



Analysis of Indonesia Japan economic partnership agreement (IJ-EPA) towards textile export value at PT argo pantes Tbk (Period 2009 – 2013)

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Abstract

Japan has become one of the biggest and most important economy partner to raise Indonesia's foreign exchange, particularly in textile industry. Japan, as one of the developed countries besides America and European countries, has established a bilateral agreement with Indonesia in IJ-EPA framework. The main content of this agreement is a reduction in admission rates from and to Japan for importer to get profit from imported goods.

It is very important for PT Argo Pantes, Tbk as one of the biggest textile industry in Indonesia, to take benefit from this agreement. This thesis analyzes Indonesia Japan Economic Partnership Agreement (IJ-EPA) towards export value of textile industry in PT Argo Pantes, Tbk from 2009-2013 period, using descriptive qualitative method with PT Argo Pantes, Tbk as the object.

By describing Indonesia's benefit from IJ-EPA associated with target growth in export value of textile industry, this thesis is expected to be able to become an evaluation towards every party, especially PT Argo Pantes, Tbk in executing marketing strategy, and for Indonesian government to re-review the agreement.

Keywords: tariff reduction, IJ-EPA and export value

1. Introduction: Preface

1.1 Background

As the biggest economy in East Asia, Japan has been the biggest and most important economy partner for the Association of South East Asia Nation (ASEAN). Japan promised a very important market for ASEAN and their investment in the manufacture industry has been greatly considered. However when the economic crisis dawned upon Asia, Japan's trading and investment went down. It became the main background for Japan to establish a tighter relation towards ASEAN countries, thus created the Indonesia Japan Economic Partnership Agreement (IJ-EPA) as one of its examples.

This bilateral agreement between Indonesia and Japan was signed by two of the government's president on August 20th 2007 in Jakarta, and became effective on July 1st 2008. The agreement focused on 13 industries, one of them is trading.

The IJ-EPA agreement was made as an effort to smoothen goods trading, human resources, and the flow of investment in between two respected countries. One of the result of this policy is easier taxation affairs in terms of export-import activities for both countries.

By activating the IJ-EPA, 80% of the Indonesia's export goods' postal tariff to Japan market has dropped to 0%, including textile and textile product. According to the agreement, 3 years from activation date, 90% of Indonesia's export postal tariff will drop to 0%.

Based on the customs' data, Indonesia is Japan's biggest trading partner in South East Asia. From the 2007 data, Japan's import from Indonesia is US\$ 26,122 billion, way above Thailand's US\$ 18,307 billion or Malaysia's US\$

17,396 billion. Both countries' bilateral trading value raised up to US\$ 40,1 billion in 2014, with US\$ 6,1 billion surplus for Indonesia in the trading balance. Indonesia's trading balance towards Japan has been producing surpluses in 2010-2014 period, with 12,38% negative growth trend. The same thing also happens to both countries' total trading value that shows 2,57% negative growth.

Indonesia's best export commodity to Japan is natural rubber, electronic appliances, metal ores, and wood furnitures. But, textile product, or better known as Textile and Textile Product, has become one of the preferred export product in terms of fare. This means that Indonesian products will be free from customs fare when shipped to Japan, and likewise, Japan's product will also received a preferred fare to Indonesia.

With the IJ-EPA agreement easing the fare for both countries, Indonesia's textile product can compete more in entering Japan's market.

From the data released in February 23rd 2015 by API, our TPT export to Japan in 2013 is 152.13 billion yen TPT, or the same as Rp 16,941.11 billion (with 1 yen 110 rupiah exchange rate). Textile Product are fiber, yarn, fabric and garment. Statistically, export to Japan placed third highest after European Union and United States of America, which is 9% from the total export, reaching up to USD 12,8 billion in nominal. From API's data, it said that there is a rise in TPT export trend to Japan from 2011 to 2014. The data shows significant rise in garment industry.

TPT industry itself is one of the biggest industry that contributes greatly to the national economy. They acted as the second largest foreign exchange contributor from the

manufacture group. In 2013, Indonesia's export is US\$ 12,7 billion or 11,7% from the total manufacture industry export. Until the third trimester of 2014, TPT export reached US\$ 9,7 billion, or risen about 0,6% from the same period last year. This is yet to be a proud achievement, specially when Indonesia's market control in the world hasn't rise again from 1,8% in the last 10 years. The domestic market is no different. Indonesian product got further pushed by imported product. While a new rival country like Vietnam has been able to grip the world's market by 2,5% higher than Indonesia, which has been making an effort in TPT industry for the last 4 decade. The present industry involved 1,54 million workers in 2013's data, absorbed in this industry with Rp 181 billion investment value. This shows that Indonesia's textile industry should still hold an important role in contributing foreign exchange to the country, and still be the backbone of labor-intensive industry that absorbed a lot of workers. Of course, even though TPT is still considered as a "sunset industry" to Indonesian banks, making it hard for entrepreneur to get a loan for upsizing the modal and restructure machines, TPT business, for many, is still considered as an interesting business. This shows in the rise of textile entrepreneur over the years. However, present day government hasn't fully focused in this industry. This reflected in the financial authority's stand that haven't took TPT status as "sunset industry", making them unwilling to give fund for machine revitalization or restructurization needed to improve product's quality and efficiency in order to continuing the business.

