

Implementation Of Indonesia Japan Economic Partnership Agreement: A Comparison Of User Specific Duty Free Scheme And Manufacturing Industrial Development Center Programs

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Abstract: This study discusses the benefits from the USDFS (User Specific Duty Free Scheme) and MIDECE (Manufacturing Industrial Development Center) programs in the IJEPA (Indonesia Japan Economic Partnership Agreement) framework in 2008-2012 seen with a tactical linkage approach in issue linkage to the objectives of Indonesia's interests (increasing industrial competitiveness related to the value of production through the MIDECE program) and Japan (cheap imported raw materials to strengthen the automotive industry in Indonesia primarily through special tariff acceleration 4 driven sectors (automotive, electric and electronics, heavy equipment and energy) in USDFS program. The tactical linkage approach to linkage issues is an easy way to increase pay-offs, its increase benefit of cooperation since the issues not inherently connected. Costs that are sacrificed from a realm of issues to benefit for the purpose of other issues do not matter as long as the actor gain benefit from the objectives of their interests. The results of the research show that Indonesia gain benefit from technical assistance and Japan receives imports of cheap raw materials for heavy equipment and automotive.

Index Terms: MIDECE, USDFS, Issue Linkage, Tactical Linkage, Industry, Driven Sector.

1 INTRODUCTION

IJEPA (Indonesia Japan Economic Partnership) is the first Indonesia's complex bilateral economic cooperation with Japan. IJEPA was signed on 20 August 2007 by the 6th President of the Republic of Indonesia, Susilo Bambang Yudhoyono (SBY) and Prime Minister of Japan, Shinzo Abe. The IJEPA collaboration was officially implemented on 1 July 2008. IJEPA is the form of the free trade agreement between Japan and Indonesia in the field of trade and brings their diplomatic relations to a higher level, which is the Economy Partnership Agreement (EPA). EPA is the highest form of global alliance cooperation related to economic integration. It facilitates economic activities between countries related to agreements [1]. IJEPA is expected to improve trade relations between Japan and Indonesia by facilitating each economic activity between the two countries such as investment, service, tariff exemption, etc [2]. In this IJEPA framework, Japan applies a special scheme application related to the special reduction of tariff 0% for imported raw materials. This tariff reduction scheme is included in one of the IJEPA framework programs namely User Specific Duty-Free Scheme (USDFS). USDFS is the tariff reduction scheme of 0% to user. The intended user is the legal entity in Indonesia that has been verified and obtained SKVI (Industry Verification Certificate).

In this USDFS, Japan wants a special rate of acceleration for four imported raw materials from Japan in the category of driven sector, which are automotive, electric and electronic, energy, and heavy equipment. This request is because the specification of raw materials related to four driven sectors from Indonesia has not yet reached the specification desired by Japan in supporting its hopes to strengthen its industrial base, especially the Japanese automotive industry in Indonesia. (HS, interview, May 21, 2018). As compensation for this request, Japan helps Indonesia to improve the competitiveness of domestic manufacturing industries associated with increased production values through MIDECE program (Manufacturing Industry Development Center) in framework scheme of IJEPA. MIDECE is a program aimed at increasing the competitiveness of the domestic manufacturing industry of Indonesia in various sectors. Indonesia wants an increase in the competitiveness of its domestic industry, especially an increase in the value of production. Looking at the implementation of IJEPA, specifically the USDFS scheme that will liberate the market with zero percent rates offered, which means it will form competition between Indonesia and Japan products in the market. Given the gap between industry in Indonesia as developing country and Japan as developed country, Indonesia finds it difficult to compete. Currently, Indonesian product is still difficult to enter the Japanese market. This is because Japanese consumers highly uphold the quality of products and services. This is a challenge for Indonesia, in which the quality of its products still needs improvement [3]. The phenomenon of MIDECE and USDFS program has similarities with the presentation of problem solving through the use of Issue Linkage in this case Tactical Linkage, which is the form of connecting two related issues in a practical manner in the hope of resolving problem and increasing the benefit of cooperation on the objectives of the relevant country interests rather than resolving issues separately. This can be seen from

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Indonesia regarding the importance of technology transfer for the industry to MIDEAC and Japan regarding the importance of cost reduction in USDFS. The linkage of the MIDEAC and USDFS phenomena with solving problems with Issue Linkage, especially Tactical Linkage, make the authors want to review and analyze the program implementation in the IJEPA Framework reviewed Issue Linkage 2008-2012.

