, but their implementation may only sometimes align with the plan due to inadequate supervision and the prevalence of corruption (interviewee 8, May 9, 2023). Therefore, apart from the economic and environmental aspects, social impacts must also be considered in implementing these regulations, for example, by protecting the welfare of workers (interviewee 4, May 11, 2023). According to the sellers of SHC import, the impact of SHC import remains to be seen on the local businesses due to the segmented nature of SHC import business. Therefore, the current regulations prohibiting the sale of imported SHC do not support SHC import sellers' welfare (interviewee 12, May 18, 2023). They feel that data and research should be more comprehensive regarding SHC importation, which leads to a decrease in sales of local businesses. In practice, more than the available information is required to judge (interviewee 11, June 6, 2023). Apart from that, as has been said, regulations aim to reduce the risk of diseases caused by bacteria. However, based on their experience, the SHC import sellers believe everything runs smoothly.

"The government does not have data on the decline in sales of local businesses. Is it SHC imports that hinder the development of local businesses, or is it a lack of innovation within the SMEs themselves?" (interviewee 12, May 18, 2023)

To conclude, the objectives of the regulations are to protect domestic textile industries in selling clothes and protect consumers from various diseases from buying SHC imports. In addition, the regulations have an environmental purpose, aiming to avoid clothing waste from abroad due to its deteriorated quality and to reduce pollution.

5.3 Formulating alternatives

While formulating alternatives, some stakeholders believe that no changes are necessary as the goals are clear: fulfilling domestic textile industry needs without importing. Accordingly, the government should uphold the existing regulations and focus on practical implementation and socialisation. Excessive changes could lead to further confusion. However, most interviewees suggested several regulation improvement areas (interviewee 10, May 12, 2023).

First, clear sanctions against violators should be strengthened through increased monitoring at small local ports or by imposing stricter criteria or charges to deter imports, along with detailed restrictions defining the sorts of waste allowed to be imported (interviewee 6, May 10, 2023. For instance, the Ministry of Communication and Information Technology could be involved in inter-ministerial collaboration as an alternative strategy to limit the sale of imported SHC in digital forums (interviewee 2, May 21, 2023). The most commonly suggested alternative is limiting the quantity of SHC imports a country can accept. As a result, the countries of origin that export SHC can be curated based on their waste disposal practices (interviewee 5, May 11, 2023). Regarding waste, the Minister of Environment and Forestry should also review these regulations instead of relying on the MoT to make and implement the regulations. The integration ensures that harmful waste is eliminated and the environmental aspect can be maintained (interviewee 3, May 10, 2023).

"In the Trade Law Number 7 of 2014, Article 111 stipulates that importers who import non-new goods and goods prohibited for importation shall be subject to imprisonment for a maximum of 5 (five) years and a maximum fine of Rp5 billion." (interviewee 2, May 21, 2023)

Second, alternatives can be made to encourage domestic textile industries by implementing tax relief (interviewee 3, May 10, 2023). Offering training for the domestic textile industries is an excellent idea, enabling them to learn how to compete with imported SHCs. This way, their products can improve their quality, fostering higher consumer trust in local products compared to those from abroad. Domestic textile industries could also implement upcycling methods to practice sustainable clothing with consumers. Upcycling methods can be done by collecting unused clothes that can be creatively redesigned and released as upcycled collections by local brand owners (interviewee 2, May 21, 2023). The government should increase awareness from all parties to embed pride in wearing local products to reduce the demand for SHC imports. Indonesian society must also start implementing an alternative *"buyerarchy"* pyramid that starts with utilising existing clothes, borrowing clothes, exchanging clothes, buying used clothes, making own clothes, and the last option buying new clothes as can be seen in Figure 4.

Figure 4. Buyerarchy of needs pyramid

Note. Adapted from "Buyerarchy of Needs: Using what you have, borrowing and swapping" by Rivetto (2015). Source: Michigan State University.

Third, the government could also facilitate the affected sellers by establishing a hotline to get assistance and solutions, enabling a successful transition towards selling locally produced SHCs. Locally produced SHCs could be accessed by creating a well-organised system to collect SHCs from people in Indonesia (interviewee 5, May 11, 2023). Additionally, the sellers need incentives to change their behaviours as they have been importing SHC their whole lives. Therefore, providing bonuses or assistance in finding alternative jobs after becoming unemployed would be beneficial. The government needs to be more transparent in providing data on the growth of local businesses and domestic textile industries in Indonesia, as well as the percentage of how much the importation of SHC affects or reduces society's demand for local products (interviewee 11, June 6, 2023).

The SHC import sellers themselves insist that the ban in the regulations needs to be changed and clarified because SHC import selling is a whole other separate segment, and it does not disrupt any party. They even emphasised their willingness to pay taxes to keep their job.

"The imported SHC could be centralised in the future, allowing sales in specific locations within each region. For example, in Bandung, it could be located in Gedebage, and in Jakarta, it could be in Pasar Senen. Centralising the sales would help the disrupted local businesses because each business would have separate segments." (interviewee 12, May 18, 2023)

To bring it all together, even though some stakeholders believe that their significant changes are unnecessary since it certainly requires an implementation gap or time, improvements are still needed from both the government and society.

5.4   Conducting CBA

5.4.1 Sustainability implication

The cost-benefit analysis was conducted by gathering the data through interview questions. The CBA can be found in Appendix C. In conducting the first CBA, the objectives of regulations obtained from stakeholders' perspectives based on their knowledge and opinions

were needed. This information was also conducted in Chapter 5.1.2. Besides that, the regulations' positive and negative implications on the social, economic, and environmental aspects were also obtained. The CBA is explained by the following environmental, social, and economic perspectives, based on three sustainability pillars.

