

Legal Framework and Challenges in Harmonizing Indonesia-Japan Product Standards for MSMEs

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Article	Abstract
<p>Keywords: Harmonization; product standards; export regulations; MSMEs; international trade law; Indonesia; Japan</p> <p>Article History Received: Dec 29, 2024; Reviewed: Jan 05, 2025; Accepted: Apr 19, 2025; Published: May 10, 2025.</p>	<p><i>This study examines the juridical aspects of harmonizing product standards between Indonesia and Japan in marketing Banyumas MSME products to the Japanese market. The main focus of the study is to analyze the legal framework governing product standardization in both countries and identify the challenges and opportunities for Banyumas MSMEs to comply with these regulations. The research method used is normative juridical with a comparative law approach. The results show significant differences in product standard regulations between Indonesia and Japan, especially regarding food safety, labeling, and certification. The study reveals that harmonization of product standards requires a comprehensive strategy involving regulatory adjustments at the national level and bilateral cooperation. The findings also illustrate the important role of Banyumas' local government in helping MSMEs understand and conform to international standards. The research conclusion emphasizes the urgency of regulatory harmonization to improve the competitiveness of Banyumas MSME products in the Japanese market. Recommendations include the establishment of a special agency for regulatory compliance assistance, integrated training programs, and economic diplomacy initiatives to bridge the regulatory gap between the two countries.</i></p>



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A. INTRODUCTION

Economic globalization has enabled both opportunities and challenges for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia to enter the international market. However, differences in product standards and regulations between countries often hinder MSMEs from accessing the global market (Fernandes et al., 2019). The case of Banyumas MSME product exports to Japan is a clear example of how regulatory disparities can affect the competitiveness of local products in the international arena. Japan, a country with stringent product quality and safety standards, applies complex regulations often difficult for Indonesian MSMEs to comply with (Tambunan, 2021). The problem arose when several Banyumas MSME products that had fulfilled Indonesian national standards were denied entry into the Japanese market because they needed to conform to local standards. This led to a debate on the harmonization of product standards and the urgency of regulatory adjustments between the two countries. On the one hand, there is a view that Japanese standards are unrealistically high for developing country MSMEs. Meanwhile, there is an argument that increasing standards is necessary to encourage the quality of Indonesian MSME products (Nurhayati, 2015). This condition became the starting point for a discussion on the importance of harmonizing product standards between Indonesia and Japan, especially in empowering Banyumas MSMEs.

The transformation of the international trade landscape has driven significant changes in the approach to product standardization. Since the entry into force of the Indonesia-Japan Economic Partnership Agreement (IJEPA) in 2008, there has been a paradigm shift in trade relations between the two countries (Yuliati et al., 2023). This agreement focuses on tariff reduction and emphasizes the importance of harmonizing standards and technical regulations. These changes have consequences for Banyumas MSMEs to adapt quickly to international standards. Data from the Banyumas Regency Industry and Trade Office (2022) shows that only 15% of MSMEs in the region have been fulfilling export standards to Japan. This figure has increased from 5% in 2018 but is still far from the 30% target set for 2025.

This transformation concerns the technical aspects of production and involves fundamental changes in quality management, traceability systems, and sustainable business practices. Efforts to harmonize product standards between Indonesia and Japan are now an important agenda in bilateral negotiations, focusing on increasing the capacity of MSMEs to comply with global standards (Utami & Lesmana, 2023). This transformation requires a comprehensive approach that involves various stakeholders, from the central government and local governments to business actors and certification agencies.

Current conditions show increasing interest among Japanese consumers in organic and sustainable products from developing countries, including Indonesia. The Japan External Trade Organization (JETRO) report indicates a demand growth for imported organic food products in Japan since 2020 (Talwar et al., 2021). This phenomenon opens up great opportunities for Banyumas MSMEs focusing on agricultural and processed food products. However, this condition has also been followed by an increase in the stringency of regulations related to food safety and the labeling of imported products in Japan. For example, implementing the Positive List System for pesticide residues in 2021 has tightened import procedures for agricultural products (Akiyama et al., 2011).

Furthermore, the digitalization of international trade also brings new challenges for MSMEs regarding electronic documentation systems and digital certification (Kumar, 2020). Currently, Banyumas MSMEs are still experiencing difficulties in adopting the digital documentation system required for exports to Japan. This condition shows the urgency for Banyumas MSMEs to focus on improving product quality and mastering information technology and an integrated quality management system.

An emergency arose when the COVID-19 pandemic occurred, significantly affecting global supply chains and changing Japanese consumers' preferences for imported products. There was a decline in Indonesian MSME exports to Japan in 2020-2021. The same situation also happened in Banyumas Regency. Japan's stringent import regulations related to health protocols have exacerbated this situation, adding complexity for MSMEs in meeting export standards. This emergency lays bare the vulnerability of Banyumas MSMEs in the face of external shocks. It highlights the importance of an adaptive legal framework to support small business resilience in international trade. Facing this issue, a comprehensive solution involving regulatory, technological, and empowerment aspects of MSMEs is necessary.

Harmonization of product standards between Indonesia and Japan is key to overcoming trade barriers and improving the competitiveness of Banyumas MSMEs in the Japanese market. Initiatives such as international certification facilitation programs, regulatory compliance training, and the establishment of special MSME export corridors must be considered as part of the export recovery and strengthening strategy. Furthermore, applying technology for product traceability systems and integrated cross-border e-commerce platforms can also be innovative solutions in facilitating MSME exports to Japan. These efforts require synergy between the central government, Banyumas local governments, business associations, and research institutions to create an ecosystem that supports MSMEs in meeting international standards and navigating the complexities of global trade regulations.