One of the big companies in Indonesia's TPT business is PT Argo Pantes Tbk. The company has registered itself in Jakarta Stock Exchange on January 7th 1991. Established in July 12th 1977 at Jl. MH Thamrin KM 4 Cikokol, Tangerang, this company is an integrated company from yarn production to processed fabric production. Orienting in export trading, PT Argo Pantes Tbk. is not only one of the biggest five companies in Indonesia, but also one of the big and respected companies in Southeast Asia, with selling profits in 2013 reaching up to Rp 1,327,175 million.

The company's management collaborate with several Japanese companies to adopt their technique, work etiquette, machinery, equipment and resources, making Japan one of market's important target.

It is important for companies to take advantage for upgrading the volume sales to Japan when IJ-EPA was launched with special import and export tariff facilities.

It concludes reasons why this thesis are made, to analyze IJ-EPA effectiveness towards textile export value in PT Argo Pantes Tbk, in 5 years period (2009-2013).

1.2 Identification

Based on analysis above, IJ-EPA should make it easier for Japanese importer to import Indonesia's textile products. By this, Indonesia's export value should also be rising. But in reality, textile industry has yet to give maximum impact for Indonesia's economy. In PT Argo Pantes Tbk, running machine capacity hasn't balanced well with product results. Compared to 1990-2000 era, 2009-2013 export value is still far from expectation. Problems regarding IJ-EPA which hold significant impact towards textile export value in PT Argo Pantes Tbk and hasn't been able to contribute much to

Indonesia's export trading value, are identified.

1.3 Formulation Research

Based on problem's background analysis, the problem formulation is stated as below :

1. What is Indonesia's textile industry condition generally and PT Argo Pantes, Tbk specifically, in 2009-2013 period?
2. What is the textile export value and textile product growth generally in Indonesia and specifically in PT Argo Pantes, Tbk in 2009-2013 period?
3. What is the export value growth to Japan in PT Argo Pantes Tbk, specifically around 2009-2013 period?
4. What is Indonesia's textile export value growth and textile product to Japan in 2009-2013 period?
5. Is the special tariff grant related to IJ-EPA has any effect towards export value to Japan, and generally raised the export value in PT Argo Pantes Tbk?
6. Is the special tariff grant related to IJ-EPA can generally upgrade PT Argo Pantes Tbk selling?
7. To what extent is the effectiveness of IJ-EPA special tariff grant to Indonesia's textile export value contribution?

1.4 Purpose of Research

The purpose of this study is to analyze how far IJ-EPA utilization's influence and impact from textile export contribution to Japan in PT Argo Pantes which eventually influenced the national economy. The analysis is made in hope for evaluating government policy's effectiveness in TPT product trading sector in IJ-EPA framework.

1.5 Use of Research

This analysis is expected for means of improving knowledge and insight on international trading which used bilateral agreement facility, and how it affected companies export performance for the writer.

Whereas for readers, this is expected to be a useful information in international trading sector.

And also for companies, this is expected to be a reference and input in IJ-EPA analysis framework utilization.

Lastly for academics, this thesis is expected to be an intellectual benchmark and general application. The result is expected to add data vocabulary or information in University's literature.

2. Literature Review Policy Effectiveness

2.1 Theory of Effectiveness

Effectiveness is the activity, usefulness, the suitability in an activity of people who carry out the task with the intended target. Effectiveness basically shows on the level of achievement of results, often or always associated with efficient understanding, although there is actually a difference between the two. Effectiveness emphasizes on the results achieved, while efficiency is more on how to achieve the results achieved by comparing the input and output (Siagaan, 2001: 24).

Based on the above description can be concluded that the effectiveness is a state that indicates the extent to which the plan can be achieved. The more plans that can be achieved,

the more effective the activity, so the word effectiveness can also be interpreted as the level of success that can be achieved from a certain way or business in accordance with the objectives to be achieved. According Sondang in Othenk (2008: 4), effectiveness is the utilization of resources, facilities and infrastructure in a certain amount consciously set before to produce a number of goods for services activities undertaken. Effectiveness indicates success in terms of whether or not the target has been achieved. If the result of the activity gets closer to the target, it means the higher the effectiveness. In line with that opinion, Abdurahmat in Othenk (2008: 7), effectiveness is the utilization of a certain amount of resources, facilities and infrastructure that are consciously set before to produce some work on time. Aspects of effectiveness based on Muasaroh's opinion (2010: 13),

The effectiveness of a program can be seen from aspects such as:

1. Task or function aspect, ie the institution is said to be effectiveness if performing its duties or functions,
2. The aspect of the plan or program, which is meant by the plan or program here is a programmed learning plan, if all plans can be implemented then the plan or program is said to be effective
3. Aspects of rules and regulations, the effectiveness of a program can also be seen from the function or not the rules that have been made in order to maintain the ongoing process activities.
4. Aspects of goals or ideal conditions, an activity program is said to be effective from the point of outcome if the goal or ideal conditions of the program can be achieved.

