

Analysis of The Potential of Indonesian Trading Commodities Through the Constant Market Share Analysis (CMSA) Method in the Indonesia-Republic of Korea Comprehensive Economic Partnership Agreement (IK-CEPA) Cooperation

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Submitted: April 1, 2022 -Revised: April 28, 2022 -Accepted: April 30, 2022 -Published: April 30, 2022

ABSTRACT

Indonesia as a country that implements a free trade policy seeks to cooperate with various countries to obtain benefits both bilaterally and regionally. One form of trade cooperation currently carried out by Indonesia is the Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA). The goal to be achieved is to find out the development of export, import, balance sheet, and free trade performance between Indonesia and South Korea during the last five years of 2017-2021. The method used is *Constant Market Share Analysis* (CMSA), which is a method that can identify Indonesian commodities/products that dominate, are competitive, and have high demand in South Korea. Meanwhile, Indonesian products that dominate in South Korea are raw material products / raw materials produced from natural resources such as coal, natural gas, copper ore, and palm oil.

Keywords: Free Trade Agreements; Indonesia Korea Comprehensive Economic Partnership Agreement (IK-CEPA); Constant Market Share Analysis (CMSA)

INTRODUCTION

In era globalization, a countries cannot be separate from international trade. Due to different geographical conditions and resources, each country has its advantages and disadvantages. Countries that have specific abundant natural resources can sell them to countries that lack and need those natural resources so that both countries benefit from these international trade activities. From the countryside, the seller or exporter gets a profit in the form of income, while from the buyer's side, they can take advantage of these resources to meet their domestic needs. International trade is also known as foreign trade.⁽¹⁾ Based on Article 1 of Law Number 7 of 2014 Concerning Trade, Foreign trade includes export and/or import activities of goods and/or trade-in services that go beyond the country's territorial boundaries.⁽²⁾ International trade occurs due to the need for demand and supply for a product produced by a country. To be able to make optimal use of international trade activities, a country competes to specialize in production by efficiently using available resources.⁽³⁾

In producing a product, each country strives to have its advantages. These products' advantages can be utilized domestically and sold/exported to other countries in need. However, a country also has limitations in meeting its domestic needs. The limited amount of resources and insufficient technology by a country will limit the amount of production that the country is capable of producing. Therefore, a country needs to buy/import products from other countries to meet these needs. Through export-import policies in international trade, a country can not only meet its domestic needs but also be able to obtain additional profits (gain from trade). However, in carrying out export-import activities, there are several obstacles, both tariff barriers, and non-tariff barriers. To reduce these barriers, a country and another country agreed to make a policy known as a free trade agreement.

Through export-import policies in international trade, a country can not only meet its domestic needs but also be able to obtain additional profits (gain from trade). However, in carrying out export-import activities, there are several obstacles, both tariff barriers, and non-tariff barriers. To reduce these barriers, a country and another country agreed to make a policy known as a free trade agreement. The IK-CEPA negotiations began in 2012 but were stopped in 2014. Then on February 19, 2019, the two countries agreed to reactivate the negotiations and then completed the substance of the negotiations on October 16, 2019. The IK-CEPA Agreement was officially signed by the Minister of Trade of the Republic of Indonesia and the Minister of Trade, Industry, and Energy of the Republic of South Korea on December 18, 2020, in Seoul, South Korea. Once the signing is done, it must then be ratified or ratified stating that the two countries are willing to commit to binding themselves to the treaty. The IK-CEPA agreement is currently still in the process of ratification, so the agreement has not yet entered into force.

When the ratification has been implemented, then the entry into force of the treaty will be determined according to the agreement of the two countries.⁽⁴⁾

When the IK-CEPA agreement comes into force, it will further encourage market access to trade commodities between the two countries through exports and imports with a wider scope of commodities, so it is expected to increase the total trade between the two countries. To be able to make optimal use of the cooperation agreement, we need to know what commodities are dominant, commodities that have high demand, and commodities that have high competitiveness. This will certainly be an opportunity as well as a challenge, especially for the trade commodities of the two countries, especially for Indonesia. To see the export and import performance of trade commodities between Indonesia and South Korea, it is necessary to analyze these commodities, which is supported by export and import data from the two countries obtained over the past five years, namely from 2017 to 2021.