Social Perspective

Socially, these regulations benefit by avoiding sales competition, thus directing more attention from consumers to buy more local products than imported SHC (interviewee 2, May 21, 2023). Local business sellers could be more creative and innovative, and they could also analyse their weaknesses and adopt the characteristics of imported SHC (interviewee 10, May 12, 2023). The regulations provide a legal foundation to control the entry of goods into the country. Moreover, if customs duties are involved in the regulation, this business can become legal since taxation provides a better organisation for the country (interviewee 12, May 18, 2023). Regulations entail stricter guidelines, decreasing dishonest sellers and frauds and reducing customers' apprehension (interviewee 13, May 26, 2023). The public is protected from unclear or dubious clothing items, and the consumers could be directed towards sustainable clothing or local SHC, which are also affordable but offer better quality (interviewee 9, May 14, 2023). Society is more environmentally aware due to the provision in the regulations that manage the reduction of textile waste, in conjunction with reducing consumerism mindset as the excessively cheap SHC imports are restricted (interviewee 10, May 12, 2023).

However, there is a decrease in options for cheap clothing for the lower-class society (interviewee 2, May 21, 2023). The consumers could not obtain SHC to wear continuously, and the choices became limited, especially the access to "vintage" goods since obtaining local SHC is more challenging than acquiring imported SHC. The regulations prohibiting bulks from entering the warehouses made the SHC import sellers insecure about employment opportunities. Prohibition of entry of bulks is also detrimental to the sellers if the training from the government to solve sellers' problems needs to be implemented appropriately (interviewees 4 and 5, May 11, 2023). It is tough to satisfy all parties. If the sellers resist these regulations, it may lead to failure of adaptation. Also, banning imports without encouraging local businesses and domestic textile industries can make the regulations futile (interviewee 10, May 12, 2023).

Economy Perspective

The economic perspective is quite similar to the social perspective. These regulations avoid unfairness in competition since SHC importation does not pay taxes. It does not go through the proper channels, and the products still need to be registered (interviewee 3, May 10, 2023). The regulations can revitalise the domestic textile industries by increasing employment. It leads to a rising income and purchasing power among the public (interviewee 10, May 12, 2023). If taxes are enforced, this could increase government revenue from import duties, and specific tax percentages can become a source of income for the country (interviewee 2, May 21, 2023). Besides, these regulations prevent the sale of low-quality or poor-condition items.

Though, the SHC import sellers depend on this business for their livelihood. They may need help figuring out their next steps or deciding on an alternative business (interviewee 1, May 9, 2023). They could also lose their source of income, leading to increased poverty rates in certain areas due to the closure of businesses (interviewee 10, May 12, 2023). Meanwhile, transitioning to other businesses takes much work for the sellers. On the other hand, the absence of affordable imported SHC may cause a high production and consumption of fast fashion, contributing to another set of problems (interviewee 5, May 11, 2023). The worst-case scenario is a reduced demand in the clothing and textile industry, as consumers are unwilling to purchase items at higher prices (interviewee 11, June 6, 2023).

Environmental Perspective

Concerning the environmental perspective, these regulations reduce the large quantities of clothing waste entering the country into landfills. Due to suboptimal textile waste management technology, Indonesia has an opportunity to address the waste problem internally. These regulations also reduce carbon emissions, such as those associated with transporting SHC imports (interviewee 8, May 9, 2023). These regulations try to avoid low-quality clothes while protecting consumers from skin disease transmission. Without SHC imports, extra miles of processing, selecting, and curating would be eliminated, thereby fostering the development of the local circular economy (interviewee 7, May 17, 2023).

However, this could affect the exporting countries where their textile waste will continue accumulating; imported clothing from overseas cannot be recycled, whereas it could have been utilised in Indonesia (interviewee 13, May 26, 2023). Therefore, it is considered a huge waste not to utilise this opportunity. Indonesia's society loses the opportunity to practice sustainability and extend the lifespan of clothing since obtaining local SHC is more challenging than receiving SHC imports. These regulations do not mainly handle waste problems, especially in extended producer responsibility. As a result, based on reports, the remaining imported SHCs are disposed of with incinerators leading to emissions and pollution (Interviewees 4 and 5, May 11, 2023). Additionally, the regulations that ban illegal SHC imports could lead to an increase in fast-fashion demand since it is also a cheaper alternative than locally produced fashion. The high demand and consumptive attitude toward fast fashion can also cause massive waste (interviewee 7, May 17, 2023).

5.4.2 Circular economy objectives

Besides sustainability implications, the circular economy objectives were also analysed through CBA. The analysis was used to identify how these SHC import regulations align with the circular economy objectives.

Reducing textile waste

Regarding benefits, the regulations advance the circular economy objective of minimising textile waste by regulating the import of SHC. The nation can concentrate on fostering circular practices with its products rather than relying on imports. By preventing an increase in waste volume caused by SHC imports, the regulation eases the burden on the government regarding waste management (interviewee 5, May 11, 2023). Regulations must go beyond simple formalities to achieve the circular economy objective of minimising textile waste. However, the importation of SHC also presents a chance to reduce global textile waste in the circular economy, according to SHC import sellers. The utilisation of wasted SHC imports from abroad equals recycling discarded products, which lessens the amount of textile waste generated globally. Although imported SHC does not directly reduce textile waste, ensuring that all imported clothing is sold rather than thrown away effectively cuts waste. Otherwise, it would be highly wasteful to prevent the sale of goods still in good shape (interviewee 12, May 18, 2023).

Assessing the effectiveness of regulations to reduce textile waste is challenging due to the need for more information on Indonesia's environmental economy. While the regulations on SHC import try to reduce waste by limiting access to SHC import, it is crucial to understand that waste is also produced by the domestic textile industry. If they continue to build up,

depending solely on limiting imports may not be sufficient to solve the problem (interviewee 8, May 9, 2023).