2. RESEARCH METHOD

The research method is a technical procedure in collecting data in a study. A study is carried out to provide an understanding of a phenomenon or trends with the aim of gaining insight into the explanation of problems regarding the research topic [4]. This research uses qualitative method, a type of research procedure that produces descriptive data and analysis in writing form or behavior that is observable from the subject related to the phenomenon under study [5]. The qualitative research cannot be measured numerically but relates to the idea, perception, opinion, or belief of the individuals [4]. The source of this qualitative data is divided into two, namely: primary data, the main data obtained and / or taken directly from the field in the form of observation, interview, or opinion of an individual or group [4]. This data is obtained from the main sources, namely from interviewees, the Section Head of the Argo and the Chemical Industry, Textile and multifarious Sub directorate of Industrial Resource Access industry and Section Head of the Asia Pacific and Africa, Ministry of Industry of the Republic of Indonesia regarding MIDEAC implementation, sacrifices and benefits on the purpose of the interests of the Japanese and Indonesia (2008-2012). Secondary data, i.e. data that is not received directly, which comes from the intermediary media sources that already exist as supporting information on primary data obtained. The secondary data used is the data obtained from the Ministry of Industry and online media such as scientific journal, book, and quote from official websites (Ministry of Industry, Customs, and Excises, MOFA – Ministry of Foreign Affairs, JETRO - Japan External Trade Organization), and other forms of literature studies. The analysis technique used is a descriptive method that aims to determine the nature and purpose of a deep relationship by observing aspects related to variables as well as exposure or depictions of phenomena that exist clearly and in detail to obtain data that is in accordance with the objectives of the study.

3 RESULT AND DISCUSSION

3.1 USDFS and MIDEAC Program Collaboration as a Form of Issue Linkage: Tactical Linkage

This MIDEAC program contains several Indonesia's interests which problems are related to the competitiveness of the industry. Based on data from evaluation of implementation of Indonesia Japan Economic Partnership Agreement, the expected benefits are increasing the competitiveness of Indonesia's manufacturing industry, namely: [6] Indonesia becomes the production base of Japanese manufacturing products, increasing the use of highly competitive manufacturing products "Made in Indonesia" on the world market, enhancing the ability of human resources through industrial training, networking between development sectors of manufacturing industries through MIDEAC "virtual

network organization", Indonesia's role as Japan's strategic partner in international markets, especially the ASEAN market, the establishment of long-term cooperation of Indonesia and Japan in the development of manufacturing industry with Japan under the umbrella of MIDEAC-IJEPA. In the collaboration of the USDFS and MIDEAC programs as a form of Issue Linkage, Japan acts as a Linker that offers issues exchange, namely the submission of USDFS specifically related to the benefit of cheap raw materials to strengthen its industrial base in Indonesia through submission of tariff acceleration for four driven sectors namely automotive, heavy equipment, electric and electronic, and energy to Indonesia. Indonesia is the Linkee, the party offered to do issue exchange, which is Indonesia received compensation from the provision of USDFS for Japan from the MIDEAC program to achieve benefits, namely assistance from Japanese industry experts on the objectives of Indonesia's interests, related to increasing industrial competitiveness on to the quality value of production. This pattern of cooperation of Issue Linkage refers to Tactical Linkage, which can be seen from the benefits exchange through linking issues that are indirectly inherent but practically connected. Both programs are economic issues. However, the benefits for Indonesia and Japan interests are different. At USDFS, it is hoped the benefits of cost reduction for cheap raw materials related to the special rate of acceleration, while in MIDEAC, Indonesia expects the benefits of transfer technology. For this reason, according to the theory of Issue Linkage: Tactical Linkage, the cost of Indonesia in USDFS and Japan in MIDEAC is not a problem if Indonesia, and Japan gets the benefit from their interests. In the following explanation, the authors explain the benefits received by Indonesia and Japan in the collaboration exchange on USDFS and MIDEAC as a form of implementing Issue Linkage precisely Tactical Linkage for the period 2008-2012.

3.2 Implementation of MIDEAC 2008-2012

Data collection result of MIDEAC 2008-2012 only came from 11 sectors where two other sectors namely export, and investment were not included in the rating category of the survey distributed, and metal working had not been running in 2008-2012.