Based on the description above, the objectives of this study include the following: To find out what commodities have the potential to be exported to determine international trade policies, especially for Indonesia.

METHODS

The research method used was the quantitative method. The data collection technique carried out was data collection through published data sources, namely through the website of the Ministry of Trade and the International Trade Center – Trade Map.⁽⁵⁾ The research time for the last five years was during 2017 to 2021. The analysis technique used the Constant Market Share Analysis method or better known as Constant Market Share Analysis (CMSA).⁽⁶⁾ This technique is intended to explain the factors underlying a country's export performance. CMSA is an analytical technique used to analyze trading patterns and trends for policy formulation purposes. After the export and import data are obtained and a CMSA analysis is carried out, then the results of the study can be used to draw conclusions.⁽⁷⁾

RESULTS

Export-Import Performance of Indonesia and South Korea

Based on Badan Pusat Statistik Indonesia and South Korea obtained, the table can be presented as follows:

Table 1. Indonesia and Korea Trade Data 2017 – 2021 (USD Thousand)

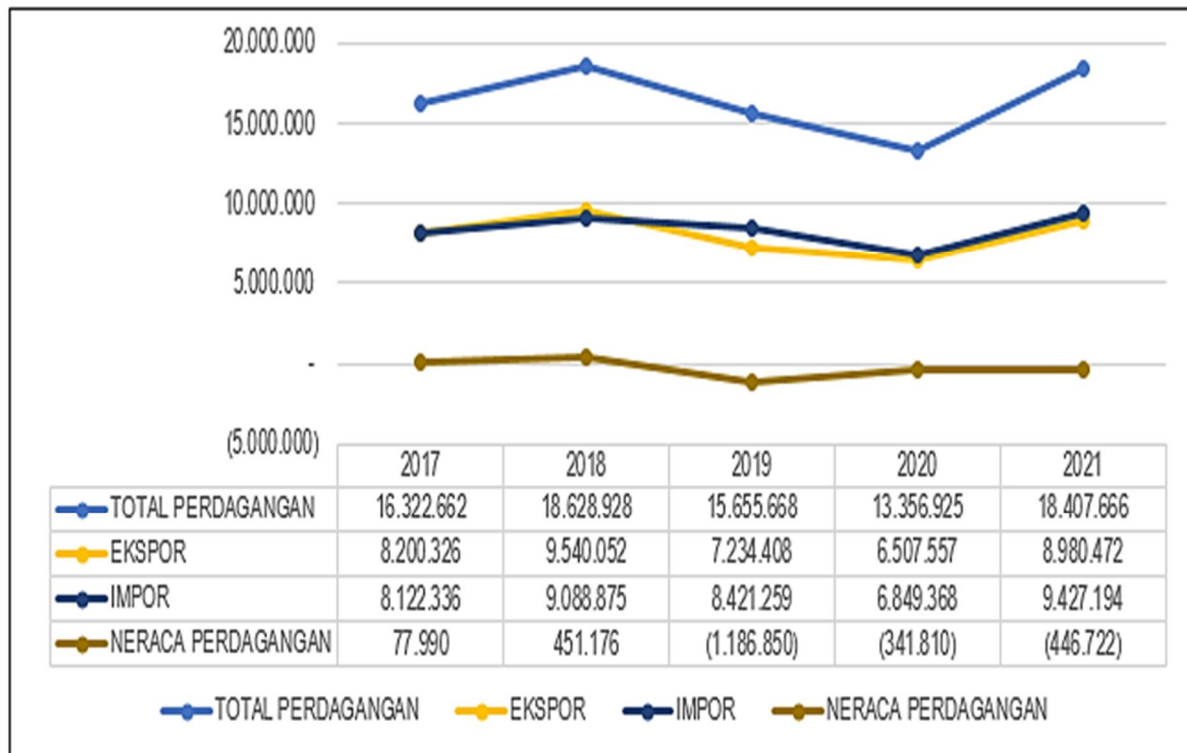
Description	2017	2018	2019	2020	2021	Trend (%) 2017-2021
Total trade	16,322,662.9	18,628,928.8	15,655,668.0	13,356,925.5	18,407,666.1	-0.92
Oil and gas	2,768,665.2	3,405,521.5	2,281,098.2	1,284,565.4	1,530,140.9	-19.43
Non-oil and gas	13,553,997.7	15,223,407.2	13,374,569.8	12,072,360.0	16,877,525.2	2.09
Export	8,200,326.7	9,540,052.8	7,234,408.6	6,507,557.5	8,980,472.0	-1.99
Oil and gas	1,866,119.8	2,032,276.2	1,134,300.6	898,080.5	1,023,860.4	-18.27
Non-oil and gas	6,334,206.9	7,507,776.6	6,100,108.0	5,609,477.0	7,956,611.6	1.66
Import	8,122,336.1	9,088,875.9	8,421,259.4	6,849,368.0	9,427,194.1	0.15
Oil and gas	902,545.4	1,373,245.3	1,146,797.6	386,484.9	506,280.5	-21.53
Non-oil and gas	7,219,790.8	7,715,630.6	7,274,461.8	6,462,883.0	8,920,913.7	2.49
Balance of trade	77,990.6	451,176.9	-1,186,850.8	-341,810.4	-446,722.1	0.00
Oil and gas	963,574.4	659,030.9	-12,497.0	511,595.6	517,580.0	0.00
Non-oil and gas	-885,583.8	-207,854.0	-1,174,353.8	-853,406.0	-964,302.1	-17.15