2.2 Policy Theory

There are several theories about policy such as; according to Ealau and Pewitt (1973) policy is an applicable stipulation, characterized by consistent and recurrent behaviors from those who make or implement the policy. According to Titmuss (1974) defines policy as the principles governing action and directed to a particular plan and according to Edi Suharto (2008: 7) states that policy is a provision that contains principles to direct the way the act is made in a planned and consistent in reach certain goals.

2.2.1 Policy formulation

Issues that have been included in the policy agenda are then discussed by policymakers. These problems are defined for the best possible solution. The solution comes from various alternatives or policy options. Similarly, the struggle of a problem to enter the policy agenda, in the policy formulation phase of each alternative compete to be elected as the policy taken to solve the problem

2.2.2 Adoption / Legitimacy of Policy

The purpose of legitimacy is to authorize the basic process of government. If legitimacy actions in a society are governed by the sovereignty of the people, citizens will follow the direction of the government.

2.2.3 Policy Implementation

Policies that have been taken are carried out by administrative units that mobilize financial and human resources

2.2.4 Policy Assessment / Evaluation

In general, policy evaluations can be said to be activities that include estimates or policy assessments that include substance, implementation and impact. In this case, evaluation is seen as a functional activity. That is, policy evaluation is not only done in the final stages, but is done in the entire policy process. Thus, policy evaluation may include the formulation stage of policy issues, proposed programs to address policy issues, implementation, and the impact stage of the policy.

2.2.5. Indonesia-Japan Cooperation within the framework of IJ-EPA

President Susilo Bambang Yudhoyono and Japanese Prime Minister Shinzo ABE on August 20, 2007 have signed an Indonesia-Japan Economic Partnership Agreement (IJ-EPA). The IJ-EPA agreement is the first bilateral agreement for Indonesia and places Indonesia on par with the competing countries in the Japanese market, especially those already having an Economic Partnership Agreement (EPA) agreement with Japan. The main elements of the IJ-EPA Agreement include several sectors: Trade in Goods, Investment, Trade in Services, Movement of Natural Persons, Intellectual Property Rights, Cooperation, Competition Policy, Energy and Mineral Resources, Government Procurement, Custom Procedures, Improvement of Business Environment, Dispute Avoidance and Settlement. The IJ-EPA covers a broad scope with the aim of strengthening economic partnerships between the two countries, including cooperation in capacity building, liberalization, trade and investment promotion aimed at improving the flow of goods across borders, investment and services, labor movement between the two countries and trading.

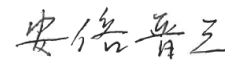
For Indonesia, IJ-EPA is expected to be complementary to regional cooperation such as ASEAN plus, APEC and WTO Doha Development Round. IJEPA, according to the Ministry of Trade, will increase the export of Indonesian products and service personnel, increase Japanese investment, and increase the ability of Indonesian industry.

7. We, representing the Governments and peoples of both Indonesia and Japan, now celebrate the signing of the IJEPA which will bring our relationship to a higher level.

Jakarta, August 20, 2007



Dr. Susilo Bambang Yudhoyono
President of the Republic of
Indonesia



Mr. Shinzo Abe
Prime Minister of Japan

Source: www.ditjenkpi.kemendag.go.id

Fig 1: Signing of IJ-EPA

2.2.6 Background of IJEPA Agreement

Japan is one of the most developed countries in Asia that has always been taken into account in determining political, security and economic strategy in the Asia and Pacific region. Japan's strategic position has further encouraged Indonesia to place Japan as one of the important partners in realizing Indonesia's national interests in various fields of life, both for national development programs and its participation in maintaining world order according to the Preamble to the

1945 Constitution through various bilateral, regional and multilateral cooperation.

The Indonesia - Japan Agreement includes among others: First, "Treaty of Amity and Commerce" signed on 1 July 1961 in Tokyo. Second, the "Air Transport Agreement" signed on 23 January 1962 in Tokyo. Third, "Cooperation in Science and Technology" signed on 12 January 1981 in Jakarta. Fourth, the "Double Tax Avoidance Agreement" signed on March 3, 1982 in Tokyo. Since 1966 up to now between the Indonesian and Japanese governments there have been about 200 exchanges of notes involving cooperation in the fields of agricultural fisheries, forestry, increased food production and Japanese financial aid.