In accordance with the introduction that has been presented, three problem statements can be formulated:

1. How do the differences and similarities in product standard regulations between Indonesia and Japan affect the export of Banyumas MSME products to the Japanese market?
2. What are the juridical challenges faced by Banyumas MSMEs in an attempt to conform to the product standards imposed by Japanese regulation, and what are the implications for the competitiveness of their products in the international market?
3. How can product standard regulation harmonization strategies be developed and implemented to facilitate Banyumas MSMEs' access to the Japanese market, and what is the role of local and central government in the process?

These formulations cover comparative aspects of regulations, specific challenges faced by Banyumas MSMEs, strategies, and stakeholders' role in the harmonization process. Addressing these questions will allow the article to comprehensively analyze legal issues relevant to marketing Banyumas MSME products to Japan.

B. METHOD

This study is a normative juridical research. The approaches used in this research are statute approach (Susanti et al., 2022), historical approach, conceptual approach, and comparative approach. The specification of this research is descriptive-analytical (Soerjono Soekanto, 2007). Descriptive analytical research specification is a study that describes the applicable laws and regulations associated with legal theories from the practice of implementing positive law concerning the problems in this study (Soemitro, 1999).

C. RESULTS AND DISCUSSIONS

Differences and Similarities in Product Standard Regulations Between Indonesia and Japan that Affect the Export of Banyumas MSME Products to the Japanese Market Indonesian Product Standard Regulation. The controversy surrounding product standards regulation in Indonesia often centers on the dualism between consumer protection and the empowerment of local producers, especially MSMEs. The implementation of strict standards, however, is seen as an important step to ensure product safety and quality for consumers. Many argue, moreover that standards that are too high can burden MSMEs and hinder the growth of local industries (Puteh Salin et al., 2023).

The Indonesian National Standard (SNI) is at the center of this debate, with its implementation being mandatory for some product categories and voluntary for others. This regulation aims to improve the competitiveness of Indonesian products in the global market, but its implementation still needs to be improved, especially for resource-constrained MSMEs. It becomes increasingly complex when it involves international standards harmonization efforts, where Indonesia has to balance domestic market protection and compliance with global standards.

The transformation of product standards regulation in Indonesia has undergone significant changes since the enactment of Law No. 20/2014 on Standardization and Conformity Assessment. This transformation is characterized by reinforcing the National Standardization Agency's (BSN) role as an institution coordinating national standardization activities. Recent trends show an increase in SNIs established, from 10,269 standards in 2018 to 13,045 standards in 2022. This increase reflects Indonesia's efforts to conform to international standards and improve the competitiveness of local products in the global market. However, an exigent situation arises when many MSMEs, including in Banyumas, struggle to comply with the imposed standards. Data from the Ministry of Cooperatives and SMEs (2023) shows that only 23% of MSMEs in Indonesia have met the national standards required for export (Hermawan, I., Satya, V. E., Sari, R., & Budiyaniti, 2019). Facing this challenge, the Indonesian government has initiated a program to facilitate and assist MSMEs in implementing SNI, including providing incentives and technical training. This solution is expected to improve MSMEs' compliance with national standards and prepare them to enter international markets, particularly Japan.

A key point in Indonesia's product standards regulation is the emphasis on improving product quality and safety through the implementation of SNI. This policy aims to protect consumers and enhance the competitiveness of Indonesian products in the global market. Empirical evidence shows that products that comply with SNI have higher export opportunities. MSME products certified with SNI have experienced an increase in exports compared to products that have not been approved. However, SNI implementation also faces challenges, especially for MSMEs. Most MSMEs experience difficulties in fulfilling SNI requirements due to limited technology and knowledge (Tambunan, 2012). Therefore, at the same time, Indonesia's product standards regulation aims to improve quality and competitiveness, and a more inclusive and adaptive approach is needed to accommodate the needs and capacity of MSMEs in meeting these standards.

1. Japanese Product Standards Regulation

Issues surrounding product standards regulation in Japan often center on the tension between domestic market protectionism and openness to imported products. Japan is known for having notoriously strict product safety and quality standards, which some see as a non-tariff barrier to imported products. However, the Japanese government argues that these high standards are necessary to protect consumers and maintain the reputation of Japanese products in the global market (Muwafiq et al., 2023). This becomes even more complex when Japan faces pressure from trading partners, including Indonesia, to ease some regulations that are considered too burdensome for foreign exporters. Japan's product standards regulations have gradually transformed, especially since Japan joined various free trade agreements. One significant change is implementing the Positive List system for pesticide and agrochemical residues in 2021, which strictly regulates the maximum allowable residue limits on imported food products. Current conditions show an increased focus on food safety standards. Japan's Ministry of Health, Labor, and Welfare data shows increased food safety-related regulations in the past three years.

When the COVID-19 pandemic hit, Japan tightened import regulations related to health protocols. This significantly impacted exporters, including MSMEs from Indonesia. The volume of food product imports to Japan was affected and decreased due to stringent regulations. Facing this challenge, the Japanese government has simplified the certification and inspection process of imported products, including implementing an online inspection system and accelerating quarantine. These solutions aim to facilitate international trade while maintaining high safety standards. In addition, Japan is also enhancing bilateral

cooperation with exporting countries, including Indonesia, to harmonize standards and improve the capacity of foreign producers to meet Japanese regulations.