Source: Badan Pusat Statistik (2021)⁽⁸⁾

To simplify the table above, a summary of the table and graph can be made. Figure 1 shows that in the 2017-2021 period, trade between Indonesia and South Korea fluctuated. If we look closely, the export and import performance of the two countries experienced a very significant decline in 2020. One of the main reasons for this decline occurred due to the COVID-19 pandemic, where social distancing caused a decrease in production and the overall decline in trading performance. The highest total trade between Indonesia and South Korea occurred in 2018 at USD 18.6 billion, while the lowest total occurred in 2020, which was USD 13.3 billion. During 2017-2021 Indonesia's exports indicated a negative growth trend of -1.99. The highest exports occurred in 2018 at USD

9.5 billion, while the lowest exports in 2020 at USD 6.5 billion. Then imports, in the same periods, Indonesia indicated a positive import growth trend of 0.15. Indonesia's highest imports will occur in 2021 at USD 9.4 billion, while the lowest will occur in 2020 at USD 6.8 billion.

The performance of exports and imports above affects the trade balance. During 2017 and 2018, Indonesia indicated a trade balance surplus significantly from 77 USD million in 2017 to USD 451 million in 2018. That means the trade balance surplus in 2018 increased by 485% (almost five times) compared to 2017. However, in 2018 there was a decrease in the value of the trade balance causing Indonesia to indicate a trade balance deficit. This condition continued to occur from 2019 to 2021.



Note: Total perdagangan = Total trade; Eskpor = Export; Impor = Import; Neraca perdagangan = Balance of trade
Source: Badan Pusat Statistik (2021)⁽⁸⁾

Figure 1. Trade Chart of Indonesia with South Korea for the Period 2017 - 2021

DISCUSSION

CMSA Analysis of Export-Import Performance of Indonesia and South Korea

This analysis generally aims to assess the performance of Indonesian products/commodities in South Korea. The data used from the International Trade Center - Trade map. The author took data on Indonesian products imported by South Korea. In international trade, each type of product has a code commonly referred to as the HS code. Harmonized System (HS) is a list of the classifications of goods to facilitate the processing, trade transactions, transportation, and statistics that have improved from the previous classification system. This classification of goods in Indonesia is the Harmonized System and a tariff list called the Indonesian Import Duty Tariff Book (BTBMI).