On the other hand, regulations lack a thorough waste classification and instead place a greater emphasis on limitations and restrictions. The government and importers need to agree on the categories of imported items, and the importers should be licensed and frequently observed. The government should expressly address waste management and create more detailed regulations for the textile industry. Prioritising local businesses and putting circular economy principles into reality can indirectly affect waste management and help reduce textile waste (interviewee 8, May 9, 2023).

In conclusion, the regulations align with the circular economy's objective of reducing waste, but they should also address the waste issue produced by the domestic textile industry.

Circular textile life cycle

The regulations provide a practical framework for Indonesia's circular textile life cycle. The circular life cycle aspires to convert the conventional produce-use-dump linear process into a closed-loop system (interviewee 4, May 11, 2023). In order to keep SHCs from going to waste, the regulations are essential in encouraging consumers to purchase them from local sources. Awareness among consumers provides a transparent guide to assist them in making decisions and promoting the circularity of the textile sector (interviewee 3, May 10, 2023). One of the ways in society is by upcycling and practising sustainable fashion like *"Buyerarchy"* to advance the circular textile life cycle as an objective of the circular economy (interviewee 5, May 11, 2023).

However, these regulations primarily focus on non-new capital items and do not directly address and encourage circularity. Smaller ports that could be used as smuggling routes should be addressed to ensure minimal waste from unsold imported SHC (interviewee 1, May 9, 2023). Reducing imported SHC could be achieved by developing a platform that facilitates easy access to local SHC, fostering clothing lifespan and reuse while reducing waste and adopting circular economy principles of sustainable consumption (interviewee 4, May 11, 2023). Practical socialisation activities are essential to ensure that people realise the advantages of SHC import regulations for the Indonesian economy. The government should ensure accurate, clear, and consistent information (interviewee 10, May 12, 2023). Actual data, models, and regressions should be prioritised, taking into account multiple factors, including company profitability, buyer utility maximisation, and reduced government spending, in order to determine the appropriate steps to take, identify the causes of decreasing demand for local clothing, and analyse the consequences of SHC imports (interviewee 11, June 6, 2023).

On the other hand, SHC import sellers claim that purchasing imported SHC promotes a sustainable environment by avoiding clothes from going to waste. Keeping clothes in an extensive lifespan promotes movement inside Indonesia and adds to the circular life cycle of textiles. Indonesian society actively participates in the circular textile life cycle, promoting the reuse and extension of the lifespan of clothing to support a more sustainable approach to consumerism by adopting the practice of purchasing and reselling imported SHC.

The regulations are in line with one of the circular economy's objectives—the circular textile life cycle—but they primarily address importation rather than particularly addressing circularity. It is necessary to address smaller ports that can operate as smuggling hubs to support a more thorough circular textile life cycle by encouraging the procurement of locally supplied SHCs and raising knowledge about the advantages of circular consuming patterns.

Sustainable production and sourcing

Inspections of the SHC import are performed in the warehouse, and non-compliant imported products are kept in storage and prohibited from being distributed (interviewee 1, May 9, 2023). It is crucial to remember that importing SHC is not appropriate to achieve sustainable production and sourcing. Instead, selling locally obtained SHC actively promotes sustainable production and sourcing. The public should understand the advantages of local SHC, enabling the adoption of sustainable fashion practices. Cutting back on excessive consumption is essential, as the circular economy framework seeks to make sustainable production and sourcing a key goal. To increase sustainable practices from local businesses, the government should offer incentives to business owners who engage in upcycling and recycling to promote sustainable practices like *"Buyerarchy"* (interviewee 6, May 10, 2023).

Regarding costs, loopholes in waste regulations lead to uncertainty in the classification of waste as permitted or forbidden. It is essential to utilise resources wisely to promote sustainability and intergenerational equality. Besides, community empowerment aligns with sustainable production and sourcing to achieve sustainable development (interviewee 8, May 9, 2023). To promote circularity, the government and producers must work together and agree because market processes alone are insufficient. Gathering resources and stakeholders, doing in-depth research and development, and emphasizing practical applications beyond theoretical principles are all crucial (interviewee 11, June 6, 2023).

However, concerning client segmentation, according to SHC import sellers, some people strongly disagree with SHC imports, while others support them. Certain people believe that purchasing imported SHC can help to increase the lifespan of clothing, which lessens their need to purchase new clothing. SHC import fulfils the fashion tastes of today's youth while reducing the demand for new apparel, which aligns with the circular economy objective of sustainable production and sourcing.

To sum up, the regulations support one of the circular economy's objectives of sustainable production and sourcing. However, there may be room for improvement, such as addressing customer desires for fast fashion and incorporating stakeholders in the decision-making process.

5.5   Conducting public consultation

Based on the RIA steps, public consultation should be conducted to involve stakeholders and collect a range of viewpoints. Public consultation ensures the credibility of the regulations and establishes their accountability. However, this particular step was not completed as originally intended due to some constraints. Instead, interviews were employed as a substitute for a consultation to enable the required insights to be obtained from six stakeholders and thirteen interviewees. Therefore, conducting focus group discussions or joint meetings with all stakeholders was not considered necessary for this research.

5.6   Choosing the best alternatives

Based on subchapter 5.1.3 in formulating alternatives, it is concluded that the stakeholders suggest alternatives. The alternatives are then categorised into four groups based on the researcher's interpretation, which consists of "clear and agree", "technical and social", "penalty, addition and specification", and "adjustment".

Clear and agree

This category contains the opinion of stakeholders to continue the existing regulations without making significant changes. Some stakeholders believe that the regulations are sufficiently clear with well-defined purposes. Indonesia has a robust domestic textile industry, and the needs can be met locally without importing clothing, especially SHC. Therefore, the best alternative is to adhere to the initial regulations. Given that these regulations are relatively new, it is reasonable to expect an implementation gap or the time needed to implement them fully. Moreover, excessive changes are feared to confuse society, making it more difficult to absorb the information (interviewee 1, May 9, 2023 and 10, May 12, 2023).

