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## **THE LONG ROAD TO AGREEMENT: ANALYZING THE DYNAMICS OF THE INDONESIA-AUSTRALIA CEPA NEGOTIATION**

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### ***Abstract***

*The signing of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) in 2019 and its ratification by Indonesia in 2020 marked a significant milestone in the economic relationship between the two nations. IA-CEPA goes beyond mere trade cooperation, encompassing a broader spectrum of economic collaboration across diverse sectors. However, the IA-CEPA negotiation process was challenging, notably a lengthy three-year hiatus from 2013 to 2016. This article delves into the reasons behind Indonesia's decision to persevere with IA-CEPA negotiations despite the extended delay, employing a qualitative methodology with a deductive approach using negotiation theory. The study finds that Indonesia's continued engagement stemmed from recognizing IA-CEPA as a crucial economic deal for expanding market access to Australia and attracting investment into Indonesia. Despite facing domestic political hurdles and shifts then, Indonesia maintained its commitment to the agreement, viewing it as an important step in strengthening the strategic partnership between the two countries.*

**Keywords:** *Indonesia, Australia, CEPA, Economic Cooperation, Trade, Investment*

## **Introduction**

The study of conflict and cooperation has been a significant topic of debate in International Relations, especially in various schools of thought. This debate involves realists who argue that international politics is dominated by conflict, mistrust, and power competition and that international institutions have only a limited role in creating peace and stability (Donnelly, 2000). In contrast, institutional neo-liberals argue that international cooperation is more likely and broader, mainly because of the existence and influence of international institutions that can encourage countries to work together for common interests and reduce the potential for conflict (Harvey, 2019).

Indonesia, the closest Asian country to Australia, separated by only about 200 km of sea, shows the geographical proximity between the two countries. This proximity can shape the identity and attitudes of the people in each country and influence the decisions taken by decision-makers (Beeson et al., 2021). However, although the two countries are geographically close, their respective geographical conditions influence significant differences in identity, culture, and policies. Bilateral trade between Indonesia and Australia are increasing. In addition, there is also a contribution to the

increase in bilateral economic relations driven by several important factors, one is through the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). IA-CEPA is not just an economic agreement between the two countries. Although increasing trade and investment is important in IA-CEPA, this agreement will also strengthen the strategic partnership between Indonesia and Australia and affect both countries' regional and global positions. However, in describing IA-CEPA as a model for deeper economic integration, it is important to acknowledge that the existing challenges cannot be ignored. Effective implementation of this agreement requires close cooperation between the two countries and a commitment to resolving differences that may arise during the implementation process.

The IA-CEPA agreement was successfully signed on March 4, 2019, marking an important milestone in the economic relations between Indonesia and Australia. Indonesia then ratified this agreement on July 5, 2020. IA-CEPA focuses on trade and investment and expands economic cooperation in various fields, such as the service sector, human resource development, E-commerce, and investment (Department of Foreign Affairs & Trade Australia, 2019). The basic

principle of the IA-CEPA partnership emphasizes the concept of a mutually beneficial partnership (Win-Win) for Indonesia and Australia, which aims to create an economic powerhouse in the regional area (Free Trade Agreement Center, 2020). IA-CEPA provides benefits and opportunities for Indonesian business actors by providing easy access to the Australian market by eliminating import tariffs so that Indonesian products entering the Australian market will enjoy a 0% tariff (Free Trade Agreement Center, 2020). In addition, human resource development programs such as vocational and internship programs will be strengthened, in which as many as 200 internship visas will be provided for Indonesian citizens in priority sectors such as education, tourism, telecommunications, infrastructure development, health, energy, mining, financial services, information and communication technology. Investment protection is also one of the benefits of this agreement, as it can increase the entry of Australian investors into Indonesia (Free Trade Agreement Center, 2020).

The journey of IA-CEPA involved a series of relatively lengthy processes and negotiations. The initial idea for IA-CEPA was first proposed on April 4, 2005, by President Susilo Bambang Yudhoyono and the then Australian Prime Minister, John

Howard. Both agreed to declare this agreement through the Joint Declaration on Comprehensive Partnership, which marked the first step to strengthening economic relations between the two countries. The next step after the declaration was conducting a joint feasibility study on the benefits of this agreement. This feasibility study began in July 2007 and lasted three years until IA-CEPA finally launched on November 2, 2010 (Free Trade Agreement Center, 2020). The first IA-CEPA negotiations were held in September 2012, marking the beginning of a series of long processes toward a final agreement.

