

EXECUTIVE SUMMARY

Indonesia and Japan's relations have come to a deeper integration, proved by the establishment of Indonesia-Japan Economic Partnership Agreement (IJEPA) in 2008. The partnership is aimed at deepening economic cooperation between both governments in various sectors. It goes beyond tariff reduction schemes of trade with including capacity building programs under the Manufacturing Industry Development Center (MIDEC). Numerous things have been achieved from the operation of the partnership so far. The tariffs have been reduced gradually in many sectors and the capacity building programs are on their way. This partnership is an important step for Indonesia as this is its first encounter in bilateral partnership. For Japan, this is another crucial step in securing its supply of commodities essential for its industries to keep operating as well as to sustain its market in Indonesia.

When facing an EPA, Japanese government has established a set of policies and trading preferences. These policies become strategic as their goals are to actively promote interests of domestic firms and industries, protect sensitive commodities, and increase national welfare. This research is analyzing what Japanese strategic trade policies are and explain how it is important for a government to be creative and innovative in pursuing the objectives of their trade agreements with another government while protecting their domestic industries. The strategic trade policies Japan applies are, inter alia, supporting and subsidizing sensitive sectors in agriculture and fishery, industrial policies to promote industrial development, and extensive R&D programs. Proved that in IJEPA, these policies help Japan acquiring more benefits from the partnership and preserving Japan's comparative advantage while compensating its comparative disadvantage over Indonesia.