Technical and social

This category contains specific ways of approaching the community, domestic textile industries, government, and even SHC import sellers in adapting and surviving in the market, both socially and technically. There are some ways to assist, facilitate, and socialise these regulations to make the implementation easier. First, an approach towards the SHC importers by establishing a hotline will give assistance and solutions and encourage and facilitate sellers to transition to local products (e.g. creating a well-organised system to collect local SHC). Since the banned SHC is only imported from abroad, they could switch to sourcing SHC from within the country (interviewee 2, May 21, 2023). Additionally, they need incentives or bonuses and assistance in finding alternative jobs as it would be challenging for the sellers who have been importing SHC their whole lives and suddenly have to stop (interviewee 11, June 6, 2023). The government can slowly start by limiting the quantity of SHC imports a country can accept. Second, an approach towards the domestic textile industries is needed to improve their quality and integrity (interviewee 7, May 17, 2023), possibly by employing tax relief to encourage a sustainable and circular clothing industry (interviewee 3, May 10, 2023). Offering training for them will be very advantageous so that they are driven to compete with SHC import. Third, approaching the consumers or simply the public by promoting "Proudly Made in Indonesia" education would be one of the ways to resonate throughout society. Pride and awareness should be increased in purchasing and wearing domestic products to close access to imported SHCs in Indonesia (interviewee 2, May 21, 2023). Last but not least, data on the growth of domestic textile industries in Indonesia should be provided, as well as the percentage of how much the importation of SHC affects or decreases the interest in local products (interviewee 11, June 6, 2023). The government should be more transparent and provide clear and consistent regulations.

Penalty and specification

This category addresses the problems related directly to the regulation, both legally and governmentally, whether the regulations will be added, detailed, and enforced. First, there are suggestions for inter-ministries to block content and sales of imported SHC on digital platforms to avoid SHC import and sale (interviewee 2, May 21, 2023). The sanctions should be made clear and rigid for illegal importers, as well as making additional regulations regarding the SHC import. The added extras should be specific enough to explain essential details of waste and responsible parties. There should be no room for importers to bring in hazardous and toxic waste. Therefore, the imported SHC has to pass the HS (Harmonized System) code as the classification of "other waste". Waste that can harm the environment should be immediately eliminated (interviewee 8, May 9, 2023). The overall regulation should be issued and reviewed by other Ministries to be integrated. The regulations should also state the process of sorting, selecting, the quality, and the quantity of clothing allowed to enter. For example, we can import a certain amount of SHC annually. Used clothes that have already been imported must be able

to be returned or used again rather than being sent straight to incinerators (interviewee 5, May 11, 2023). Regarding the environment, the government could create programs derived from those regulations to monitor the waste generated by importers of SHC (interviewee 8, May 9, 2023).

The importation of SHC and imported SHC thrift shopping still exist due to the need for law enforcement. The regulations indeed already exist. However, their enforcement needs to be improved. Therefore, regulations must be fully enforced, especially at smaller unmonitored ports. Law enforcement agencies at the borders or customs have to be more effective in preventing the entry of imported SHCs into the country (interviewee 9, May 14, 2023).

Last, the sale of SHC imports could be centralised, allowing imports in specific locations within each region. That way, it would not disrupt domestic textile industries because each business would have separate segments. If it succeeds, SHC import would be legal, and Indonesia could gain tax revenue (interviewee 12, May 18, 2023).

Adjustment

Some SHC importers might need to be made aware that importing such clothing is prohibited (interviewee 12, May 18, 2023). While they may understand, selling imported SHC is practically their livelihood. They believe that SHC import thrifting needs to be encouraged to the consumers to make the public comprehend that these clothes are still suitable for sale or use. According to them, the regulations need to be changed, and the ban needs to be clarified. Furthermore, the regulators should all be consistent in their statements. For example, some Ministry officials declared that the sellers could continue selling until the stock ran out. However, some ministry officials burned all the stock and ordered that sellers are not allowed to sell imported SHC anymore, no questions asked, without providing any information or assistance afterwards (interviewee 13, May 26, 2023).

Since the opinions of stakeholders differ in several categories, in conclusion, the best alternative is to continue existing regulations with predetermined objectives but still make several improvements in several aspects, such as assistance to local businesses and SHC import sellers and adjusting regulations technically such as enforcement, taxes, robust data, and integrate regulations to ensure that other ministries review them.

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6.   Discussions

This chapter summarises the interpretation of the results, guiding the formulation of optimal regulatory alternatives. It further explores the sustainability implications of SHC imports, evaluates regulatory effectiveness, and investigates the alignment of a comprehensive analysis of SHC import regulations with circular economy objectives.

6.1   Regulations' alternatives governing the import of SHC

The current regulatory instrument on SHC import, Law No. 7 of 2014, Regulation of MoT No. 51/M-DAG/PER/7/2015, and Regulation of MoT No. 40/2022, was made with long and thorough consideration. Regulations are based on the Law and its derivatives, namely the Regulation of the MoT covering promoting national economic growth. Importers are required to import goods in a non-used condition since SHC import has the potential to endanger human health. These regulations aim to protect the domestic textile industry and consumers from disease and the security of the buying and selling process. Those are the main objectives, and from an environmental standpoint, there is also a goal of avoiding clothing waste from abroad. Therefore, in order to enhance the existing regulations, there are four categories of alternatives that can be incorporated into the regulations; "clear and agree", which means to maintain the existing regulations with predefined objectives, "technical and social", which entails supporting local businesses and SHC import sellers, "penalties, additions and specifications" and "adjustment" that implies improvements to the regulations, including enforcement, taxation, robust data, and integration of regulations for cross-ministerial review.