This process involved 12 stages of negotiations until the final negotiations in 2018. These stages resulted from in-depth discussions between the two countries to formulate mutually beneficial provisions and strengthen bilateral economic relations. By going through a series of long stages and involving commitments from both parties, the signing of the IA-CEPA on March 4, 2019, marked a significant achievement in economic relations between Indonesia and Australia, but also a manifestation of the commitment of both countries to deepen economic cooperation and expand business opportunities on both sides.

However, in its implementation, the negotiation process faced challenges that resulted in a long delay of up to three years.

After the second round of negotiations, held in 2013, experienced a delay on the part of Indonesia. The phenomenon of the delay reflects the complexity and obstacles that may occur in reaching the desired agreement. This delay is not uncommon in the context of the negotiation process. This can be understood as an indication of the tension between the parties involved and the possibility of differences of opinion or interests that are difficult to resolve. However, Indonesia and Australia have tried to overcome the delay by resuming the third phase of the negotiation process, which they carried out in 2016. This step shows the commitment of both countries to find solutions to the challenges faced and to reach a mutually beneficial agreement.

Examining the Indonesia-Australia bilateral economic relationship and the IA-CEPA is crucial for identifying potential and challenges, and for formulating strategies to optimize mutual gains. This study is also necessary to assess IA-CEPA's effectiveness in enhancing trade, investment, and economic cooperation. Based on studies by previous researchers, there are several topics of debate in the economic relations between Indonesia and Australia in the IA-CEPA cooperation, namely, the Implementation of IA-CEPA. Synthesizing findings from Andriani (2017); Pratama & Yuliana (2024); and

Gray et al. (2022) it is posited that while the IA-CEPA agreement can bring overall benefits, appropriate economic policies need to mitigate short-term negative impacts. IA-CEPA provides incentives for both countries to diversify their investment sources, which can help reduce dependence on one country or region and increase economic resilience.

The leading sectors within IA-CEPA are another key discussion point. Synthesizing the work of Toledo (2017); Dewi & Setiawati (2020); and Susanto (2019) highlights that IA-CEPA's execution reflects Australia's stronger involvement in international standard development and its more nuanced negotiating position in sectors like electro-technology, energy, manufacturing, and construction. Additionally, the importance of enhancing the Indonesia-Australia economic partnership is underscored by Karunaratne (1982) and Winanti (2022), who link the lack of strong economic ties is the root cause of the ongoing political dispute between Indonesia and Australia.

Temporary findings from literature research using the keywords IA-CEPA, Indonesia-Australia Economic Relations, and Indonesia-Australia Relations show that only a few previous studies discuss the topic of IA-CEPA and the economic relations between Indonesia and Australia.

Furthermore, the existing literature offers limited specific discussion regarding the delay negotiation period of the IA-CEPA. Given the increasing significance of economic ties between Indonesia and Australia, a focused study of the IA-CEPA is necessary and contributes to understanding the dynamics of bilateral relations between the two countries. The IA-CEPA agreement is now a key aspect of their economic relationship.

Following its signing in 2019 and Indonesia's ratification in 2020, IA-CEPA not only focuses on trade but also expands economic collaboration in various sectors. The basic principle of the IA-CEPA partnership is to prioritize mutually beneficial cooperation to strengthen economic power in the regional area. The benefits obtained by Indonesian business actors from IA-CEPA include easy access to the Australian market, strengthening human resource development programs, and investment protection.

However, the path to the IA-CEPA was not without its challenges, notably a significant three-year delay in the second round of negotiations, particularly in 2013. This delay reflects the complexity and obstacles in achieving the agreement desired by both countries. Consequently, this article seeks to address the question: **"Why did Indonesia continue the IA-**

**CEPA negotiation process following a three-year delay after the second round in 2013, leading to the resumption of the third round in 2016?"**

This article is structured into five sections. The initial section provides an introduction consisting of background, literature review, problem formulation, and the specific research questions addressed. The second part details the negotiation theory employed as the analytical framework for this study. The third section outlines the research methodology utilized. The fourth part presents the discussion of findings, grounded in the chosen analytical framework. Finally, the concluding section will articulate the reasons underpinning Indonesia's decision to continue the IA-CEPA negotiation process despite the three-year delay.