Table 3.1 Sector Project 2008-2012

Cross Sector	Number of Project	Specific Sector	Number of Project
Welding	1	Automotive	3
Mold and Dies	2	Electronic	1
Energy Conservation	3	Steel	3
Metal Working	0	Textile	3
Export and Investment Promotion	2	Non-Ferrous (aluminum, copper and nickel)	1
Small and Medium enterprises	2	Chemical (petro and oleo chemical)	2
Total	10	Food and Beverages	1
		Total	13

Source: Directorate General of Resilience and Development of International Industrial Access (2015) [7]

The specific sector is a sector of industry that is distinct. While Cross Sector is a sector whose objects relate to each other. From table 3.1, it can be concluded that after totaling, from 13 sectors (cross and specific sectors), there are 23 projects in the period of 2008-2012. Specific sector is the sector intended for certain industries. Whereas, the cross-sector is a sector that includes many objects but is interconnected. In these projects, the activities carried out are training, training for trainer, export dispatch, working visit, basic study, and seminar / workshop.

3.3 Exposure of 11 Sectors of Evaluated Cooperation

The implementation of the mold & die sector is in the form of technical cooperation from Japan for the period 2008-2012. This sector aims to improve the quality and quantity of the mold & die industry in Indonesia to reduce the dependence on imported mold & die products [3]. This collaboration involves national institutions namely the Indonesian Ministry of Industry and Indonesia Mold & Die Industry Association (IMDIA), as well as the Japanese Institutions namely Asian Cooperation Division, Trade and Economic Cooperation Department, Japan External Trade Organization (JETRO); Machine Parts and Tooling Industries Office, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry (METI); Japan Die & Mold Industry Association [6]. In this sector, Japan has sent expert from Japan Die & Mold Industry Association supported by institution of IMDIA Indonesia [8]. In the implementation of the energy and conservations sector in the form of technical cooperation for the period 2011-2012, this sector is aimed to promote and efficient training for energy savings in the energy-consuming industry to reduce CO gas emissions [3]. This sector involves national institution, which is Indonesia Ministry of Industry and Japanese institutions namely New and Renewable Energy Division, Energy Conservation and Renewable Energy, Department, Agency for Natural Resources and Energy; New Energy and Industrial Technology Development Organization (NEDO); Energy Conservation Center, Japan (ECCJ). Activity in this sector is in the form of a workshop with the theme "promotion of energy conservation and best practices of energy conservation in Japanese industry", seminar and training in Japan [3]. Japan provides 12 experts in the field of energy conservation analysis (related to research, workshop, and seminar) and nine technical practitioners. Indonesia is providing 25 training participants (Ministry of Industry, Ministry of Finance, companies engaged in energy) [8]. In the implementation of the automotive sector, the objective of this sector is to increase the capacity building of Research and Development institutions in Indonesia, for example B2TKS (Center for Structural Strength Technology), BPLJSKB (Testing Center for Roadworthiness and Motor Vehicle Certification), B4T (Central for Material and Technical Products), BBLM (Center for Metals and Machinery), increasing the standard of Indonesian automotive products with international standards UN / ECE 1958, and increasing the quality and quantity of production of automotive components from the industry supporting the Indonesia automotive industry [3]. The activity of this sector is divided into 3 Sub Working Groups, namely 1) SWG HRD (Human Resources Development) - increasing competence and capacity of Indonesian HR; 2) SWG Standard; and 3) SWG R&D - enhancing the capability of automotive research institutions in Indonesia. This collaboration takes the form of technical guidance for the period 2008-2012. The SWG HRD