6.2   Sustainability implications on SHC import

While aiming to please various stakeholders, regulations inevitably generate advantages and disadvantages. These implications have been analysed through the lenses of sustainability's three pillars: social, economic, and environmental perspectives. The results reveal that the regulation effectively prevents competition between local and imported clothing sellers. Additionally, they contribute to reducing unemployment rates and public health risks posed by SHC imports. However, several issues might arise from these regulations. Due to the limited SHC choices available to consumers, it can lead to a decline in clothing demand. Environmental contamination and hazardous emissions may be generated if imported SHCs are burned in incinerators. This process could drive consumers back to fast fashion, contradicting the circular economy principles and producing high textile waste. The regulations also cause uncertainties for SHC import sellers, which impacts their livelihood. To address these multifaceted challenges, the government must manage waste and ensure the waste source to minimize landfill accumulation. Managing these sustainability implications is crucial to foster a more sustainable and circular fashion ecosystem.

6.3   Regulations' effectiveness

The CBA table, which contains the expected regulatory objectives, positive and negative implications, was observed to determine whether a regulation is effective. Regulations achieve the desired goals, as seen from the positive implications aligned with the regulations' objectives. It implies that the regulations are effective in overcoming problems. However, the

existence of negative implications, according to various stakeholders, needs to be considered carefully.

The first objective includes protecting consumers' health by ensuring clothing standards and reducing the risk of diseases caused by bacteria from imported SHC (interviewee 11, June 6, 2023). The next objective is protecting domestic textile industries by ensuring safety and reducing unfair competition to maintain Indonesia's economy, profit, and growth while improving the local business to be more creative and innovative (interviewee 3, May 10, 2023). The third objective is to provide a legal foundation for controlling imported goods. If customs duties are involved in the regulation, the SHC import business can become legal and a source of income for the country (interviewee 12, May 18, 2023). The last objective is to reduce waste entering the country and ending up in landfills. Thus, the community does not suffer too much from waste processing and curation of imported SHC and the carbon emitted through shipments of imported SHC (interviewee 8). People have become more aware of the environment and waste since the government pays more attention to the environment. All of these objectives are aligned with the positive implications of the regulations, as per the stakeholder interviews.

However, an assessment of sustainability implications showed costs and detrimental effects on the social, economic, and environmental pillars, proposing development opportunities to reduce negative implications for stakeholders. The challenges include decreased customer choices imposed by difficulties obtaining local SHC. SHC import sellers endure income loss and challenges shifting to new businesses without adequate government support. The opposition might result in more individuals being unemployed and living in poverty. Environmentally speaking, unsold SHC builds up in exporting countries, while the regulation forces the already imported SHC to be incinerated, causing emissions and pollution. Indonesian waste management does not explicitly address extended producer responsibility. Developing a more sustainable and circular fashion environment depends on addressing these issues. An objective evaluation of the effectiveness of the regulations can be shown by identifying both positive and negative effects. This method indicates where regulations have been effective and point out areas where they can be improved and refined to become more comprehensive and sustainable.

6.4   Three circular economy objectives' alignment with the regulations

The regulatory focus primarily attempts to limit the import of SHC, considering consumer protection and the country's economy. However, these regulations align with circular economy objectives from several perspectives. First, the regulations support the circular economy's objective of reducing textile waste by promoting domestic circular processes rather than relying on imports. By avoiding SHC imports, the government can focus more on managing internal SHC waste. However, it is difficult to determine whether the regulations are reducing waste due to limited environmental-economic data in Indonesia. It is essential to note that the domestic textile industry also produces waste. As a result, depending solely on SHC import regulations may only partially resolve the textile waste issue.

Second, these regulations align with the circular economy objectives by offering a practical framework for a circular textile lifecycle in Indonesia. Regulations are essential in encouraging customers to purchase locally-sourced SHC to avoid wasting SHC. Consumer awareness helps decision-making and promotes circularity in the textile sector, including recycling practices and sustainable fashion.

Lastly, the regulations align to achieve sustainable production and sourcing. The regulations only apply to SHC imports. Therefore, trading, consuming, and recycling SHC from local sources are not restricted. Dealing with locally-produced SHCs makes it possible to create a sustainable supply chain that uses recycled materials and local producers or artisans.

In conclusion, the circular economy objectives of reducing waste, circular textile lifecycle, and sustainable production and sourcing align with these regulations. However, the government has to continue to pay close attention to waste produced by the domestic textile industry. Effective enforcement of regulations is required to address smuggling through transparent and effective awareness initiatives, particularly in smaller ports. Local sourcing of SHC should be prioritised to maintain circularity, which may reduce the demand for fast fashion. Participation of stakeholders in decision-making is also essential. To support the sustainability of local firms and SHC importers affected by the laws, incentives and training should be provided.

Similar to the sustainability implications, circular economy objectives are a parameter used to determine whether these regulations have been effectively implemented and are indeed effective in aligning with circular economy goals. In this case, the regulations can be defined as "effective to a certain extent".

7. Conclusions and recommendations

This thesis aims to identify the implications of SHC import regulations on the economy, environment, and society. It evaluates the effectiveness of these regulations in aligning with circular economy objectives and provides recommendations for enhancing their alignment. Qualitative data collection and analysis were conducted using the RIA methodology to gather stakeholders' perspectives on SHC import regulations. RIA steps guided thirteen interviews by formulating the problem, identifying the objectives of regulations, formulating alternatives to the regulations, and implementing CBA to assess effectiveness in terms of negative and positive sustainability implications and circular economy objectives alignment. From this comprehensive analysis, the conclusion highlights the necessity of regulations, suggesting the best alternative for continuation while acknowledging room for improvement, such as assisting local businesses and SHC importers and refining technical aspects like enforcement, taxes, data strength, and regulatory integration.