### **Analysis Framework**

Negotiation is an important mechanism for peaceful dispute resolution and maintaining stability in international relations. In the economic field, negotiation is critical in forming trade agreements and regulating economic cooperation between countries. To achieve these goals, negotiation becomes an important step in building trust. The increasing role of negotiation and pursuing or achieving the interests and policies of countries through

peaceful means has resulted in a fundamental evolution in the agenda, function, and intensity of international negotiations.

Negotiation theory is a set of interrelated general causal statements about how and which decisions are chosen. The theory must have sufficient internal and logical consistency to function as an abstract model. This model can then be developed from measurable variables or parameters to be applied and tested in specific situations (Zartman, 1975). Negotiation is not only a theory but also a practice used by negotiators or diplomats in conducting discussions to reach agreements with other parties (Vlachoutsicos, 1989).

There is a concept of incremental negotiation in which the parties involved make gradual progress. This negotiation involves reference seeking (Zartman, 1975), which allows negotiators to focus on addressing specific aspects of the negotiation process or resolving issues one at a time, building trust and support over time. Zartman (1975) elaborates that the "reference" in this context pertains to mutually accepted principles of fairness, such as equality, the accommodation of differences, compensation, or the recognition of specific entitlements. When these principles align and form a cohesive, jointly endorsed framework, it establishes a

formula conducive to reaching an agreement. According to Zartman (1977), the essence of negotiation lies in identifying this appropriate formula and the specifics of its practical application. Zartman (1975) suggests that examining negotiation through the lenses of references, formulas, and details provides a framework for comprehending other aspects of the negotiation process that do not readily align with a perspective of increasing convergence. In the process, a change emerged in the general literature on negotiation, either as a general characteristic of the process or as an external factor determining behavioral change.

Furthermore, there are crucial elements to consider during negotiation. Zartman (1975) delineates these into three points. First, realistic, each party decides that the negotiation is heading towards a mutually agreed outcome. This point may appear before formal negotiations begin and often involves a declaration or commitment to reaching an agreement. However, during the negotiation process, they also use this moment to establish principles they have not agreed upon. The second point is that after they have reached an agreement on the basic framework, the focus of the negotiation will shift to the stage of finding details or implementation

details. At this point, the parties involved will pay attention to and must arrange the practical and technical aspects to achieve the agreement. However, this stage is difficult in the negotiation process (Berridge, 2010). The detailed stage is inherently complicated; although the detailed stage may not always be more complicated than pre-negotiation, this stage is always more complicated than the formula stage, especially in determining terms and building terms in the same language. Finally, both negotiating parties decide that the benefits of the agreement they have reached so far outweigh the possible costs of the items that are still left to be discussed. This point is crucial in negotiations because it signals that the deal is becoming a priority for both parties, which can help move the negotiations forward and increase the chances of reaching a final agreement.

The negotiation process is a long and time-consuming journey involving intensive efforts from all parties involved. During this process, various complex and diverse factors, such as external disturbances and changes in domestic political dynamics, can halt the negotiation momentum. In such situations, efforts to maintain and drive the negotiation momentum are key to reaching an agreement that benefits all parties. The IA-

CEPA negotiation process reflects the importance of negotiation theory in understanding the process of reaching a mutually beneficial economic agreement. By following negotiation principles such as equality, benefit sharing, and special rights, both parties strive to reach a coherent and coherent agreement with their respective interests. The stages of negotiation, from formulating the formula to find implementation details, require intensive cooperation and gradual problem-solving. Despite challenges such as differences of opinion and external disturbances, efforts to maintain the negotiation momentum are key to reaching an agreement that benefits both parties.

### **Research Methods**

This article analyzes the reasons behind Indonesia's decision to continue the IA-CEPA negotiations despite being delayed for 3 years. To understand the problem comprehensively, the author uses a qualitative research method with a deductive approach. The qualitative research method is chosen because it provides flexibility to explore the dynamics and reasons behind the postponement of the negotiations in depth. Qualitative methods refer to data collection and analysis strategies that rely on collecting and analyzing non-numerical data (Lamont,



2015). The deductive approach tests hypotheses formed based on theories and initial understandings related to the phenomenon being studied (Bryman, 2012).