Japan has an interest in cooperation with Indonesia to be continued in various international forums in the form of mutual support, both to the position of the state and to the candidates of their respective countries, in a number of regional and international organizations, including the UN Human Rights Commission and the PDPM Sub- UN.

2.2.7 Outline of the IJEP Agreement

IJEP is a very comprehensive cooperation agreement covering the following areas: 1) Trade in Goods and Services, 2). Customs, 3). Rules of origin Goods, 4). Investment, 5). Knese Employment 6). Energy and Mineral Resources 7). Intellectual Property Rights, 8). Business Competition Policy To accommodate the compactness and smoothness of the negotiations, IJEP requires establishing joint committees composed of representatives of governments of the two countries. The joint committees are formed into 11 sub-committees, namely: the Sub-Committee on Trade in Goods,

2.2.8 The World Economic Trend

There are three reasons for world economic growth to be a force that drives the expansion of the international economy and the growth of global marketing.

First, growth has created market opportunities that provide key incentives for companies to grow globally.

The second economic growth has diminished the resistance against what might otherwise have evolved in response to the influx of foreign companies into the local economy.

The third shift in the world towards deregulation and privatization. The tendency toward privatization had opened a significantly closed market which resulted in enormous opportunities.

2.2.9 International Trade

International trade is an activity of exchange of goods and services across the boundaries of a country or territory of a country to the territory of another country. This trading activity is a significant source of contributor to Gross Domestic Product and is very meaningful for the growth of the socio-political economy of a country. The rise of industry, transportation, globalization, multinational corporations have a very important meaning in the era of globalization and have an impact on the increase of international trade. The philosophy and concepts contained in the increase of trade is interdependence or the nature of dependence between one country and another

The classical theories in international trade such as the

theories in economics are always based on assumptions in classical trade theory are as follows:

1. Two Goods and Two Countries (2x2), This assumption is very simplifying the problems in international trade so far from realistic,
2. No technological change, This includes a very important assumption, in the sense that world trade is largely determined by technology. technology.
3. Trade is conducted on the basis of barter, Perhaps because of that time there is no money, then trade between countries is done on the basis of exchange of goods or barter,

2.2.10 Modern Theory

1.H-O Theory

Heckscher and Ohlin (H-O) theory has two important conditions as the basis for the emergence of international trade, namely the availability of production factors and the intensity in the use of factors of production or the proportion of factors of production.

The basis of comparative advantage is:

- a. Endorsment factor, ie ownership of factors of production within a country.
- b. Factor intensity, that is technology used in production process, whether labor intensity or capital intensity.

According to microeconomic theory the isocost curve will be tangent to the isoquant curve at an optimal point.

1. The price or cost of production of an item shall be determined by the amount or proportion of factors of production owned by each country.
2. Comparative Advantage of a type of product owned by each country will be determined by the structure and proportion of its production factors.
3. Each country will tend to specialize in production and export certain goods because the country has a relatively large and inexpensive production factor to produce it.
4. Instead each country will import certain goods because the country has relatively few production factors and expensive to produce it.
5. The weakness of the H-O theory is that if the amount or proportion of factors of production owned by each country is relatively the same then the price of similar goods will be the same so that international trade will not happen.

H-O Theory Hypothesis

Before criticizing the theory of H-O, the following hypotheses have been produced by H-O Theory, among others:

1. The production of export goods in each country increases, while the production of imported goods in each country decreases.
2. The price or cost of production of an item shall be determined by the amount or proportion of factors of production owned by each country.
3. Labor prices in both countries tend to be the same, the prices of goods A in both countries tend to be the same as well as the prices of goods B in the two countries are the same.
4. Trade will take place between the Capital-rich country and the Labor-rich Country.

- Each country will tend to specialize in the production and export of certain goods because the country has a relatively large and inexpensive production factor to produce.

Weakness of H-O Theory Assumption

To better understand the weaknesses of H-O theory in explaining international trade will be found some less valid assumptions:

- Assume that both countries use the same technology
- The assumption of a country's specialization in producing commodities in trading is not entirely applicable

2.2.11 Framework

The Thinking Framework of the thesis "The Analysis of the Indonesia Economic Partnership Agreement (IJ-EPA) Against Textile Export Value at PT Argo Pantes" is based on the idea that there is ease of transacting business between Indonesia and Japan wrapped up in bilateral IJ-EPA agreements using the facilities Certificate of Origin (SKA). Under the globalization era, where all must be done transparently through effective policy in the framework of realizing free trade between countries. PPT Argo Pantes used the opportunity of Indonesia bilateral agreement with Japan in order to increase the value of exports which in the end can be increased sales turnover