Addressing research questions, SHC import regulations in Indonesia take a multifaceted approach towards achieving circular economy goals encompassing economic, environmental, and social dimensions. While they demonstrate effectiveness in some aspects, challenges and negative consequences require thoughtful consideration. The study promotes continuing waste management, effective enforcement, and stakeholder involvement for a more sustainable and circular fashion environment. The SHC import regulations implications are systematically and thoroughly examined across the economic, environmental, and social domains using the RIA approach as an analytical framework. In order to facilitate a balanced evaluation that considers both advantages and potential drawbacks, RIA provides a structured framework for assessing the effectiveness of regulations. This framework helps to discover areas for improvement and mitigate unintended consequences. However, the success of RIA depends on the availability of data, which can restrict the ability to estimate effects, as seen in this study, accurately. Furthermore, the fourth RIA phase, Cost-Benefit Analysis (CBA), which was initially carried out quantitatively, is made more challenging by the qualitative nature of this research. RIA nonetheless remains valuable for assessing regulations' alignment with circular economy objectives.

This research employed RIA as an analytical framework to precisely assess the sustainability implications of SHC import regulations to determine their effectiveness and alignment with circular economy objectives. In contrast to other research in Indonesia that applied RIA to other policies and regulations while focusing on the effects of SHC import, this study contributed by concentrating on the regulatory effectiveness and broader implications of SHC import regulations.

Various suggestions might be considered to better align the regulations with the objectives of the circular economy. Conduct additional research, extend implementation time frames, examine reliable data on the effects of SHC imports, include stakeholders in collaborative decision-making, provide an assistance to the impacted, promote local SHC e-commerce websites, reinforce port surveillance, organise post-consumption waste management, increase public awareness, and educate consumers about the advantages of sustainable fashion.

In terms of practical application, this research helps by providing insight into Indonesia's SHC import regulations. This study emphasised the potential implications of SHC import regulation on Indonesia's economy, environment and society. This research provided important insights into implementing the regulations and their alignment with circular economy objectives by assessing their effectiveness.

Academically, to provide a thorough understanding of the topic, this research compiled material from various points of view, including MoT officials, SHC import sellers, NGOs, environmental law researchers, sustainable local businesses, and economic academia. Additionally, this study was productive in examining the implications of the regulations using six steps of the analytical framework regulatory assessment. This research found areas of misalignment and recommended potential improvements by analysing the regulations and their alignment with circular economy objectives. It also provided helpful insights for policymakers, researchers, and other stakeholders by highlighting improvement areas.

For future research direction, this research has limitations regarding the data collected, the amount of time it could have required, and the analysis it might have performed. Several things that can be considered in continuing this research are to explore the legal framework, import approval processes, and document requirements. In addition, an effectiveness assessment was solely conducted based on the positive and negative implications of SHC import regulations. As a side note, further researchers could investigate the consequences of the negative impacts of SHC import regulations. This research has yet to address or examine strategies to acquire locally sourced SHC and provide complete information on the effect of SHC imports on the reduction in local clothing sales. As a result, this research has yet to identify specific obstacles and constraints faced by domestic textile industries. Future researchers are advised to employ the seventh step of the RIA process, which entails putting the previous step's approach into practice to make the regulatory analysis more thorough.

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APPENDIX A
CONSENT FORM

PERSETUJUAN PARTISIPASI DALAM WAWANCARA PENELITIAN
CONSENT TO PARTICIPATE IN RESEARCH STUDY INTERVIEW

"Menilai keselarasan regulasi impor pakaian bekas dengan tujuan ekonomi sirkular di Indonesia"
"Assessing the alignment of second-hand clothing import regulations with circular economy objectives in Indonesia"

	Yes	No
Saya secara sukarela menyetujui untuk menjadi partisipan dalam penelitian ini, memahami bahwa saya dapat menolak untuk menjawab pertanyaan, dan saya dapat mengundurkan diri dari penelitian ini kapan saja, tanpa harus memberikan alasan. *I consent voluntarily to participate in this study and understand that I have the right to refuse to answer questions. I can withdraw from the study at any time without giving a reason.*	□	□
Saya telah mendapatkan informasi terkait maksud dan tujuan penelitian dan saya dapat mengajukan pertanyaan terkait penelitian tersebut. *I have had the purpose and nature of the study explained to me, and I had the opportunity to ask questions about the study.*	□	□
Saya memahami bahwa informasi yang saya berikan akan digunakan untuk penelitian terkait opini dan pemahaman mengenai dampak impor pakaian bekas, untuk menjawab pertanyaan studi *'Bagaimana regulasi impor pakaian bekas mempengaruhi hasil dari tujuan ekonomi sirkular di Indonesia?'* *I understand that the information I provide will be used for research regarding opinion and understandings regarding impacts of second-hand clothing imports to answer this question 'How do SHC import regulations affect the achievement of circular economy objectives in Indonesia?'*	□	□
Saya memahami bahwa hasil akhir dari wawancara akan berupa tesis di mana peneliti bertujuan untuk mengidentifikasi dampak regulasi impor pakaian bekas terhadap tujuan ekonomi sirkular dan implikasi keberlanjutan di Indonesia. *I understand that the result will be in the form of a master thesis in which the researcher aims to identify the impacts of regulatory instruments on second-hand clothing imports towards the circular economy objectives and sustainability implications in Indonesia.*	□	□
Saya memahami bahwa identitas saya dalam laporan hasil penelitian ini akan tertulis anonim. Seluruh informasi pribadi tentang saya yang dapat mengidentifikasi saya, [contoh: nama saya atau tempat tinggal saya], **tidak akan** dibagikan di luar tim studi. *I understand that my identity in this research will be anonymous. All the personal information collected about me that can identify me, such as [e.g. my name or where I live], **will not** be shared beyond the study team.*	□	□
Saya memahami dan menyetujui bahwa keikutsertaan dalam penelitian melibatkan perekaman audio menggunakan alat perekam dan nantinya akan ditranskrip menjadi teks untuk analisis lebih lanjut dalam penelitian ini. *I understand and agree that participating in the study involves audio recording using a recording device, and later will be transcribed as a text for further analysis in this research.*	□	□
Saya setuju bahwa informasi yang saya berikan dapat dikutip ke dalam hasil penelitian. *I agree that my information can be quoted in research outputs.*	□	□
Saya memahami bahwa saya memiliki hak untuk mengakses informasi yang saya berikan setelah wawancara. *I understand that I am entitled to access the information I have provided after the interview.*	□	□