The data used in this study consists of two types: primary data and secondary data. Primary data is original document data written by individuals who directly access the information described or have experienced a particular event firsthand. Then, the document is published or announced to the public by a country, organization, or business (Lamont, 2015). The primary data sources are the IA-CEPA Agreement Approval Document; IA CEPA Guiding Principles, Objectives and Organization of Negotiations; Indonesia-Australia Business Partnership Group (IA-BPG) Position Paper and negotiation result documents obtained from the Indonesian Ministry of Trade and the Australian Department of Foreign Affairs and Trade. These documents provide information about the negotiation process, including meetings, negotiations, and decisions. Secondary data sources include literature studies, reports, and previous articles relevant to the topic of IA-CEPA, namely regarding the process of the IA-CEPA negotiations until ratification, as well as online information sources in the form of media coverage of IA-CEPA news and

those related to the postponement of IA-CEPA negotiations. Secondary data refers to and analyzes primary source documents (Lamont, 2015).

The data collection techniques used in this paper include archival or document-based research from the results of the IA-CEPA negotiations and desk research. Researchers carried out data collection from the time the negotiation process began in 2013 until the ratification of IA-CEPA in 2020. The data processing technique uses categorizing. In the deductive approach, the researcher first creates categories based on their previous knowledge and expectations and then uses them to form a narrative they expect to find (Lamont, 2015). The data analysis technique used compares actual conditions with ideal conditions, which can then identify the gap between actual progress in the IA-CEPA negotiations and the expected goals.

## **Discussion**

### ***Realistic: Towards an Early Agreement through a Joint Declaration on Comprehensive Partnership***

Prior to the implementation of the IA-CEPA, the economic exchange between geographically close Indonesia and Australia exhibited modest growth. According to ITC Trade Map data spanning



2005-2010 reveals no substantial increase in their trade. Over this period, Indonesia's export performance to Australia was stronger than its import activity from Australia, increasing from \$2.2 billion USD in 2005 to \$4.2 billion USD in 2010. Indonesia's primary exports to Australia during these years included commodities such as coal, crude oil, rubber, and palm oil products.

In contrast, Indonesia's imports from Australia experienced slower growth than exports. In 2005, the value of Indonesia's imports from Australia reached 2.5 billion US dollars and increased to 4 billion US dollars in 2010. The primary commodities imported by Indonesia from Australia during this period included wheat, livestock, dairy products, beverages, and manufactured goods.

In an effort to enhance economic ties, President Susilo Bambang Yudhoyono and Australian Prime Minister John Howard formalized a commitment to a comprehensive economic partnership through a Joint Declaration, which subsequently evolved into the IA-CEPA (Department of Foreign Affairs & Trade Australia, 2013a). Following this declaration, a joint feasibility study was initiated in July 2007 to assess the potential advantages of such an agreement. This three-year study involved three rounds of

meetings with input from government bodies, the private sector, and academic institutions of both nations. The study's objective was to evaluate and analyze the prospective benefits of bilateral cooperation and to pinpoint potential challenges within their economic relationship.<sup>2</sup> Ultimately, the IA-CEPA was launched on November 2, 2010 (Free Trade Agreement Center, 2020).

At this early stage, the clear commitment from the leaders of both countries to establish a comprehensive economic partnership sets a realistic basis that will follow throughout the negotiation process. This initial declaration is crucial as it creates a strong foundation for the negotiations, ensuring realistic and achievable goals are identified and mutually agreed upon. Negotiators have continuously used realistic principles throughout the negotiation process to set common goals. The IA-CEPA aims to improve Indonesia's market access to Australia by reducing tariffs on goods and expanding access for investors to the Indonesian market. This realistic commitment demonstrates a joint effort to establish a more open and favorable framework for trade and investment between the two countries. This agreement reflects a realistic and practical approach to achieving common goals and strengthening

the bilateral relationship, providing significant economic benefits and supporting strategic cooperation across various sectors.

As one of the fastest-growing economies in the Indo-Pacific region, Indonesia offers significant opportunities for Australian businesses. Indonesia's vast economic potential, supported by a large population and growing middle class, makes it a highly attractive market for Australian businesses (Australian Department of Foreign Affairs & Trade, 2019). Therefore, the IA-CEPA ensures Australia is well-positioned to deepen economic cooperation and share in Indonesia's growth.