Based on the data obtained, there are as many as 5317 types of Indonesian products imported by South Korea. The following is a display of Indonesian product data with a six-digit HS code imported by South Korea for the period 2017 to 2021, that is:

HS4	Product code	Product label (↔)	Korea, Republic of's imports from Indonesia			Indonesia's exports to world			Korea, Republic of's imports from world		
			Value in 2017	Value in 2018	Value in 2019	Value in 2017	Value in 2018	Value in 2019	Value in 2017	Value in 2018	Value in 2019
	TOTAL	All products	9,571,200	11,159,864	8,816,007	168,810,637	180,215,036	167,682,996	478,413,948	535,172,391	503,259,397
27		Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	4,435,809	4,848,048	3,084,245	36,866,865	42,011,767	34,105,452	109,961,440	146,937,537	127,290,643
72		Iron and steel	222,757	653,850	726,939	3,349,483	5,751,429	7,387,412	16,548,112	16,453,996	15,676,187
44		Wood and articles of wood; wood charcoal	362,237	458,360	421,526	4,004,289	4,435,145	3,838,152	3,432,400	3,787,644	3,114,066
62		Articles of apparel and clothing accessories, not knitted or crocheted	311,735	368,701	365,439	4,146,463	4,494,890	4,473,316	5,662,554	6,540,249	6,489,731
85		Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	317,145	302,826	350,752	8,466,673	8,854,011	9,012,166	82,864,221	84,756,968	89,695,616
64		Footwear, gaiters and the like; parts of such articles	327,655	319,911	312,170	4,911,848	5,113,294	4,409,287	2,794,605	3,194,964	3,265,064
40		Rubber and articles thereof	371,774	312,421	284,000	7,743,065	6,381,285	6,025,627	2,784,501	2,705,936	2,745,268
71		Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	26,022	157,565	269,726	5,608,017	5,604,702	6,619,822	4,237,945	3,402,748	4,151,948
15		Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	263,461	315,512	247,941	22,965,598	20,346,230	17,634,842	1,238,078	1,242,904	1,261,291
61		Articles of apparel and clothing accessories, knitted or crocheted	234,323	257,605	235,462	3,735,549	4,073,930	3,763,818	3,123,794	3,631,354	3,909,356
47		Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	204,561	228,383	206,920	2,426,018	2,649,365	2,782,740	1,771,380	2,133,722	1,723,566
26		Ores, slag and ash	360,062	699,046	197,979	3,769,649	5,254,702	3,126,596	14,145,145	14,982,121	15,099,121
38		Miscellaneous chemical products	216,914	213,159	192,210	3,894,806	4,926,359	4,109,949	7,480,859	8,611,062	8,165,005
48		Paper and paperboard; articles of paper pulp, of paper or of paperboard	107,166	151,263	182,905	3,799,576	4,483,133	4,369,874	1,894,402	2,013,978	1,962,861
80		Tin and articles thereof	210,597	241,293	172,724	1,595,191	1,550,911	1,282,717	307,176	328,097	278,477

Source: International Trade Center (2022)⁽⁹⁾

Figure 2. Indonesian Products Imported by South Korea.

- Based on the data obtained, the top five Dominant Indonesian products in South Korea in 2021 are as follows:
- (1) Bitumen coal/Bituminous coal, whether or not pulverized, non-agglomerated.
 - (2) Natural gas/Natural gas, liquefied.
 - (3) Copper ore and its concentrates/Copper ores and concentrates.
 - (4) Receiver apparatus for television, color, combined with radio broadcast receiver or recording apparatus or reproducing sound or video, or not/Reception apparatus for television, color, whether or not incorporating radio-broadcast receivers.
 - (5) Palm oil and its fractions, purified or not, but not chemically modified/Palm oil and its fractions, whether or not refined (excluding chemically modified and crude).

Then, from the data of these products, the first CMSA analysis can also be carried out, namely to see the Competitiveness Effect. The competitiveness Effect is a ratio that indicates an increase or decrease in market share related to competitiveness. In this case, the analysis were carried out to see the competitiveness of Indonesian products in South Korea.