Peneliti:
Researcher:

Alia Andynar

Tanda Tangan Partisipan:
Signature of Participant:

_____

Tanggal:
(Date)

Untuk informasi lebih lanjut mengenai penelitian ini, silahkan hubungi melalui email:
aliaandynar@student.utwente.nl
For more information on this research, please email: aliaandynar@student.utwente.nl

APPENDIX B
QUESTIONNAIRE FOR INTERVIEWS

Interview
"Assessing the alignment of second-hand clothing import regulations with circular economy objectives in Indonesia"

Introduction
This interview will be conducted by Alia Andynar from the Faculty of Behavioural, Management and Social Sciences of the Master programme Environmental and Energy Management (MEEM) at the University of Twente, The Netherlands.

This research aims to evaluate the effectiveness of SHC import regulations in Indonesia by observing its potential impacts on the economy, environment, and society. The study will examine the extent to which these regulations are in line with circular economy objectives. Later on, this research will provide recommendations on how regulations can be improved to align better with circular economy objectives in the textile industry in Indonesia.

The time needed for this interview is 30-60 minutes. Before starting the interview, thank you for sending back the signed consent form and spending your time participating as an interviewee for this research.

Interview Date	
Start Time – Date Time	
Platform	Online / Offline

Interviewee Expertise
Regulator
      Ministry of Trade officials
Regulated party
      SHC importers
Other stakeholders
      Non-Governmental Organisation (NGO)
      Environmental Law researcher
      Local business
      Economy Academia

Interview Questions

Category	Type of Question	Regulators (Ministry of Trade officials)	Others (NGO, Environmental Law researchers, Local Sustainable Business, and Economic Academia)	Regulated (SHC importers)
Question 1	RIA Step 1, 2, 3	What is the most significant challenge related to second-hand clothing import that needs to be addressed by regulations?		What is the most significant challenge for you as second-hand clothing importer?
Question 2		What do you believe are the objectives of the regulations regarding second-hand clothing imports?		
Question 3		What alternative regulatory options could be implemented that would improve the current regulations?		
Question 4	Sustainability implications	From a social perspective, what are the positive impacts of second-hand clothing import regulations? Furthermore, what are the negative impacts?		
Question 5		In terms of economy, what are the positive impacts of second-hand clothing import regulations? Furthermore, what are the negative impacts?		
Question 6		In terms of the environmental, what are the positive impacts of second-hand clothing import regulations? Furthermore, what are the negative impacts?		
Question 7	Circular economy objectives	How do you think second-hand clothing import regulations can reduce textile waste in Indonesia?		How do you think second-hand clothing import can reduce textile waste in Indonesia?
Question 8		How effective are the second-hand clothing import regulations in developing a circular textile lifecycle?	How can public awareness regarding the role of second-hand clothing import regulations in achieving circular textile lifecycle be effectively raised in Indonesia?	Can the import of second-hand clothing drive the adoption of circular product lifecycles on textiles in Indonesia?
Question 9		How can circular economy principles be integrated into the mechanism for controlling the import of second-hand clothing into Indonesia to ensure sustainable production and sourcing?	How does your expertise contribute to promoting sustainable production and sourcing concerning second-hand clothing import regulations in Indonesia?	How does second-hand clothing import promote sustainable production and sourcing in Indonesia?

APPENDIX C

COST-BENEFIT ANALYSIS

Stakeholders	Objectives	Sustainability implications	
		Positive impacts (benefit)	Negative impacts (cost)
Ministry of Trade officials	- Protecting consumers - Protecting domestic textiles, ready-made garment, and footwear industries are protected. - Avoiding businesses trading damaged, defective or used goods, and contaminated goods - Avoiding smugglers involved in the illegal import of products	- Avoiding sales competition (S) - Regulations are needed because SHC imports are not paying taxes, not going through the proper channels, and the products are not being registered (EC) - Reducing waste that enters Indonesia (EN) - Protecting consumers from skin diseases (EN) - Creating customer behaviour for people who buy imported products more than domestic products (S) - Revitalising the domestic textile industries (EC) - Increasing employment in the textile industry and the rise of income (EC) - Increasing purchasing power among the public (EC) - Increasing the government's revenue from import duties, particularly in the textile sector (EC) - Regulations are reasonable since not all imported SHC have good quality while landfill technology for textile waste management in Indonesia is not yet optimal (EN)	- Sellers have to think about where to go next and what business they should do (EC) - Decreasing the option of providing cheap clothing for the lower class (S) - Sellers who sell SHC imports lose their source of income (EC) - Affecting the countries of origin of the used clothing, where textile waste will continue to accumulate (EN)
SHC importers	- The regulations are intended for local businesses in Indonesia - Reducing the risk of diseases caused by bacteria in SHC - Making the business becomes transparent and more legal - Applying tax can be a source of income for the country	- If there are customs duties involved within the regulation, the business can become legal (S & EC) - Certain percentages of tax from the bales can become a source of income for the country and provides better organisation for the country (S & EC) - People claim that the imported SHC is dirty (EN) - Decreasing dishonest sellers and scams, making customers less afraid because the requirements and standards are stricter than before (S) - Preventing the sale of low-quality or poor-condition items because the nature of bundle sales depends on profitability (EC) - Increasing sales for local clothing sellers (EC) - Reducing competition in the local industry (EC)	- SHC import sellers depend on this business for their livelihood (S & EC) - The absence of bulk goods coming into the warehouse leaves retailers unsure of what to sell because the goods they want to sell are barred from entering (S & EC) - SHC from overseas cannot be recycled where it could have been utilised in Indonesia (EN) - Only less than 20 pieces of clothing are unsuitable for sale, where we could give them to repair shops as rags (EN) - Hampering buyers from purchasing more affordable clothing (S) - Consumers could not afford cheaper foreign brands (S) - SHC import sellers no longer profit from sales (EC) - Difficulty in finding affordable items from SHC import (S) - The choices became limited (EN)