A key point in regulating Japanese product standards is emphasizing consumer safety and extremely high product quality. The justification behind this policy is to protect public health and maintain the reputation of Japanese products in the global market. Empirical evidence shows the effectiveness of Japan's strict regulations in maintaining product safety. According to a 2023 Organisation for Economic Co-operation and Development (OECD) report, Japan has one of the lowest product recall rates among developed countries, with only 0.01% of products on the market experiencing recalls in the past five years. However, the implementation of these strict regulations also brings challenges for foreign exporters. Foreign companies experience difficulties meeting Japanese standards when they first enter the market. In conclusion, while Japan's product standard regulations have proven effective in maintaining product quality and safety, further efforts are needed to improve the transparency and accessibility of rules for foreign exporters, especially MSMEs from developing countries such as Indonesia.

2. Differences and Similarities of Indonesia-Japan Product Standard Regulations

The main issue in comparing product standard regulations between Indonesia and Japan lies in the difference in the stringency and complexity of rules. Japan is known to have stiffer and more perplexing standards than Indonesia, especially regarding food safety and consumer products. This is often considered a non-tariff barrier for Indonesian MSME products seeking to enter the Japanese market. Conversely, there is an argument that Japan's high standards can encourage improving the quality of Indonesian MSME products. The transformation in trade relations between the two countries, especially after the signing of the Indonesia-Japan Economic Partnership Agreement (IJEPA), has brought significant changes in standards harmonization efforts. Increased bilateral cooperation in the form of information exchange and technical assistance to help Indonesian MSMEs meet Japanese standards is increasingly massive. Data from the Indonesian Ministry of Trade shows an increase in the number of Indonesian MSME products that have successfully met export standards to Japan in the last two years.

An emergency arose when the COVID-19 pandemic hit, which caused both countries to tighten regulations related to safety and health. This added complexity for Banyumas MSMEs in meeting export requirements to Japan. Faced with this challenge, both countries have taken steps to accelerate the standards harmonization process. Solutions include

establishing a Joint Committee on Standards and Conformity Assessment between Indonesia and Japan to bridge regulatory differences and facilitate knowledge and technology transfer. In addition, a special training and assistance program for Banyumas MSMEs to meet Japanese standards has also been initiated as part of the strategy to increase regional exports.

The main difference between product standard regulation in Indonesia and Japan lies in the level of stringency and scope of regulation. Japan has more comprehensive and stringent standards, especially regarding food safety, labeling, and product testing. The reason behind this difference is the different levels of economic development and national policy priorities of the two countries. As a developing country, Indonesia tends to have more flexible regulations to encourage domestic industry growth. In contrast, as a developed country, Japan emphasizes consumer protection and maintains a reputation for high-quality products. Empirical evidence shows the significant impact of these regulatory differences on Banyumas MSME exports to Japan. MSMEs in the region generally experience difficulties meeting Japanese standards, especially regarding pesticide residue testing and food safety management systems. However, the study also found that MSMEs that successfully met Japanese standards experienced increased export value in the first two years after entering the Japanese market.

Despite the significant differences, there are some similarities in product standard regulations between Indonesia and Japan that can serve as a basis for further harmonization. Both countries are committed to international standards such as ISO and Codex Alimentarius for food products. In addition, Indonesia and Japan have adopted a risk-based quality management system in product supervision. These similarities provide opportunities for Banyumas MSMEs to establish a quality management system that can simultaneously meet the standards of both countries. However, the main challenge lies in regulatory implementation and enforcement differences. Japan tends to have a stricter and more consistent supervision system, while Indonesia still faces challenges in standard enforcement consistency, especially for MSMEs (Pujiono et al., 2018).

Thus, it can be seen that the differences and similarities in product standard regulations between Indonesia and Japan have significant implications for Banyumas MSMEs' exports to the Japanese market. While the differences in rules create challenges, the similarities can be a starting point for the harmonization and capacity-building of MSMEs. A comprehensive approach involving bilateral cooperation, capacity building of MSMEs, and gradual regulatory adjustments is required to address these gaps.

3. Juridical Challenges Faced by Banyumas MSMEs in Conforming to Product Standards Set by Japanese Regulations and its Implications for the Competitiveness of Their Products in the International Market

The controversy surrounding Japan's regulatory complexity is a major challenge for Banyumas MSMEs in penetrating the export market. Japan's strict regulations, especially regarding food safety and quality standards, are often seen as non-tariff barriers that are difficult for MSMEs with limited resources to overcome. Current conditions show an increase in the complexity of labeling and packaging requirements, which require significant investment in research and development. Problems arose when some of Banyumas' MSMEs' flagship products, such as coconut sugar and batik, were rejected at the Japanese border due to non-compliance with the latest standards. The proposed solution involves establishing an integrated information center at the regional level that specifically deals with Japanese export regulations. The main point of this challenge is the information and technical capacity gap between Banyumas MSMEs and the requirements of the Japanese market. The reason behind the complexity of Japanese regulations is a strong commitment to consumer protection and product quality. Evidence shows that few Banyumas MSMEs comprehensively understand Japan's current regulations. Hence, bridging the regulatory understanding gap is the key to improving Banyumas MSMEs' access to the Japanese market.