The competitiveness effect formula analysis is shown as follows:

$$\sum_{jk} \Delta \left[\frac{X_{ijk}}{X_{jk}} \right] * \left[\frac{X_{jk}^0}{X_{...}^0} \right]$$

Where:

X_{ijk} = Export value of product i from country j to country k

X_{jk} = Total exports from country j to country k

X_{...} = Total world exports

The use of superscript "0" signifies the year of early observation, while if there is no superscript then the second year in observation. The notation "Δ" signifies the value of the change or difference between the second year and the initial year. Under the formula, the data that need to be prepared are as follows:

1. South Korean imports from Indonesia in 2017 and 2021
2. South Korea's imports from the world in 2017 and 2021

3. Total South Korean imports from Indonesia in 2017 and 2021
4. Total South Korean imports from the world in 2017 and 2021
5. Competitiveness Effect which is the final calculation of the formula.

Then, each product is calculated one by one in the following order of columns:

CMSA CALCULATION			Total Import Korea Selatan from Indonesia		Total Import Korea Selatan from World		Definition:	
			2017	2021	2017	2021		
			5	6	7	8		Potentially positive effect
			11.652.982	12.052.190	486.258.487	617.600.707		Definitely positive effect
								Definitely negative effect
No	HS Code	HS Desc	Import Korea Selatan from Indonesia		Import Korea Selatan from World		Competitiveness	Initial Product
			2017	2021	2017	2021		
			1	2	3	4		
							$\frac{[(2/4)-(1/3)]*(3/7)}$	$\frac{[(4/8)-(3/7)]*(1/3)}$
1	721913	Flat-rolled products of stainless steel, of a width of >= 600 mm, not further worked than hot-rolled, ...	-	136.457	555.548	270.333	0,000577	0,000000
2	852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	293	499.192	705.290	1.314.671	0,000550	0,000000
3	270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	442.960	157.443	645.880	159.198	0,000403	-0,000734
4	260300	Copper ores and concentrates	358.348	793.883	3.582.263	6.017.233	0,000235	0,000238
5	281410	Anhydrous ammonia	67.771	302.963	407.383	746.305	0,000201	0,000062
6	151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	512.931	740.402	646.902	793.164	0,000187	-0,000037
7	721912	Flat-rolled products of stainless steel, of a width of >= 600 mm, not further worked than hot-rolled, ...	6	65.437	215.228	175.843	0,000165	0,000000
8	851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	48.525	89.235	6.471.977	4.594.644	0,000159	-0,000044
9	441231	Plywood consisting solely of sheets of wood <= 6 mm thick, with at least one outer ply of tropical ...	175.423	291.177	424.288	545.121	0,000105	0,000004
10	240399	"Chewing tobacco, snuff and other manufactured tobacco and manufactured tobacco substitutes, ...	-	18.928	71.121	30.292	0,000091	0,000000

Source: International Trade Center (2022)⁽⁹⁾

Figure 3. CMSA Analysis of Export-Import Performance of Indonesia and South Korea

After calculating, each product sort from the highest to the lowest competitiveness effect, and then what products have high competitiveness. Here are the top ten high-competitive products in South Korea, there is:

1. Flat-rolled products of stainless steel, of a width of >= 600 mm, not further worked than hot-rolled, ...
2. Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers...
3. Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)
4. Copper ores and concentrates
5. Anhydrous ammonia
6. Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)
7. Flat-rolled products of stainless steel, of a width of >= 600 mm, not further worked than hot-rolled, ...
8. Parts of telephone sets, telephones for cellular networks or for other wireless networks and
9. Plywood consisting solely of sheets of wood <= 6 mm thick, with at least one outer ply of tropical ...
10. "Chewing tobacco, snuff and other manufactured tobacco and manufactured tobacco substitutes, ...