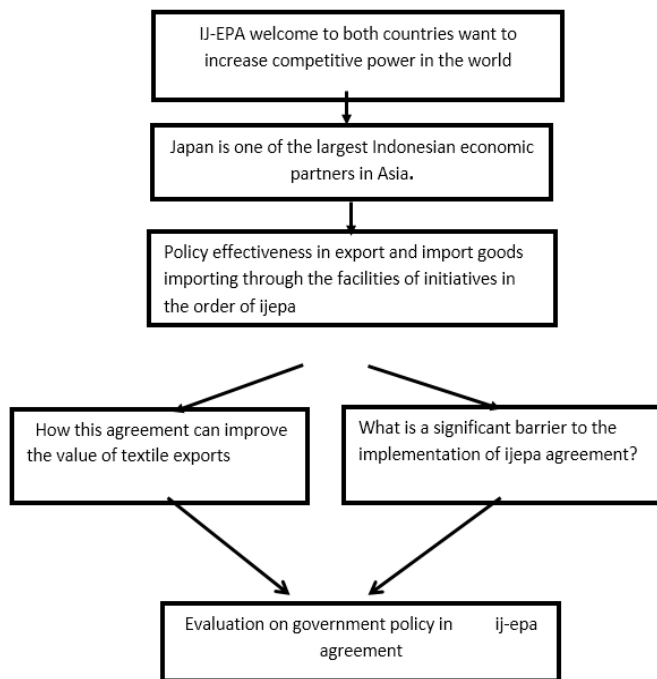


Fig 2: The Frame work of thought is discribed

Instrument Formulation

Data collection is done using primary data source and secondary data source. Data collection is done by observation, interview, document and triangulation

3. Research Methods

According to Buckley *et al*, research is defined as systematic investigation to increase the amount of knowledge. The

definition explicitly stated that the purpose of research is to improve knowledge. Additional research purposes covered a systematic and organized effort to investigate certain problems that needed answers.

While in general the method of study is defined as a scientific activity that is planned, structured, systematic and has practical and structural purposes. It is said to be a "scientific activity" because the research needs to be planned by observing time, fund, and accessibility towards place and time.

3.1 Design Research

Study approach is defined as a way to observe, see, and learned certain government policies in regards to real activities in textile industry sector. The technique used in this research is through qualitative research design. According to Bogdan and Taylor (Moleong 2011:4), qualitative methodology is a research procedure that generates descriptive data such as people's spoken or written words and people's analyzed behaviour.

Field research is one of the methods to collect qualitative data. In this research, the data is arranged from practitioners with direct relation to trading activities based on IJ-EPA agreement. In this research, data and interviews from competent sources are used as data resources to be analyzed further.

3.2 Location and Research Subjects

3.2.1 Research sites

This research is conducted at PT Argo Pantes Tbk,. PT Argo Pantes, Tbk

3.2.2 Research subjects

The procedure of determining the subjects and data sources in qualitative research generally display characteristics such as:

- Is directed not to the large sample size, but in typical cases corresponding to specific research problem,
- Not be rigidly determined from the beginning, but can be changed either in the amount or sample characteristics in accordance with conceptual understanding developed in research, and
- Are not directed towards representation (in terms of number or random events), but on suitable concept (Sarantakos, in Poerwandari, 2005). Patton (in Poerwandari, 2005) explains that in qualitative research's sample taking guideline, it needs to be adapted to research's goal and problems. This study uses a technique of determining subject to certain criteria (purposive), because the goal is to identify particular objects of the researchtopic.

3.3 Research Methods

Sugiyono (2008: 222) says that qualitative methods are used to obtain in-depth, meaning-implied data. Means are the real, definitive data which is a value that appears behind the seen data. Research at PT Argo Pantes Tbk is conducted using qualitative research approach, descriptive-based data derived from empirical datas and relevant interviews to their fields. Not all data will be in the mentioned but only data relating the problem.

3.4 Techniques and Data Collection Instrument

There are four types of qualitative data collection techniques in general:

3.4.1 Observation

3.4.2. Interview

Researcher conducted interviews to the interviewees who are considered competent towards the problems. The interviewees are people engaged in the textiles export to Japan, either as a buyer or from the company (PT Argo Pantes, Tbk). Based on the need of the research, the interviewees are:

1. Mr. Akihiro Yamamoto, General Manager of Representative Office of PT Marubeni Japan in Indonesia.
2. Mr Susanto, Chief of Textile Business Division of PT Marubeni - Indonesia Representative Office
3. Mr. Deepak Anand, President Director of PT Argo Pantes Tbk
4. Mr. Arita Jiro, Purchasing Manager of K-Textile of Osaka Japan
5. Mr. Rizal, Head of Research Data Division in West Java's API
6. Mr. Kazuo Ito, Manager Marketing for Japanese market in PT Argo Pantes Tbk
7. Ms. Linda Meiwati, Marketing Staff for Japanese market in PT Argo Pantes Tbk
8. Mr. Yanto Siswondo, Admin Staff for Certificate of Origin (CO) in PT Argo Pantes Tbk

3.4.3 Document

The author uses the data in the form of documents, tables, charts, and news obtained from competent sources in addition to data from the PT Argo Pantes, Tbk.