The subsequent juridical challenge faced by Banyumas MSMEs is the lengthy and expensive certification process to meet Japanese standards. The problem arises because the high cost of certification is considered disproportionate to the scale of MSME businesses. Transformations in the certification process, such as the introduction of electronic systems and remote audits, have yet to reduce the financial and administrative burden fully. Current conditions show an increasing demand for dual certification, such as JAS (Japanese Agricultural Standard) and Japanese halal certification, which adds to the complexity. An immediate situation occurred when some Banyumas MSMEs were compelled to halt their export plans due to their inability to fulfill certification requirements. The proposed solution includes a certification subsidy program from the local government and a partnership with a Japanese-accredited certification body. The key point of this challenge is the need for a sustainable financing and mentoring strategy for the certification process. Certification is important to build Japanese consumer confidence and fulfill regulatory requirements. MSMEs with international certification have higher export opportunities than those without

(Ministry of Trade, 2022). Therefore, although the certification process has many challenges, investment in certification can be a catalyst for long-term market expansion.

The third juridical challenge relates to differences in the interpretation and implementation of standards between Indonesia and Japan. Controversies often arise when products that have met the Indonesian National Standard (SNI) are rejected in Japan due to differences in examining methods or tolerance limits. The transformation of standards in the two countries does not always go hand in hand, creating regulatory gaps that disadvantage exporters. Recent trends show an increased focus on sustainability and ethical production in Japan, while Indonesian standards focus more on safety and basic quality. Several Banyumas MSME products, such as candied fruit, have been rejected in Japan due to the use of preservatives, which are allowed in Indonesia but restricted in Japan. The proposed solution involves a bilateral standards harmonization program and capacity building of testing laboratories in Banyumas to Japanese standards. A key point of this challenge is the need for a deep understanding of the nuances of Japanese regulations and the ability to anticipate standard changes. The reason behind this difference in standards is the variation in policy priorities and the level of industrial development in the two countries. Efforts to harmonize standards and increase local testing capacity are crucial in overcoming regulatory barriers and improving the competitiveness of Banyumas MSMEs in the Japanese market.

a. Indonesian MSME Readiness and Government Support

The readiness of Indonesian MSMEs, especially in Banyumas, to face the juridical challenges of exporting to Japan is still contentious. Although some MSMEs have successfully ventured into the Japanese market and become successful examples. However, the majority of MSMEs still face significant difficulties. The transformation of MSME readiness can be seen in the increasing adoption of technology and international standards, although the process could be faster. Current conditions show an increased awareness of the importance of quality and regulatory compliance among MSMEs, driven by government education programs. The COVID-19 pandemic has forced many MSMEs to re-evaluate their export strategies, including preparedness for Japan's strict regulations. The solution to overcome this is to engage in a comprehensive export readiness acceleration program, including training, mentoring, and access to technology. The core element of MSME readiness is capacity building in understanding and complying with international regulations. This readiness is important to ensure the sustainability and competitiveness of Indonesian MSME exports. Data from the Ministry of Cooperatives and SMEs shows that MSMEs

participating in export preparation programs have a higher success rate in entering the international market (Zia, 2020). Therefore, despite progress in MSME readiness, systematic and sustained efforts are still needed to improve their capacity to face Japan's regulatory challenges.

Government support in preparing MSMEs for the juridical challenges of exporting to Japan has undergone significant transformation. The effectiveness of government programs needs to be analyzed, with criticism that many initiatives are short-term and do not address the root of the problem. However, there is a paradigm shift where the government is starting to adopt a more integrated and sustainable approach. This suggests increased collaboration between the central government, local governments, and the private sector in developing support programs. Problems occurred when the budget for MSME support programs was cut due to the reallocation of funds for handling the pandemic, threatening the continuity of export preparation programs. The proposed solution includes establishing a special fund for MSME export preparation that the government and the private sector jointly manage. A key point of government support is program consistency and sustainability. The reason behind the importance of ongoing support is the complexity of juridical challenges MSMEs face in exporting to Japan, which requires long-term assistance. MSMEs that receive government support consistently for three years have a higher chance of successfully entering the Japanese market. It can be seen that while there has been an increase in government support, a more coordinated and sustainable strategy is needed to maximize the impact on MSE readiness.

Innovation in the form of government support is becoming increasingly prominent in efforts to prepare MSMEs for the juridical challenges of exporting to Japan. Issues arise regarding the effectiveness of traditional approaches, such as seminars and trade shows, which are considered less relevant in the digital era. The transformation of support has seen the emergence of digital platforms that provide real-time information on changes in Japanese regulations and simulations of the export process. Current trends show an increasing use of technology to facilitate product traceability, which aligns with Japanese regulatory demands. Banyumas MSMEs suffered losses due to the inability to adapt to sudden regulatory changes in Japan. The proposed solution involves developing an artificial intelligence system that can predict Japanese regulatory trends and provide adaptation recommendations for MSMEs. The pivotal point of this support innovation is using technology to bridge the information and capacity gaps. Innovation is important to improve the efficiency and

effectiveness of support in the face of fast-changing regulatory dynamics. MSMEs that utilize government digital platforms for export preparation experience increased export success compared to those that do not. In conclusion, innovation in government support is crucial to ensure that Banyumas MSMEs can effectively anticipate and adapt to the juridical challenges of the Japanese market.