involves national institutions namely the Ministry of Industry, auto industry, Automobile Association (GAIKINDO), Auto-parts Association (GIAMM), and Japanese institutions namely the Automobile Division, Manufacturing Industries Bureau, METI; Asian Cooperation Division, Trade and / Economic Cooperation Department, Japan External Trade Organization (JETRO), The Overseas Human Resources and Industry Development Association (former AOTS), Japan International Cooperation Center (JICE); Japan Automobile Manufacturers Association (JAMA), Japan Auto Parts Industries Association (JAPIA), and Embassy of Japan [6]. SWG HRD has provided curriculum materials for the Implementation of Training of Trainers (ToT) by Japanese experts for Indonesian trainer candidates, conducted direct field training for prospective trainer, and training in Japan for automotive companies (including suppliers) and representatives from the Ministry of Industry. Japan has sent 20 experts to train Kaizen trainee participants, employees / officials of the Ministry of Industry of Indonesia [8]. SWG standard activity involves national institutions, namely the Ministry of Industry, Ministry of Transportation, Ministry of Environment, GAIKINDO, GIAMM (Combined Car and Motorcycle Equipment Industry), Material and Technical Goods Center (B4T), B2TKS (Center for Structural Strength Technology), and Japanese institutions namely the Automobile Division, Manufacturing Industries Bureau, METI; Japan Automobile Manufacturers Association (JAMA), Japan Auto Parts Industries Association (JAPIA), Japan Automobile Research Institute (JARI), Japan Automobile Standards Internationalization Center (JASIC), Embassy of Japan [6]. This SWG standard has held workshop and seminar in Indonesia regarding the UN / ECE 1958 agreement. Sent five technical experts from the test labs / government research centers to take part in a workshop in Japan and obtained findings of the UN / ECE 1958 differences with the rules applied in Indonesia so that the next step is to adopt more structured UN / ECE 1958 rules/agreements. In this activity, Japan has sent seven experts with participants from the Ministry of Industry and other related parties from Indonesia [6]. Finally, SWG R&D (Research and Development) involving national institutions: Ministry of Industry, GAIKINDO, GIAMM, Ministry of Energy and Mineral Resources, BPLHD of Special Capital Region of Jakarta, BTMP, and B4T Bandung and Japanese institutions namely Automobile Division, Manufacturing Industries Bureau, METI; Japan Automobile Research Institute (JARI). This SWG R&D is carried out by sending five experts each year from Japan and Indonesia to prepare communication and facilities to research institutions related to the automotive industry [6]. In the implementation of the steel sector, the aim of this sector is to support the development of the competency of the Indonesia steel industry to produce steel and steel products with the quality according to the requirements of the automotive, electronics and heavy equipment industries, and encourage energy conservation and production activities in the industry and Indonesia steel products, especially those that consume energy and produce large amounts of gas emissions [3]. The activities of this sector are providing results of studies, giving patents, seminars, sending experts from Japan for the period of February-March 2009, involving national institutions the Directorate of Basic Material Industry-Directorate General of BIM Ministry of Industry and Japanese institutions namely Iron and Steel Division, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry (METI); The Japan Iron and

Steel Federation [6]. The implementation of this sector cooperation received one expert from Japan to a seminar workshop with 25 participants from the Japanese Embassy, JETRO, steelmakers, and 60 participants from Indonesia namely Ministry of Industry, Steel Industry Association (IISIA), MOI, universities, research halls, related ministries, etc [8]. In the implementation of the textile sector, this sector aims to improve the quality and standards of textile product and Indonesia textile product to meet Japan quality standard in order to compete. Specifically, strengthening the mastery of technology in dyeing and finishing processes [3], in the form of technical guidance cooperation by Japanese experts for the period of 2008-2012, involving the national institutions of the Directorate of Textile and Multifarious Industries, the Ministry of Industry and Japanese institutions namely Textile Division, Manufacturing Industries Bureau, The Ministry of Economy, Trade, and Industry (METI); Japan Textile Federation. For this reason, both parties held Capacity building, namely: sending Japanese experts to the textile industries in Indonesia for mastering dyeing technology and finishing, exhibition and seminar on textiles to know the textile trends in Japan, and cooperation in improving research institution for testing and system of certification of test results. By inviting 4 Japanese experts (3 long terms, 1 short term) and 10 MOI and API Indonesia textile industry partners [8]. In the implementation of the electronic sector, this sector activities took the form of technical guidance by Japanese experts for the period of 2010-2012, which involved national institutions, Ministry of Industry, Ministry of Trade (METI) and Japanese institutions namely Japan International Cooperation Agency (JICA); Japan Quality Assurance Organization (JQA); Japan Electrical Safety & Environment Laboratories (JET) [6]. The purpose of this collaboration is to increase the capacity of institution that can certify electronic equipment. In this activity, Japan has sent five experts sent four times to institutions related to Indonesian electronic product certification [8]. The welding sector is in the form of cooperation and technical guidance by Japanese experts for the period of 2010-2012, which involved the Directorate of Industrial Machinery and Agricultural Equipment, Ministry of Industry, and Japanese institutions namely Industry and Trade Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA); and Japan Welding Engineer Society (JWES) [6]. This activity is aimed at mastering welding technology in Indonesia as well as making models for improving welding technique and providing training for prospective trainer in the field of welding engineering. In this activity, Japan has sent 22 experts in the field of welding to provide training related to management technique and standard curriculum certification of activities to improve welding engineer management skills, and the availability of welding engineer management training models [8]. In the implementation of the small and medium industry (SME), this sector has a purpose of increasing the understanding and knowledge of these industries regarding the quality system and product standardization to expand the application of the quality systems of small and medium scale companies [3]. The activities are divided into 1) Promotion and Strengthening of SME through promotion of SME clusters; 2) SME Technical Assistance through the program of One Village One Product. This collaboration takes the form of technical guidance. The promotion and strengthening of SME activities through the promotion of SME clusters were carried out in 2009-2011. The institutions involved in this activity were the