3.4.4 Triangulation

Triangulation is defined as data collection techniques that combines various data collection techniques and data sources

that already exist. When researchers collected data by triangulation, researchers actually collecting data as well as testing its credibility. Triangulation technique means that researcher is using varying data collection

3.5 Data analysis

There are three (3) lines for qualitative data analysis: be defined as the quantification of data. Data reduction is conducted as:

1. Strict selection of the data,
2. A summary or a brief description
3. Categorizing it in a wider pattern.

4. Research Result

The textile industry is one of the strategic industries, considering its role in foreign exchange earnings of non-oil and gas exports and absorbing labor force of 10.6% of the total workforce of the manufacturing industry, contributing to the national GDP of 1.8%. Textile and garment industry investment tends to increase every year where for the year 2014 until the third quarter investment in the textile sector has reached US \$ 359 million for foreign investment and Rp 887 billion for domestic investment, but the market share of textile industry in the world just reached 1.8% Minister of Industry Saleh Husin, the textile industry should be strived to be improved, resulting in a decrease in trade surplus in 2011 to now to USD 4 billion from USD 5 billion in the previous five years can return to a better position

Table 1: Current overview

Remark	World	Indonesia	Indonesia %
Population (million)	7,400	253	3.4%
Consumption ('000 ton)	80,000	1,653	2.07%
Consumption per capita (kg)	10.8	6.6	61%
World Market Share (\$ Billion)	700	13	1.86%

Source: Asosiasi Indonesian textile.

Table 2: Overview of Indonesian Textile

Description	Units	2009	2010	2011	2012	2013
Number of Company		4,777	4,824	4,881	4,937	5,178
Value of Investment	Rp (Bn)	146,170	150,947	161,191	172,070	199,324
Men Power	People (mn)	1.20	1.35	1.42	1.51	1.58
Export						
Value	Million US\$	9,262	11,223	13,359	12,460	12,679
Volume	000 ton	1,760	1,969	1,941	1,953	2,100
Import						
Value	Million US\$	4,171	6,186	8,430	8,144	8,473
Volume	000 ton	1,294	1,537	1,578	1,894	1,961
Net Export						
Value	Million US\$	5,091	5,036	4,928	4,316	4,207
Volume	000 ton	466	432	363	60	140
Domestic	Million ton	1.05	1.42	1.49	1.56	1.71
Consumption	kg/capita	4.37	5.84	6.03	6.22	6.50

Sources: Indonesia Textiles - FACT Sheets Asosiasi Pertekstilan Indonesia, Update April. 2015*

In terms of import and export trade, graphic data presented by API shows Indonesia's export data stagnant. Not much significant change or decrease.



Sources: Indonesia Textiles - FACT Sheets*
Asosiasi Indonesia Textile, Update April. 2015

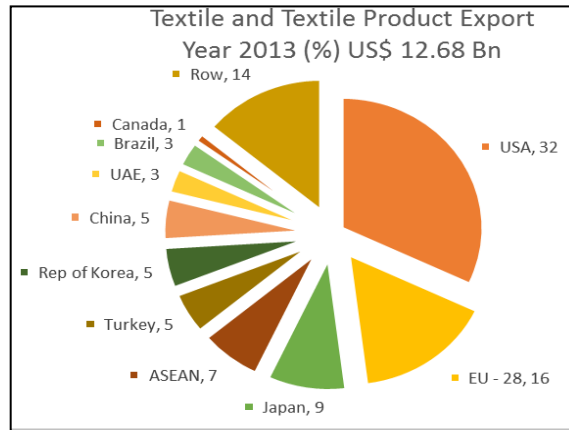
Fig 3: Trade Balance of Textile and Apparel Trade Balance Indonesia

Although the economics of the textile industry tend to be stagnant, but due to the enormous labor absorption in this industry, for the densely populated countries like Indonesia, Thailand, Vietnam, Myanmar, Laos, Bangladesh, China, India and Pakistan, textiles and garments are still become one of the mainstay manufacturing industry in raking in foreign exchange.

4.1 Trade Relations between Indonesia and Japan

Japan is the first country to enter into bilateral agreements with Indonesia. with a historical background that Japan is a major trading partner for Indonesia. In addition to investors, Japan is also one of the target export markets for the Indonesian textile industry.

Indonesia's exports to Japan in January 2015 stood at US \$ 1.75 billion. Although it decreased by 9.63 percent compared to the same period in the previous year of US \$ 1.93 billion but in global trade still has a strong magnet for entrepreneurs around the world. Ranks 4th under the EU, the United States and China, Japan has engaged in import activities with a value of US \$ 833 billion in 2013.