The second CMSA analysis is to see the Initial Effect. The initial Effect is a ratio that indicates an increase or decrease in market share related to demand. In this case, the analysis is carried out to see how much demand for the desired product is in South Korea. This analysis was carried out by calculating the ratio of the value of each product imported by South Korea from the world with the total imports of South Korea from the world in 2021 minus the same ratio in 2017, then multiplied by the ratio of South Korean imports from Indonesia to South Korean imports from the world in 2017. Still using the same table as before, but given the additional Initial Effect column shown as follows, there is:

CMSA CALCULATION			Total Import Korea Selatan from Indonesia		Total Import Korea Selatan from World		Definition:	
			2017	2021	2017	2021		Potentially positive effect
			5	6	7	8		Definitely positive effect
			11.652.982	12.052.190	486.258.487	617.600.707		Definitely negative effect
No	HS Code	HS Desc	Import Korea Selatan from Indonesia		Import Korea Selatan from World		Competitiveness	Initial Product
			2017	2021	2017	2021		
			1	2	3	4	$\frac{[(2/4)-(1/3)]*(3/7)}$	$\frac{[(4/8)-(3/7)]*(1/3)}$
1	271111	Natural gas, liquefied	1.253.029	1.163.053	15.620.996	25.456.410	-0,001109	0,000729
2	260300	Copper ores and concentrates	358.348	793.883	3.582.263	6.017.233	0,000235	0,000238
3	151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	162.677	371.012	357.164	661.571	0,000077	0,000153
4	800110	Unwrought tin, not alloyed	210.127	253.779	269.257	443.839	-0,000116	0,000129
5	382319	Fatty acids, industrial, monocarboxylic; acid oils from refining (excluding stearic acid, oleic ...)	75.635	252.121	199.322	418.680	0,000091	0,000102
6	230660	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	50.344	96.622	88.485	205.663	-0,000018	0,000086
7	841810	Combined refrigerator-freezers, with separate external doors or drawers, or combinations thereof	49.990	44.017	189.850	397.624	-0,000060	0,000067
8	281410	Anhydrous ammonia	67.771	302.963	407.383	746.305	0,000201	0,000062
9	852990	Parts suitable for use solely or principally with flat panel display modules, transmission ...	26.555	47.132	1.363.169	3.535.942	-0,000017	0,000057
10	480300	Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary ...	58.510	97.106	73.262	136.448	-0,000013	0,000056

Source: International Trade Center (2022)⁽⁹⁾

Figure 4. CMSA Analysis of Export-Import Performance of Indonesia and South Korea

After calculating each product, it is then sorted from the highest to lowest initial effect. The result of this calculation can be seen in what products have a high demand. Here are the top ten products with the highest demand in South Korea:

1. Natural gas, liquefied
2. Copper ores and concentrates
3. Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)
4. Unwrought tin, not alloyed
5. Fatty acids, industrial, monocarboxylic; acid oils from refining (excluding stearic acid, oleic ...)
6. Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...
7. Combined refrigerator-freezers, with separate external doors or drawers, or combinations thereof
8. Anhydrous ammonia
9. Parts suitable for use solely or principally with flat panel display modules, transmission ...
10. Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary.

CONCLUSION

From the results of the discussion above, the following conclusions can be drawn: (1) During 2017 - 2021 the total export and import trade between Indonesia and South Korea has fluctuated with a negative growth trend. Indonesia's trade balance in 2017 experienced a surplus and increased significantly in 2018, but from 2019 - 2021 there was a trade balance deficit because Indonesia imported more products from South Korea; (2) Indonesian products in South Korea are dominated by raw material products produced from natural resources such as coal, natural gas, copper ore, and palm oil; (3) CMSA analysis shows that Indonesian products that have high competitiveness in South Korea are stainless steel, components for televisions, copper ore, ammonia chemical compounds, and palm oil. Then Indonesian products with high demand are natural gas, copper ore, palm oil, tin, and industrial fatty acids (acidic oils from refining do not include stearic acid). From the conclusions obtained, the suggestions that can be given are: (1) Indonesia and South Korea are expected to further increase the total trade between the two countries, whose growth trend is currently still negative by socializing and disseminating information to stakeholders, especially businessmen's associations and exporters, with more emphasizing on the utilization and advantages of this cooperation; (2) Implement an export promotion strategy so that Indonesian products are more in demand so that it will increase the demand for Indonesian products in the South Korean market. In addition, by identifying and diversifying export products that have the potential to be further developed and have a great opportunity to be accepted in the South Korean and international market.

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