			- According to sellers, everything can be processed and sold to customers, so it is a waste not utilise this opportunity (EN)
Non-Governmental Organisations (NGOs)	- Protecting domestic's textile industries and local entrepreneurs - Improving Indonesia's economy, profit, and growth - Opportunities for local business are more significant due to reduced competition - Increasing circular economy inside the country - Protecting human health from illness/diseases that originate from imported SHC - Preventing clothing waste environmentally	- Increasing awareness of society (S) - Opportunity for people to be interested in used clothes as a new trend and discuss the consumption as the issue was brought up (S) - Local industries continue to grow (S) - Local businesses are more creative and innovative (S) - Increasing clothing industry (EC) - Increasing economic growth/revenue (EC) - Increasing local employment (EC) - Reducing large quantity clothing waste (EN) - Encouraging local circular economy development (EN) - Promoting local brands and the domestic garment industry (EC)	- Inaccessible imported used "vintage" goods (S) - Unable to sell imported second-hand clothing as a promising market (EC) - Sellers lose their jobs (EC) - Loss for foreign countries to still have their SHC unsold (EN) - The training from the government to solve the seller's problem are not implemented yet (S) - Production and consumption of fast fashion increase (EC) - Extermination is done by incinerating clothes (EN) - The regulations do not mainly handle waste in extended producer responsibility (EN)
Local Sustainable Business	- Controlling and Curating the quantity, quality, and safety of the imports - Protecting Indonesia from prohibited illegal goods - local industry in Indonesia more visible - Reducing imported SHC - Developing society's knowledge about local SHC stores	- Creating more opportunities for local businesses to sell and profit (S & EC) - Providing legal foundation (S) - Protecting consumers from the low-quality of imported SHC (S) - Local clothing within the country gains more attention from consumers (S) - Local industries are free from competition (EC) - Reducing potential waste from SHC imports (EN) - The extra process of curation, selection, and processing of waste from other countries is no longer needed (EN)	- Reducing employment opportunities for the sellers (S) - Difficulty in implementing fair regulations that satisfy everyone (S) - SHC import is trendy and affordable for everyone (EC) - Losing the opportunity to extend the lifespan of imported SHCs that are already in the country (EN) - Providing fewer alternatives for consumers to choose rare items (EN)
Environmental Law researchers	- Reducing and limiting waste and pollution - Prioritising the protection of economic interests- Utilising and developing the domestic textile industry - Prioritising environmental law conservation and sustainable	- Reducing the suffering of the community from waste (S) - People are more aware of the environment or waste rather than just earning money (S) - Protecting the public from unclear or dubious items of clothing (S)	- Less affordable clothes to fulfil clothing needs (S)- Job opportunities may decrease (S) - The livelihood of the community that gains income from this sector will be reduced (S) - Restricting access to obtain SHC in general (S) - Hindering the demand for clothing which is very high in a large population (S)

	development to maintain environmental sustainability	- Society can be directed towards sustainable new clothing or local SHCs, which are also affordable but offers better quality (S) - Regulations are undemanding; prohibit the import only, not the SHC selling (EC) - Reducing the accumulation of imported SHC, which can disrupt the economy (EC) - Accumulated waste can be more controlled, organised, and highlighted (EN) - Government pays more attention in terms of helping the environment (EN)- Reducing the amount of waste that contributes to carbon emission (EN) - Protecting humans from disease (EN)	- Vintage clothes that could be sold for millions of rupiah was also affected (EC)- Difficulty in transitioning to other business for the sellers (EC)
Economic Academia	- Local textiles to be able to compete - The proportion of local production can exceed imports of SHC - Keeping people employed in the textile industry - Ensuring standardised clothing for health - Preventing the spread of diseases	- Promoting possibilities for the SHC import sellers to create innovations (S) - Supporting the textile industries in Indonesia; competitive and take profit through its market (S) - Local textile industry can analyse their weakness and adopt the characteristics of SHC import (S) - Local businesses can gain a larger market share due to the absence of foreign competition (EC) - Protecting clothing and local textile industry (EC) - Keeping people employed in the textile industry (EC) - Reducing the consumerist mindset amongst consumers (EC) - Reducing waste, especially textile or fabric waste (EN) - Minimising risk of disease transmission through used clothing (EN) - Reducing emissions associated with the transportation of used clothing (EN)	- The resistance from SHC import sellers may lead to failure of adaptation, and they will not survive (S) - If the government only emphasise banning import without initiating the local industry, the regulations will be futile (S) - Consumers are not able to obtain affordable and suitable quality clothing (S) - New problem of unemployment (EC) - Increase of poverty rates in specific areas due to closure of their business (EC) - Consumers have to buy items at higher prices (EC) - Reducing demand in the clothing and textile industry (EC) - Increasing the demand of the fast fashion industry as cheaper alternatives than locally produced fashion (EN) - Consumerism leads to increased fabric waste (EN) - People could not thrift as the closest alternative to practising sustainability due to hard access to thrifting local clothes (EN) - Disposing of the remaining imported SHC by burning it leads to emission and pollution (EN)