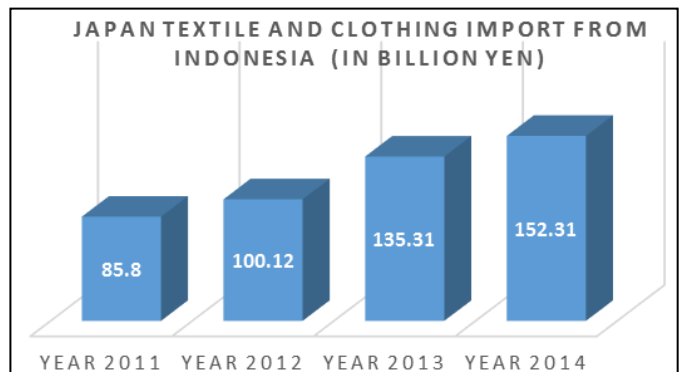
Sources: Indonesia Textiles - FACT Sheets*
Asosiasi Indonesia Textiles, Update Feb 23. 2015

Fig 4: Graph of Prosentage by Export Destination on Sales of Textil Indonesia

4.2 Indonesia Japan Economic Partnership Agreement (IJ-EPA)

Bilateral Agreement between Japan and Indonesia is the first agreement between Indonesia and other countries. Indonesia Japan Economic Partnership Agreement (IJ-EPA) or Japan Economic Cooperation Agreement Japan is created with an awareness of longstanding friendship between the two countries and has strong political and economic ties. IJ-EPA is a comprehensive economic cooperation agreement with three main pillars:

The basic essence of IJ-EPA is the comprehensive liberalization between the economic superpower (Japan) and the country that is still experiencing a prolonged crisis (Indonesia). In any case, this form of asymmetric free trade relationship will harm the weak. IJ-EPA is a form of Japan's energy security strategy, especially for natural gas and coal.



Sources : Indonesia Textiles - FACT Sheets*
Asosiasi Indonesia Textiles, Update Feb 23. 2015

Fig 5: Chart Ekspor TPT ke Jepang

Table 3: Reduction and removal agreements Import tariff in IJEPA

Consession Jepang	Consession Indonesia
More than 90% of the tariff post (99% of Indonesia's export value to Japan) is included in IJ-EPA	About 93% of tariff lines (92% of Japan's exports to Indonesia) go in IJEPA
Approximately 80% of tariff post, import duty will be 0% at the time of IJ-EPA (fast track)	Approximately 35% of tariff post will be 0% at the time of IJEPA (fast track)
Approximately 10% of tariff post, import duty will gradually become 0% (3-10 years since the enactment of IJEPA)	Approximately 58% of the tariff heading will be gradually to 0% (3-15 years since the entry into force of IJEPA)
Approximately 10% of the tariff heading (886) does not entered in IJEPA (exclusion list)	Approximately 7% of all tariff posts (834) are not included in IJEPA
Note: the total number of Japanese tariff posts is 9275	Note: The number of tariff heading Indonesia 11,163 (HS 2004)

Source: Directorate General International Trade Cooperation, Ministry of Trade of Republic of Indonesia.

For more details, export / import commodities that are subject to tariff reductions are grouped into several categories that

have a corresponding decrease schedule agreed by each country. It looks like in the following table:

Table 4: Schedule of Import Duty Tariff for Japan

No	Category	Explanation
1	A	Import Duty Tariff to 0% on implementation date
2	B3	Import Duty Tariff to 0% in 4 stages with level the same decrease every year. Decrease in the first stage starting on the implementation date
3	B5	Import Duty Tariff to 0% in 6 stages with level the same decrease every year. The first phase decrease begins on the implementation date
4	B7	Tariff of Import Duty to 0% in 8 stages with level the same decrease every year. Decrease in the first stage starting on the implementation date
5	B10	Import Duty Tariff to 0% in 11 stages with level the same decrease every year. Decrease in the first stage starting on the implementation date
6	B15	Tariffs are abolished from basic tariff rates to 0% in 16 stages each year from entry into force
7	P	Tariff reduction / takedown schedule based on individual notes
8	X	Excluded from tariff reduction

Source: Directorate General International Trade Cooperation, Ministry of Trade of Republic of Indonesia

4.3 IJEPA Role Analysis In Improving Export Value

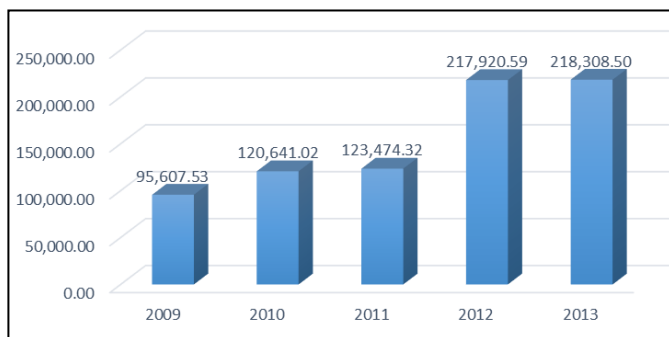
4.3.1 Analysis of the Role of IJEPA

Facility in Increasing Export Sales in PT Argo Pantes Tbk Japan for PT Argo Pantes Tbk is an important party both in establishing partnership in the form of investment and in the form of trade.