b. Implications for Product Competitiveness in the International Market

The implications of these juridical challenges for the competitiveness of Banyumas MSME products in the international market are raising discord among business actors and policymakers. Compliance with Japan's strict regulations is perceived as a burden that reduces profit margins and price competitiveness. Yet, meeting Japan's high standards can enhance reputation and access to global premium markets. The transformation in competitiveness can be seen in the increasing quality of MSME products that successfully meet Japanese standards, although the number still needs to be improved. Current trends show that products with Japanese certification tend to be more readily accepted in other East Asian markets. The main implication is the paradigm transformation from volume to value orientation in MSME export strategies. This change ensures long-term sustainability and profitability in an increasingly competitive global market. MSMEs that successfully met Japanese standards experienced increased export value within the first two years. In conclusion, while juridical challenges may initially reduce price competitiveness, in the long term, they can be a catalyst for improving the quality and value of Banyumas MSME products in the international market.

Another implication of the juridical challenge to competitiveness is improving the innovation capacity of Banyumas MSMEs. Trade-offs arose over the high cost of research and development required to meet Japanese standards, which was considered burdensome for MSMEs. However, the transformation has seen the emergence of collaboration between MSMEs, universities, and research institutions in developing products that meet international standards. Current trends show increased clean production technologies and processes adoption among export-oriented MSMEs.

Another implication of the juridical challenge to competitiveness is improving the innovation capacity of Banyumas MSMEs. An issue that often arises is related to the high cost of research and development required to meet Japanese standards, which is considered to overwhelm MSMEs. However, transformation is seen in the emergence of collaboration between MSMEs, universities, and research institutions in developing products that meet

international standards. This shows export-oriented MSMEs' increasing adoption of clean production technologies and processes. The rejection of MSME products due to non-compliance with the latest product safety regulations has led to the establishment of regional innovation centers focusing on product development according to international standards. The important element of this implication is to enhance the culture of innovation among MSMEs in response to regulatory challenges. Innovation is essential to create a sustainable competitive advantage in the global market. MSMEs that innovate products based on international standards experience a higher increase in exports than those that do not. Therefore, while juridical challenges may initially hinder, in the long run, they can be a driver of innovation that increases the competitiveness of Banyumas MSMEs in the international market.

Improving the reputation and branding of Banyumas MSME products in the global market is a positive implication of efforts to meet the juridical challenges of exporting to Japan. Large investments in branding and marketing are needed to capitalize on the reputation of "meeting Japanese standards." The shift in MSME marketing strategies that have begun to emphasize aspects of regulatory compliance and international quality indicates the increasing interest of global consumers in products that have met the rigid standards of developed countries such as Japan. MSMEs experience a reputation crisis due to the inability to maintain consistent quality according to Japanese standards. This can be resolved by developing regional certification integrated with international standards, giving the MSME products a unique identity. The main point of this implication is transforming the image of MSME products from mere commodities to global quality products. The reason for the importance of reputation enhancement is to build international consumer confidence and access to premium market segments. MSME products that successfully create an international reputation experience an increase in selling value compared to similar products without a global reputation. Therefore, while meeting the juridical challenges requires significant investment, the impact on enhancing reputation and brand value can be a long-term competitive advantage in the international market.

A further implication is the increased access of Banyumas MSMEs to global value chains due to meeting Japanese juridical standards. The capacity gap between MSMEs that can meet international standards and those that are unable to create economic disparity potentially. What matters is the involvement of mentoring programs and strategic partnerships between local MSMEs and well-established companies in the global market.

The salient point of this implication is the expansion of market opportunities and the increase in the added value of MSME products in the global value chain. Integration into global value chains is important to ensure sustainable growth, technology access, and international best practices. Evidence indicates that MSMEs integrated with global value chains experience higher income growth than those that only foster domestic markets. While jurisdictional challenges may initially appear as obstacles, successfully overcoming them can unlock the door for Banyumas MSMEs to participate more widely in the global economy, significantly increasing their competitiveness in the international market.

4. Feasible Developed Product Standard Regulatory Harmonization Strategies and Implemented to Facilitate the Access of Banyumas MSMEs to the Japanese Market and the Role of Local Government

The strategy of harmonizing product standard regulations between Indonesia and Japan has become a controversial issue in facilitating the access of Banyumas MSMEs to the Japanese market. Full harmonization may compromise national interests and burden local MSMEs. At the same time, harmonization is considered a strategic step to improve global competitiveness. Harmonization efforts have seen a shift in focus from mere technical adjustments to integrating regulatory principles and philosophies. Recent conditions show increased bilateral dialog between Indonesian and Japanese regulators, especially in the food and consumer products sectors. Problems arise when regulatory misalignment results in mass rejection of Banyumas MSME products for export, causing significant economic losses. The proposed solution involves the establishment of a joint Indonesia-Japan committee for regulatory harmonization, focusing on MSME priority sectors. The key point of the harmonization strategy is a phased and sectoral approach, starting from Banyumas MSMEs' flagship products. The reason for the importance of this approach is to ensure harmonization is realistic and directly impacts MSMEs. Evidence shows that countries implementing sectoral regulatory harmonization with Japan experienced increased exports in related sectors. A planned and focused harmonization strategy can be a catalyst for improving Banyumas MSMEs' access to the Japanese market.