Directorate General of Small and Medium Industries, Ministry of Industry and Japanese institutions namely Industry and Trade Division, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA); UNICO International Corporation; KRI International Corp [7]. In this activity Japan has sent a number of experts in the field of SME cluster promotion, policy and institutions, strategy analysis, etc., with Indonesia providing facilities to Japanese experts through SME DJ to be able to access selected Local Governments and SME for pilot project of SME technical assistance activities through the One Village One Product program in the period 2008-2013. The national institutions involved are the Directorate General of Small and Medium Industries, the Ministry of Industry, and the Japanese Institutions involved are Asian Cooperation Division, Trade, and Economic Cooperation Department, Japan External Trade Organization (JETRO); Japan producers and designers of new product development. In this case, Japan has sent experts in the field of design accompanied by Indonesia that provides facilities to facilitate Japanese experts to access selected Local Governments and selected SMEs for pilot projects [6]. In the implementation of the Non-Ferrous sector, this sector aims to improve the quality of non-Ferrous products through the preparation of basic studies such as basic arrangement and identification of problem [3]. The activity of this sector is in the form of basic study by Japanese experts for the period of 2009-2011, involving national institutions namely the Directorate of Metal Base Materials Industry, Ministry of Industry, and Japanese institutions namely Nonferrous Metals Division, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry (2009-2010); Mineral and Natural Resources Division, Natural Resources and Fuel Department, Agency for Natural Resources and Energy (2011); Shinko Research Co., Ltd [6]. In this program, Japan has sent a team of researchers and experts accompanied by a literature survey of this sector to provide technical assistance and basic study [8]. The implementation of the Petrochemical and Oleochemical sector is in the form of technical guidance by Japan from 2010 to 2012 involving national institutions namely the Directorate of Basic Chemical Industry, Ministry of Industry, and Japanese institutions namely Chemicals Division, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry. The implementation of this sector program has the aim for the compilation of basic studies of the Indonesian petro-oleochemical industry such as forming proposals for special industrial policies for petro-oleochemicals and increasing the capacity of Indonesian technicians based on the results of studies [6]. Activity in this sector is still limited to basic study related to the analysis of internal factors (strengths and weaknesses) and external factors of the relevant institutions, analysis of needs and plans for infrastructure development such as laboratory, work system, development center, training organization, industrial database center, and others [3]. Japan has also sent several trainers and research experts [8]. In the implementation of the food & beverages sector, this sector aims to improve the quality of Indonesian food and beverage products so that they can be adjusted to the quality standards of Japanese products in order to compete [3]. Activity in this sector is in the form of technical assistance by Japan for the period of 2009-2011 involving national institutions, namely the Directorate of Beverage and Tobacco Industry; and the Directorate of Food, Marine, and Fisheries Industry, Ministry of Industry, and

Japanese institutions namely Japan International Cooperation Agency (JICA); The Ministry of Agriculture, Forestry and Fisheries (MAFF); Japan Food Research Laboratories; Tokyo University of Marine Science and Technology; Japan Food Packaging Association [6]. In this program Japan has sent 4 experts in the short term to trainees from Indonesia [8], who provides teaching, direction and advice on production systems, food quality and hygiene control, product development and training in Japan related to Food Laboratory Testing Control [3].

