

Reviewing Four -Year Implementation of Indonesia-Japan Economic Partnership Agreement: Analysis and Evaluation from the Indonesian Perspective

At 20 August 2007, the Government of Indonesia and Japan signed the Indonesia-Japan Economic Partnership Agreement (IJEPA). The agreement was fully implemented since 1 July 2008 and is subject to be reviewed after 5 years (at 1 July 2013). The research focuses to see IJEPA implementation on 4 sectors, namely trade, investment, migrant workers, and capacity building. The research also tries to identify its strengths and weaknesses and provide recommendation for further betterment. It uses qualitative approach and 3 data gathering techniques: literature review, In-Depth Interview (IDI), and Focus Group Discussion (FGD).

The research finds that in investment, Japanese Foreign Direct Investment (FDI) to Indonesia is on the rise during IJEPA implementation. It increased from US\$ 0.9 billion in 2009 to US\$ 4.7 billion in 2011 or grew 4 times in 2 years. Such upwarding trend is apparent on Japanese investment to national electricity sector, which is expected to reach US\$ 3.7 – 4 billion in 2013. However, many existing problems still remain, mainly on Indonesia's poor infrastructure.

In trade sector, tariff reduction on Japanese side has not necessarily led to Indonesia's products freely entering the market. There remains some non-tariff barriers issue, such as high standard of quality. Such situation is clearly seen on coffee products. The pesticide residual limit policy has made 30 containers or 18 ton of Indonesian coffee being rejected during 2011. The maximum limit of 0.01 parts per million (ppm) has been incriminating Indonesian exporters. However, such number can be revised if Indonesian Government can protest it, equip with scientific justification, to the Japanese Government (G to G).

In this trade sector, it seems that IJEPA has not provided maximum gains to Indonesia. On automotive sector, Indonesian producer-importers get tariff reduction as low as 0 percent, while general-importers are charged as high as 40 percent. Such situation is existed because Indonesian Government is not optimal in taking advantages on every single opportunities available on the IJEPA.

On migrant workers sector, the IJEPA has been used by Indonesian Government to supply workers to Japanese market, especially on nursing services. From some tests in 2010, 2011, and 2012, there were 85 of 686 nurses and careworkers who passed the Japanese national examination tests. Main problems on this sector are mainly low Japanese language mastery and, as seen above, low graduation level. Other problem is on the relatively low quality of Indonesian nurses.

In industrial capacity building sector, one of IJEPA's most important objective is to strengthen Indonesia's national industry. In regards to Indonesian interest on technology transfer, the Manufacturing Industrial Development Center (MIDEC) is designed to provide technical assistance to Indonesian manufacturing companies in order to meet international standards. In this sector, there are many trainings and workshops having been conducted to achieve such goal, such as on steel, textile, electronics, and other sector. In 2008-2012, there were 75 seminars and training activities.

The research concludes that IJEPA implementation has been going fairly well, although there are still some problems hampering Indonesian interests attainment.

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