Implementing a regulatory harmonization strategy requires a multi-level approach involving the central government, regions, and businesses. Controversy arises regarding the division of authority and resources between the central and local governments in the harmonization process. The emergence of regional initiatives such as Banyumas in proactively adopting international standards shows the increasing role of local governments

in economic diplomacy, including in product standards negotiations. A cautionary point is when the misalignment of central and local policies results in confusion among MSMEs, hindering adapting to Japanese standards. The proposed solution is establishing a regulatory harmonization task force involving representatives of the central, regional, and MSME associations. The key to implementation is the synergy between national policies and local initiatives. The reason for the importance of this synergy is to ensure harmonization that is responsive to the specific needs of Banyumas MSMEs while remaining in line with the national agenda. Conditions show that regions with strong central-local coordination in regulatory harmonization experience higher export increases than other regions. In conclusion, effective implementation of harmonization strategies requires a balance between national directives and local flexibility.

The role of the Banyumas local government in the regulatory harmonization strategy is becoming increasingly crucial. Local government capacity and authority in adopting and enforcing international standards. The transformation can be seen from the Banyumas local government's increasing investment in developing global standard testing and certification infrastructure. Current circumstances show active collaboration between the Banyumas local government and Japanese certification bodies for training and knowledge transfer programs. A possible solution to this situation is to establish a special agency at the local level that focuses on export harmonization and facilitation, working directly with counterparts in Japan. A key point of the local government's role is to bridge local MSMEs and global standards. The reason for the importance of this role is the local government's proximity to local MSME realities and needs. Regions with special units for regulatory harmonization have experienced increased MSME export success. Therefore, the proactive role of the Banyumas local government in regulatory harmonization is a key factor in opening up access for local MSMEs to the Japanese market.

The central government plays a strategic role in providing the policy framework and diplomatic support for regulatory harmonization. Contentions arise regarding the balance between protecting national interests and meeting the demands of international harmonization. Transformation is seen in the shift of the central government's approach from protectionist to facilitator of global trade. This has increased in Indonesia-Japan bilateral negotiations on the Mutual Recognition Agreement (MRA) for product standards. An emergency occurs when delays in adapting national regulations to international standards result in lost export opportunities for MSMEs. Proposed solutions include the establishment

of a special task force at the ministerial level focused on accelerating regulatory harmonization with key trading partners, including Japan. The central government's role is to ensure national policy coherence with the harmonization agenda. This important role provides legal certainty and strategic direction for regional efforts and MSMEs. Evidence shows that countries with national policies that support harmonization experience higher export value increases within five years. Therefore, support and strategic direction from the central government is an important foundation for the success of the regulatory harmonization strategy.

Implementation of the regulatory harmonization strategy requires a phased and measured approach. Controversy arose over the speed of implementation, with some parties urging acceleration while others emphasized the importance of thorough preparation. Transformation is evident in adopting a pilot project approach in some of Banyumas' flagship MSME sectors. This shows the increasing use of digital technology in facilitating the harmonization process, including online platforms for regulatory consultation. Several MSMEs had difficulty adapting to rapid changes in standards, resulting in a decline in production and exports. The proposed solution involves developing a clear harmonization roadmap with measurable milestones and periodic evaluation mechanisms. A major point of phased implementation is the balance between the urgency of harmonization and the adaptive capacity of MSMEs. The rationale for this approach is to ensure a gentle transition without compromising the competitiveness of MSMEs in the short term. Evidence shows that countries implementing phased harmonization experience higher implementation success rates than those making radical changes. Therefore, a planned and gradual implementation of harmonization strategies can maximize benefits for Banyumas MSMEs while minimizing economic shocks.

The active role of business associations and MSME support institutions is important in the regulatory harmonization strategy. Controversy arises regarding the representation of MSME interests in the harmonization decision-making process. Transformation is seen in the increasing capacity of Banyumas' local business associations to conduct evidence-based policy advocacy. Current conditions show closer collaboration between business associations, academics, and policymakers in assessing the impact of harmonization. The lack of MSME voice in the harmonization process has resulted in adopting unrealistic standards for most small businesses. Proposed solutions include establishing a multi-stakeholder forum that provides a platform for MSMEs to contribute to the harmonization

process. A key point of the role of business associations is to act as a bridge between policymakers and the ground realities of MSMEs. The reason this role is important is to ensure harmonization is inclusive and positively impacts the majority of MSMEs. Facts show that countries with the active involvement of business associations in regulatory harmonization experience higher adoption rates of standards among MSMEs. In conclusion, the active participation of business associations and MSME support institutions is key to ensuring an effective and sustainable harmonization strategy.

Human resource capacity building is a crucial aspect of supporting regulatory harmonization strategies. Large investments are required for training and competency development, especially for MSMEs with limited resources. The emergence of integrated training programs that combine technical, regulatory, and soft skills aspects shows increased cooperation between educational institutions, government, and the private sector in developing curricula relevant to harmonization needs. Problems occur when the competency gap of Banyumas MSME human resources becomes a major obstacle in adopting Japanese standards, threatening export viability. The proposed solution involves the establishment of a specialized regulatory harmonization training center in Banyumas, with expert support from Japan. The main point of HR development is to create a workforce that understands technical standards and adapts to changes in global regulations. This aspect is important because competent human resources are the foundation for effective harmonization implementation. MSMEs with HR development programs focusing on regulatory harmonization experience higher export success than those without. From the above, it can be seen that investment in HR capacity development is critical in supporting regulatory harmonization strategies and improving the competitiveness of Banyumas MSMEs in the Japanese market.