3.4 MIDECE Evaluation Criteria

This evaluation provides an assessment refers to five criteria of the OECD - DAC (Organization for Economic Co-Operations and Development - Development Assistance Committee) as follows [6]: first is relevance, this assessment is seen from the extent this activity is in line with industrial development policies and assesses the relevance of activities and outputs carried out with activities and target output from the industrial development policy. Second is effectiveness, which is assessed from the extent the activity objectives are achieved and see the main factors affect the process of achieving goals. Third is efficiency that is seen and judged by whether the activities carried out are efficient, seen from the cost and also seen and assessed from whether the objectives of the activities are achieved in time. The fourth is impact, it assesses how the results of the activities have an impact on the beneficiaries and also seen from the real differences that occur in beneficiaries' daily activities after participating, and the last one is sustainability, which is seen from the extent activities can be run if donors do not fund these activities. Apart from the above criteria, there are one additional criterion namely the criteria of "Partnership". This criterion refers to the relations between the implementing parties namely Indonesia and Japan. That is based on the history of Indonesia and Japan cooperation since the IJEPA negotiation until the implementation of this MIDECE activity project. This criterion assesses constraints such as language constraint (especially English) and Indonesian Japanese technical competencies influence the preparation and accuracy of MIDECE's execution schedules [6]. These six criteria are analyzed by assessing each criterion, which is 5 - very good, 4 - good, 3 - enough, 2 - lacking, 1 - very lacking. Based on the explanation above, the evaluation of the implementation of the 2008-2012 MIDECE activities was recorded as follows:

Table 3.2 Assessment of 11 MIDECE Cooperation Sectors

Sector	Value Criteria					
	Relevance	Effectiveness	Efficiency	Impact	Sustainability	Partnership
Mold and Die	5	4	4	4	3	4
Energy Conservations	4	4	4	3	3	3
Automotive	4	4	4	4	5	4
Steel	3	2	4	2	2	2
Textile	4	4	4	3	3	3
Electronic	4	4	4	4	3	4
Welding	5	4	4	4	3	5
SME	3	4	4	4	4	3
Non Ferrous	3	2	4	2	2	2
Petrochemical and Oleochemical	4	3	4	3	3	3
Food and Beverages	4	4	4	3	2	2

Source: Implementation Evaluation of Indonesia-Japan Economic Partnership Agreement (2013) [6]

The assessment was then totaled on six criteria for the MIDECE cooperation sector with the following ranking:

Table 3.3 Matrix of Assessment Evaluation Results

Sector	Assessment Criteria	Ranking
Welding	25	1
Mold & Die	24	2
Automotive	23	3
Electronic	23	4
SME	22	5
Energy Conservation	21	6
Textile	21	7
Petrochemical and Oleochemical	20	8
Food & Beverages	19	9
Steel	15	10
Non-Ferrous	15	11

Source: Implementation Evaluation of Indonesia-Japan Economic Partnership Agreement (2013) [6]

According to the evaluation report on the Implementation of the Indonesia-Japan Economic Partnership Agreement, it can be concluded that the five best sectors in implementing MIDECE in the period 2008 to 2012 are 1) Welding, 2) Mold & Die, 3) Automotive, 4) Electronic, and 5) SME. These sectors also are considered successful sectors of the 13 MIDECE sectors that have been implemented.

3.5 Issue Linkage Analysis Benefits Received by Indonesia

The success of the five sectors namely: 1) Welding, 2) Mold & Die, 3) Automotive, 4) Electronic, and 5) SME, achieving the highest results due to these five sectors are closely related to Japan's interests. In the view of MI as Section Head of the Agro and Chemical Industry, Textile and Multifarious Sub-Directorate of Industrial Resource Access and International Promotion, Directorate General of Resilience and International Industrial Access Development, Ministry of Industry, these five sectors are Japan's largest investments in Indonesia, especially in mold & die sector (MI, interview, May 21, 2018). Besides, even though the weighting above results in the conclusion that the five highest sectors are called successful sectors, the success is based on Japanese technical assistance which includes workshop, seminar, training, working visit, training for trainer, and expert dispatch. According to MI, the benefits of the result of MIDECE 11 sectors that are carried out are still based on basic study / technical guidance and there are no tangible forms related to increasing production values such as joint research or joint innovation production, especially innovation research which is an activity expected by Indonesia as a tangible outcome of MIDECE (MI, interview, May 21, 2018). Japan had stated that an increase in Indonesia's investment and exports was proof of MIDECE's success. But in the opinion of HS as the Section Head of Asia Pacific and Africa, Investment and Export Directorate of Industrial Market Access, Directorate General of Resilience and Development of International Industrial Access Ministry of Industry, it is caused by post-tariff and special tariff of USDFS driven sector not from MIDECE (HS, interview, May 21, 2018). The evaluation of the MIDECE implementation does not yet have proper documentation for evaluating this MIDECE implementation. Evaluation data are only based on six types of weighting through surveys that are distributed to executing