The increase in value of exports to Japan increased as Japan's largest retailers "Uniqlo" and "GU" made major changes in the sourcing strategy. Uniqlo and GU have previously placed more orders in China. China's starting condition is not conducive to raising the wage of high-starting work automatically affect the value of the price of goods, began to feel burdensome to the buyer. Arita Jiro as the purchasing manager of K-Textile from Osaka Japan, juga explain the same thing about the change of sourcing orientation by the Japanese buyers,

For comparison below is sales data by destination in PT Argo Pantes, Tbk. Then three (3) major destinations of textile products PT Argo Pantes, Tbk is Europe, Japan and Local.

This table shows that Japan is still one of the target market. It seems at this time that Japan is not yet a major export destination but when viewed from the achievement of sales, the figure continues to show an increase from year to year.



Source: PT Argo Pantes Tbk Marketing

Fig 6: Export value PT Argo Pantes Tbk to Japan (US Dolar)

Table 5: Percentage of Sales by Destination at PT Argo Pantes Tbk

Region	2009	2010	2011	2012	2013
South America	4.37%	0.85%	0.00%	0.00%	2.15%
Asean	0.23%	0.16%	0.44%	0.09%	0.11%
Australia	0.13%	0.27%	0.32%	0.12%	0.18%
Canada	0.00%	0.00%	0.19%	0.00%	0.01%
China	0.02%	0.00%	0.00%	0.00%	0.20%
Europe	36.01%	22.59%	29.81%	21.04%	33.00%

India	0.26%	0.18%	0.21%	0.00%	0.00%
Japan	20.01%	41.48%	35.80%	40.54%	27.00%
Local	21.02%	29.81%	28.63%	34.40%	28.96%
Middle East	2.87%	1.92%	3.11%	1.10%	0.29%
Turkey	7.99%	0.07%	0.34%	0.00%	0.01%
UK	5.87%	0.82%	0.04%	0.11%	0.46%
USA	1.21%	1.84%	1.11%	2.60%	7.63%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: marketing data PT Argo Pantes Tbk

Table 6: Table Net Sales PT Argo Pantes, Tbk

	2009	2010	2011	2012	2013	2014
Local	29,474	41,530	55,524	49,258	49,623	33,271
Export	50,841	32,350	38,023	57,070	77,363	71,548
Total (000 USD)	80,315	73,880	93,547	106,327	126,986	104,819
Local	37%	56%	59%	46%	39%	32%
Export	63%	44%	41%	54%	61%	68%
Total (%)	100%	100%	100%	100%	100%	100%

Source: marketing data PT Argo Pantes, Tbk

4.4 IJEPAs role analysis on the Impact of National Export Value Increase

From the data processed by the Indonesian Textile Association (API) since the implementation of IJEPAs, the export of Textile and Textile Products increased sharply. Seen from the graph below

5.1 Conclusions

1. Bilateral Agreement within the framework of IJ-EPA to increase access to international trade in order to increase the country's foreign exchange in the textile industry.
2. By macro this agreement has not been able to boost the export value of the national textile industry since declining export performance in 2012
3. This Agreement has only a positive impact on the value of textile exports between Indonesia and Japan which increase after the application of IJ-EPA.
4. For PT Argo Pantes, Tbk this agreement in addition to boost export value also opened the Japanese market. So during the period 2009-2014 the value of exports, especially to Japan increased.
5. However, this increase has not yet significantly affected the installed capacity of PT Argo Pantes Tbk because of the internal constraints of the weakening Japanese market and the decline of the Japanese currency against the US Dollar

5.2 Recommendation

1. The government needs to pay more attention to bilateral agreements that benefit the manufacturing industry because it has a positive impact on reducing unemployment and increasing export value.
2. It is worth a special study on the cost of fabric production in Indonesia to be able to compete with other countries
3. Please have facilities that can bridge the Indonesian garment and textile industry in order to better collaborate in increasing the value of exports
4. Need encourage companies in this case PT Argo Pantes, Tbk form R and D team (Research and Development) for

more product variety and more quality increases

5. Because data, the IJ-EPA agreement shows an increase in the value of textile exports although the results have not significantly affected the increase in the value of textile exports in general but the government needs to continue this bilateral agreement with improved and more focused focus especially on technology transfer and investments that encourage increased export value due to improved product quality.

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