Continuous evaluation and adjustment are important components of the regulatory harmonization strategy. This condition shows an increase in transparency in the evaluation process, with the active involvement of stakeholders in periodic reviews. Problems arise when some aspects of harmonization that have been implemented turn out to be counterproductive for Banyumas MSMEs, requiring prompt revisions. Proposed solutions include establishing a real-time monitoring system that enables early detection of problems and quick adjustment of policies. A critical point of continuous evaluation is flexibility in the harmonization strategy to respond to market dynamics and MSME needs. The reason for the importance of this aspect is to ensure the relevance and effectiveness of harmonization

in the long term. Facts show that countries with strong evaluation and adjustment mechanisms experience fewer failures in implementing regulatory harmonization. From the explanation above, continuous evaluation and adjustment are key in ensuring a harmonization strategy that is adaptive and responsive to the needs of Banyumas MSMEs in accessing the Japanese market. Eventually, communication strategies and change management become vital in implementing regulatory harmonization. The problem that often arises in this regard is miscommunication about the implications of harmonization, which can cause panic and rejection among Banyumas MSMEs. The solution involves developing a multi-channel communication strategy tailored to the characteristics of Banyumas MSMEs.

Here are some analysis for improving the clarity of solutions, especially in the context of the proposed multi-stakeholder forum and training center:

a. Multi-Stakeholder Forum

To make the proposal more actionable, it would be helpful to provide specific steps for establishing and running the multi-stakeholder forum. The forum's purpose is to bring together government bodies, business associations, and MSMEs to discuss regulatory challenges and facilitate knowledge exchange. there are ways that stakeholders can improve clarity:

Step 1: Stakeholder Identification Identify and categorize key stakeholders, such as government agencies (e.g., Ministry of Trade, Ministry of Cooperatives and SMEs), industry associations, and MSMEs from the Banyumas region. Include representatives from certification bodies and relevant experts on Japan's export regulations.

Step 2: Forum Structure and Frequency Define the structure of the forum (e.g., bi-monthly or quarterly meetings), the role of each stakeholder, and the primary topics of discussion (regulatory compliance, market trends, technical support). Provide details on how the forum will address the legal, financial, and capacity-building needs of MSMEs.

Step 3: Resource Mobilization Outline the mechanisms for securing funding and resources for the forum, possibly through public-private partnerships. This could involve government support, sponsorship from business associations, or collaboration with international trade organizations.

Step 4: Outcomes and Monitoring Describe the expected outcomes of the forum, such as the development of action plans, best practices for regulatory compliance, and a unified strategy for export facilitation. Set up a monitoring system to evaluate the forum's impact on MSME export readiness and regulatory harmonization.

b. Training Center for Regulatory Compliance

To improve the clarity of the training center proposal, specify how it will be structured, who will run it, and the types of training offered:

Step 1: Training Center Establishment Define the location, infrastructure, and staff requirements for the training center. Consider establishing it in collaboration with local universities, research institutions, and international partners like JETRO or Japanese certification bodies.

Step 2: Training Programs Detail the types of training programs that will be provided, such as: 1) Product Certification Compliance: Focused on obtaining certifications such as JAS (Japanese Agricultural Standard) and others required for Japanese exports; 2) Labeling and Packaging Standards: Training on Japan's stringent packaging and labeling regulations; 3) Digitalization of Exports: Focus on implementing digital documentation systems and product traceability.

Step 3: Capacity Building for Trainers Highlight the importance of having trained professionals who understand both local MSME challenges and international standards. Establish a certification process for trainers to ensure high-quality delivery.

Step 4: Continuous Support Provide a structure for ongoing support to MSMEs post-training. This could include follow-up consultations, online resources, or mentoring programs to assist MSMEs in implementing the knowledge gained from the training.

By elaborating on the specific steps for implementation and expected outcomes for both the multi-stakeholder forum and the training center, the article would provide readers with a clearer understanding of how these solutions could be effectively executed.

The evidence support, including real-world examples or case studies can provide concrete evidence for the proposed solutions and legal challenges are explained in several ways to incorporate case studies and examples:

a. Case Study on Regulatory Harmonization

Real-World Example: The European Union's Regulatory Harmonization Efforts
(Bris et al., 2021)

Context: The European Union (EU) has been a leader in implementing regulatory harmonization across its member states to facilitate trade and ensure product quality.

A notable example is the EU's harmonization of food safety and labeling regulations.

Relevance to Banyumas MSMEs: By drawing parallels to how the EU overcame challenges related to differing national regulations, such as the introduction of common food safety standards. It can illustrate how Indonesia and Japan could collaborate on a similar approach. Highlighting the EU's success in aligning standards could provide a clear model for how Indonesia and Japan might harmonize product standards for MSMEs in Banyumas.

b. Case Study: Successful MSME Export Adaptation

Real-World Example: Export Success of Indonesian MSMEs to Japan

Context: Some Indonesian MSMEs, such as producers of organic food products from Bali, have successfully adapted to Japan's strict product standards and gained access to the Japanese market. For instance, Indonesian coffee producers have implemented traceability systems and obtained necessary certifications to meet Japanese food safety requirements.