agency both under the government and the private sector or associations. From the explanation above, through collaborating on Issue Linkage precisely the Tactical Linkage for Indonesia's interests, namely increasing industrial competitiveness related to the value of production through the MIDEDEC program, Indonesia gets technical benefits such as workshop, seminar, training, working visit, training for trainer, and experts dispatch. Regarding the cost of cooperation sacrifice of the issue of barter between USDFS and MIDEDEC, based on the views of MI as Section Head of the Agro and Chemical Industry, Textile and Multifarious Sub-Directorate of Industrial Resource Access and International Promotion, Directorate General of Resilience and International Industrial Access Development, Ministry of Industry, almost no cost sacrificed by Japan in the implementation of MIDEDEC in providing technical benefits to Indonesia. Implementation of USDFS 2008-2012.

3.6 Implementation of USDFS 2008-2012

The result of the implementation of the USDFS presented is the result of the implementation in 2008-2012. The presentation focuses on obtaining special tariff facilities for raw materials recorded in four driven sectors, namely automotive and parts, electric & electronic, heavy equipment & construction machinery, and energy as a form of benefits that Japan wants to receive in its interests, namely strengthening its industrial base, especially automotive in Indonesia. The data taken for this result is mostly taken from the Industrial Verification Report in the context of the implementation of USDFS IJEPA facility for July 2008-2018 as the main source. Data from Surveyor Indonesia, 2018 [9] shows industries that use USDFS IJEPA in 2008-2012 are followed by two types of industrial sectors, namely 59 automotive companies, four heavy equipment companies, and no company for energy and electronic and electric. However, not all industries use USDFS special rates facilities of driven sector continuously from 2008 to 2012. In the data collection on the development of industrial users, the companies that continue to use these special facilities are 19 automotive companies out of 59 companies and 2 heavy equipment companies out of 4 companies. There was an increasing number of companies participated in this program from 2008 that is 24 companies, 55, 54, 50 and 43 in 2009, 2010, 2011 and 2012 respectively.

3.7 Target and Realization of Import Volume of 4 Driven Sectors

The plan and realization of import volume of raw material production of driven sector divided into weights per unit of MT (metric ton) and number of goods in pieces. The calculation of import volume is calculated in unit of mt (Metric Ton) or briefly called ton which is a mass calculation with a value of 1000 kg per unit, pcs (Pieces) is unit of goods, and meter is unit of HS (Harmonizes System: systematic item classification for pricing, trade transactions, transportation, and statistics) [10]. According to Industry Verification Report in the Implementation of Facilities USDFS IJEPA July 2008–2017 [8], none of the special tariffs of four driven sectors utilization reaches the planned import volume target. For example, plan of import in automotive sector was 669,348.81 MT but the realization was only 271,409.45 MT during July 2008 – June 2009. Meanwhile, the plan of import increased at 716,141.34 MT but the realization was 408.585.48 in July 2011 – June 2012. The different pattern shows in heavy equipment sector. The data

depicts [9] the plan of import was 78,064.62 MT in July 2008 – June 2009 and the realization of import increased at 271,049.45 MT. There has been an increase in volume per year in the heavy equipment sector in the 2009-2010 period, but the realization of import volume had stalled in July 2011 – June 2012 the plan of import became 163,713.64 MT while the realization decreased to 80,521.01 MT. Besides this, there is no utilization in the electric and electronic and energy sectors due to the absence of electric and electronic and energy companies that utilize the special facilities of four driven sectors.