The reason for the Indonesian government to form a CEPA cooperation with Australia is that Indonesia received a commitment that was not given by other Australian partner countries (Free Trade Agreement Center, 2020), such as easy access to the automotive market, primarily electric and hybrid cars, increasing the Work and Holiday Visa quota to 5000 per year in stages for Indonesian citizens, Australian investment in vocational education and higher education so that Indonesian graduates can have international standards, Internship programs and visa guarantees for 200 people per year in Australian companies, Expert labor

exchange programs to Australia, Commitment to achieving a mutual recognition agreement in the engineering profession, and Measurable and sustainable/long-term economic cooperation in various sectors, for example in the food sector (grain partnership, red meat partnership, food innovation center). These special commitments received by Indonesia create concrete and mutually beneficial benefits as also obtained by Australia, namely supporting Australian interests by opening up new opportunities for Australian businesses in the Indonesian market. This agreement was realized realistically and effectively through a clear initial commitment and a negotiation process focusing on achievable principles. This approach enables both countries to achieve common goals and strengthen bilateral relations comprehensively, providing significant economic benefits and supporting strategic cooperation in various sectors.

### ***Detailed Search: Formulating IA-CEPA Implementation Details***

After a long process of feasibility studies, on November 2, 2010, the IA-CEPA was finally launched, followed by the first round of negotiations held in September 2012. The first round of the IA-

CEPA negotiations was a split round that began on 26-27 September 2012 and ended on 26-27 March 2013 in Jakarta. After negotiators have reached an agreement on the basic framework, the focus of the negotiations shifts to the stage of seeking details or implementation details. At this stage, the parties involved pay attention to the practical and technical aspects that must be regulated to realize the agreement in concrete terms. The commitment of both parties to negotiate a comprehensive agreement and deliver commercially meaningful results shows the seriousness of overcoming the technical and procedural challenges that arise at this detailed stage. Michael Mugliston, who serves as Special Negotiator of the Free Trade Agreement Division at the Australian Department of Foreign Affairs and Trade, led the Australian delegation in this round. The delegation consisted of representatives from seven key Australian agencies involved in the negotiations. On the Indonesian side, the delegation led by Iman Pambagyo, Director General of International Trade Cooperation at the Ministry of Trade. The Indonesian delegation consisted of representatives from 13 different institutions.

In the first round of negotiations, negotiators agreed on the Guiding Principles, Objectives, and Organization of

Negotiations. This agreement is an important foundation in forming a comprehensive agreement and addresses current challenges in bilateral trade and investment relations between Indonesia and Australia. At this stage, the challenges and complexities in formulating implementation details began to emerge. Although this stage is difficult and complex, reaching an agreement on the guiding principles shows an effort to establish a clear and structured framework, which is essential in the detail-seeking stage. In addition, this meeting also finalized several procedural matters that will help smooth the process of further negotiations (Department of Foreign Affairs & Trade Australia, 2013b).

For example, the document highlights that the IA-CEPA will provide significant benefits in strategic sectors such as health and education, which have long been priorities for both countries. This agreement is expected to increase collaboration in these sectors, improving service quality and encouraging innovation. Furthermore, the document also emphasizes that implementing the IA-CEPA will encourage the creation of new jobs and improve the welfare of people in both countries. With wider market access and better protection for investors, the agreement should lead to a greater flow of

investment that will contribute to sustainable economic growth.

After the first round was completed, the second round of negotiations continued on 29-31 July 2013 in Canberra. At the meeting, there was a strong emphasis from the leaders of both countries to push the IA-CEPA agreement forward. This support includes completing the negotiations and addressing the problems that have hampered trade and investment between Indonesia and Australia. At this stage, attention to practical and technical aspects is crucial to realizing the agreement in concrete terms. The second round of negotiations focused on economic cooperation and stakeholder engagement. This round continued consideration of the recommendations made to both governments in the IA-BPG Position Paper. It explored the IA-BPG proposal for pilot projects for skills exchange and agricultural cooperation. In addition, the second round also agreed to publish the document Guiding Principles, Objectives, and Organization of the IA-CEPA Negotiations. This document will be an ongoing reference document during the negotiations (Department of Foreign Affairs & Trade Australia, 2013b).

At the detail-seeking stage, the IA-CEPA negotiation process illustrates the challenges and complexities of formulating

implementation details. Although this stage is complicated, the commitment of both countries to reach a mutually beneficial agreement has overcome these obstacles, building a more open and beneficial framework for bilateral trade and investment. The realistic and strategic approach at the detail-seeking stage has enabled the achievement of a comprehensive and mutually beneficial agreement, demonstrating that with strong commitment and cooperation, Negotiators can overcome the challenges at the detail-seeking stage, resulting in sustainable long-term benefits for both countries and allowing the negotiation process to run smoothly.