Relevance to Banyumas MSMEs: This example shows that, despite the challenges, MSMEs can overcome regulatory barriers by embracing international standards. Providing such examples demonstrates that the proposed solutions, like the creation of regulatory compliance training programs, are not only feasible but have already proven successful in other regions.

c. Case Study on Government Support Programs

Real-World Example: The Japanese Government's Support for Exporters

Context: Japan's government has been known for its robust export facilitation programs (Insebayeva, 2024). One example is JETRO's role in assisting foreign producers to understand and meet Japanese regulations, offering training and consultancy services to MSMEs in developing countries.

Relevance to Banyumas MSMEs: It can draw parallels between JETRO's work in facilitating foreign exporters and the potential role of Indonesia's government in supporting Banyumas MSMEs. By showcasing how Japan's export assistance programs helped other MSMEs succeed, the article can advocate for the

establishment of similar government-led support systems in Indonesia to help local MSMEs adapt to international standards.

d. Case Study on Certification Challenges

Real-World Example: Certification for Indonesian Halal Products

Context: The certification process for halal products in Indonesia, especially in the food sector, has faced challenges due to the high cost and complexity of obtaining certifications such as MUI (Indonesian Ulema Council) halal certification. However, some MSMEs in Yogyakarta have successfully navigated this by partnering with local and international certification bodies to streamline the process.

Relevance to Banyumas MSMEs: The challenges and solutions faced by MSMEs in Yogyakarta can serve as a valuable case for Banyumas MSMEs struggling with the certification process for Japanese exports. This example supports the proposed solution of offering certification subsidy programs and creating partnerships with international certifying bodies to lower the financial and administrative barriers for Banyumas MSMEs.

e. Case Study on Collaborative Efforts

Real-World Example: Indonesia-Japan Collaboration in MSME Export Facilitation

Context: In the past, Indonesia and Japan have worked together through trade agreements such as the Indonesia-Japan Economic Partnership Agreement (IJEPA) to improve market access for Indonesian products (Wati et al., 2023). One success story is the Indonesian leather industry's improved access to Japan after such collaborations, which included regulatory support and technical assistance.

Relevance to Banyumas MSMEs: This case illustrates the effectiveness of bilateral collaboration in overcoming regulatory barriers. Citing this example could bolster the argument for establishing a joint Indonesia-Japan task force to harmonize product standards and regulations, helping MSMEs in Banyumas better access the Japanese market.

f. Case Study on Digital Transformation

Real-World Example: The Use of Technology in Cross-Border E-Commerce in ASEAN

Context: ASEAN countries, particularly Singapore, have been integrating digital technologies into their international trade strategies. A successful case is the

development of digital platforms for export documentation, which has greatly facilitated cross-border trade and compliance with international standards.

Relevance to Banyumas MSMEs: Highlighting this example can demonstrate how MSMEs in Banyumas could benefit from the implementation of digital solutions like online documentation systems and product traceability platforms. It shows the real-world success of digital transformation in MSME exportation, further justifying the proposed solutions for improving MSME export readiness to Japan.

In conclusion, harmonizing product standards between Indonesia and Japan is crucial for improving the competitiveness of Banyumas MSMEs in the global market. By addressing regulatory challenges through multi-stakeholder collaboration, targeted training, and government support, MSMEs can overcome barriers to export. Real-world examples from other countries demonstrate that these strategies are not only feasible but also essential for MSMEs to thrive in international trade. With a phased approach to regulatory harmonization and continuous capacity building, Banyumas MSMEs can successfully navigate Japan's stringent market requirements, ensuring long-term economic growth and integration into global value chains.

D. CONCLUSION

The main difference between the regulation of product standards in Indonesia and Japan lies in the level of stringency and scope of regulation. Japan has more comprehensive and stringent standards, especially regarding food safety, labeling, and product testing. Meanwhile, Indonesia has more flexible rules to encourage domestic industry growth. The similarities between the two countries are the commitment to international standards such as ISO and Codex Alimentarius and the adoption of risk-based quality management systems. These similarities provide opportunities for Banyumas MSMEs to establish acceptable quality management systems in both countries, although challenges remain in the differences in implementation and enforcement of regulations. Therefore, regulatory harmonization involving bilateral cooperation and capacity building of MSMEs is necessary to bridge this gap. Banyumas MSMEs face various juridical challenges in meeting Japanese product standards. First, the complexity of Japanese regulations, especially regarding food safety and product certification, is often considered a non-tariff barrier. Second, high certification costs make it difficult for many MSMEs to fulfill these requirements. The third challenge relates to differences in the interpretation and implementation of standards between Indonesia and Japan, where products that have met the Indonesian National Standard (SNI) are often still

rejected in Japan. The implication of this challenge is the declining competitiveness of Banyumas MSME products in the international market. However, MSMEs that successfully conform to Japanese standards tend to gain greater access to the global premium market. Product standard regulation harmonization strategies can be developed through a phased and sectoral approach that involves cooperation between central and local governments and business actors. Local governments, especially the Banyumas local government, play a crucial role in facilitating MSMEs by providing testing and certification infrastructure that meets international standards. The national government is important in providing a policy framework that supports regulatory harmonization through bilateral negotiations, such as the Mutual Recognition Agreement (MRA). Implementation of the harmonization strategy also requires a planned approach with a clear roadmap and involves continuous evaluation to adjust to global market dynamics. Regulatory harmonisation is key to improving the competitiveness of Banyumas MSME products in the Japanese market with the support of various stakeholders and a collaborative strategy between the government and business actors.

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