3.8 Target and Realization of Import Value of four Driven Sectors

Whereas the import value of raw material for production of driven sectors, the special tariff utilization of four driven sectors also does not reach the import value target. However, there is an increase in volume per year in 2008-2012 even though the import value declined in the automotive sector in 2011-2012. In addition to this, the electronic and energy sectors also have not recorded the import value due to the absence of electronic and energy companies that utilize this driven sector facility.

3.9 Analysis of Issue Linkage Benefits Received by Japan

From all the data above, the most dominant sector in the use of special acceleration rates from the four driven sectors is the automotive sector. The heavy equipment sector is still not very effective in terms of the number of companies that use facilities that are constant in 2008-2012 or not. The energy and electronic sectors are still not recorded using this facility. The dominance of the use of USDFS by the automotive sector is due to a large amount of Japanese investment in the automotive sector. According to the opinion of HS as the Section Head of the Asia Pacific and Africa, Investment and Export Directorate of Industrial Market Access, Directorate General of Resilience and Development of International Industrial Access Ministry of Industry, the four driven sectors are indeed the highest investment of Japanese industries but the main one is Japanese automotive. So that the driven sector related to steel import products from Japan is quite dominant. (HS, interview, May 21, 2018) With the explanation above, through collaborating in the Issue Linkage precisely Tactical Linkage to get benefit from the purpose of Japanese interests, namely cheap raw materials to strengthen the industrial base, especially automotive in Indonesia, imports of cheap raw materials from Japan through the program of USDFS special accelerated of four driven sectors, Japan gets the benefits of cheap raw materials in the heavy equipment and automotive sectors. In addition, the exposure of users of the USDFS facility for the 2008-2012 is dominated by raw materials for the automotive sector. Related to the cost of cooperation sacrifice from the issue of barter between USDFS and MIDEDEC, which is in the Tactical Linkage approach in Issue Linkage. According to HS as Section Head of the Asia-Pacific and Africa, Investment and Export Directorate of Industrial Market Access, Directorate General of Resilience and Development of Access to International Industry, Ministry of Industry, USDFS has reduced state revenues by zero percent rates especially in this regard with four driven sectors (HS, interview, May 21, 2018).

4 CONCLUSION

This study has successfully analyzed the implementation of the collaboration application on issues in the USDFS (User Specific Duty Free Scheme) and MIDECA (Manufacturing Industrial Development Center) programs within the IJEPA (Indonesia Japan Economic Partnership Agreement) framework reviewed from Issue Linkage to be exact the Tactical Linkage 2008 -2012 is aimed at resolving issues of Indonesia and Japan which are seen from the benefits of cooperation in the interests of Indonesia and Japan. Issue Linkage precisely the Tactical Linkage, as developed by Poast [11], Haas [12], is a trade collaboration of interests or issues that are practically related to getting additional bargaining. The Tactical Linkage is expected to increase pay-off related to the benefits of the objectives of the country's interests related to cooperation because two issues are inherently connected. The cost or sacrifice for benefits of interest is not a significant problem if it gets benefits from the purpose of interests in other issues. The issue of interest problems of Indonesia and Japan is not inherent but is connected practically. Even though the two issues bartered are economy, but have different interests, the technology transfer for Indonesia and cost reduction for Japan. In this collaboration, Japan acts as a linker, the party that proposes an acceleration rate of four driven sectors, namely raw materials for the electric and electronic, energy, heavy equipment and automotive sectors in USDFS to Indonesia (Linkee) to get benefit on the purpose of its interests which is to get cheap raw materials to increase its industrial base in Indonesia, especially automotive. As a form of barter or collaboration issues, Indonesia was offered the MIDECA compensation to get benefit from the interest, Japan would provide assistance to increase industrial competitiveness related to the quality value of production. Japan benefited from cheap automotive raw materials. Moreover, Indonesia benefited from technical assistance in the form of workshop, seminar, training, working visit, training for trainer, and expert dispatch. Also, related to the cost of cooperation in order to get benefit from the objectives of the interests to be achieved, in MIDECA, there is no sacrifice from Japan, in USDFS, Indonesia's foreign exchange income is reduced through zero percent rates specifically for the four driven sectors. Implication of these findings is how important it is to understand the real needs of the actors involved from parties involved in free trade and or partnership agreements [13] to provide maximum benefits for those involved. This study also provides solid grounds especially for Indonesia to advance her economic diplomacy skills during the negotiation and implementation to secure her national interests.

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