### ***External Interference: SBY Espionage Issue and Change of Government***

After the second round of IA-CEPA negotiations was completed, the third round was taking place in November 2013. However, several reasons forced the postponement of this third round, including the very sensitive political dynamics between the two countries. The main triggering incident was the espionage issue by Australia on Indonesian President Susilo Bambang Yudhoyono. According to material leaked by the US National Security Agency (NSA) whistleblower Edward Snowden, Australian intelligence tried to

wiretap President Yudhoyono's mobile phone (Brissenden, 2014). This news was first reported by ABC News in 2013 and sparked anger and distrust from the Indonesian side towards Australia. This news sparked anger and distrust from the Indonesian side towards Australia. This incident illustrates how external factors, such as political interference, can stop the momentum of already underway negotiations.

The diplomatic tension caused by the tapping incident directly impacted on the continuation of the IA-CEPA negotiations. In November 2013, the Indonesian government recalled its Ambassador from Australia as a form of strong protest the hotly discussed issue (F., 2013).

Djoko Suyanto, the coordinating minister for Political, Legal, and Security Affairs at that time, also strongly reacted. He stated that Indonesia would contact the Australian Foreign Minister, Julie Bishop, to convey that the tapping issue was unhealthy for Indonesia-Australia relations. In addition, the Indonesian Ministry of Foreign Affairs will also review the information exchange cooperation between the two governments, including the assignment of Australian officials to the Australian Embassy in Jakarta. The Indonesian government is also reviewing

all information exchange cooperation and other cooperation with Australia. The postponement of the third round of negotiations shows how vulnerable the negotiation process is to external factors such as political and diplomatic relations between countries. It also reflects how political dynamics can create additional obstacles that negotiators must overcome to continue negotiations.

The espionage issue was not the only reason for the delay of the IA-CEPA. Another contributing factor was the political changes in Indonesia, especially the 2014 presidential and legislative elections. The 2014 Indonesian elections changed the country's political dynamics and policies. The change in government affected the power structure and impacted the international trade negotiation process, including the IA-CEPA between Indonesia and Australia. This shows that even though external factors stalled the negotiations, the intensive commitment and efforts from both parties could revive the momentum of the negotiations. However, at the end of 2017, a meeting between President-elect Joko Widodo (Jokowi) and Australian Prime Minister Malcolm Turnbull reaffirmed the commitment of both countries to finalize the IA-CEPA agreement. Changes often follow changes in government in national policies,

priorities, and strategies, which in turn can affect attitudes and demands in bilateral negotiations such as the IA-CEPA. In addition, the general election also marked the entry of new actors into the negotiation process, such as newly elected members of parliament, new government officials, and new negotiating teams.

The postponement of the third round of IA-CEPA negotiations reflects how vulnerable the negotiation process is to external factors such as political and diplomatic relations between countries. These sensitive political dynamics affect the negotiation atmosphere, creating additional obstacles that both parties must overcome to continue the negotiations smoothly. This incident shows that in addition to economic and trade issues, political and security aspects also play an important role in forming and implementing bilateral agreements such as IA-CEPA. In this context, negotiations are discussions on tariffs and market access and involve complex elements of trust and diplomatic relations.

### ***Towards a Final Agreement: Signing and Ratification of IA-CEPA***

In 2016, a new direction for the IA-CEPA negotiations was agreed upon. Both countries agreed to focus on an "early harvest" or preliminary agreement covering

several issues considered easier to resolve. This initial agreement is expected to provide new momentum for the IA-CEPA negotiations. The IA-CEPA, which consists of 21 chapters, contains various provisions that govern the trade and investment relationship between Indonesia and Australia. The first chapter of the agreement, which discusses the Initial Provisions and General Definitions, stipulates that the IA-CEPA will operate in conjunction with the rights and obligations that the Parties have under other agreements to which they are also parties. This means that the provisions of the IA-CEPA do not replace or cancel existing obligations and rights from previous agreements but will work in parallel to strengthen the bilateral trade and investment framework. This approach ensures that negotiators minimize any potential inconsistencies or conflicts with other agreements while maximizing the economic benefits they can derive from the new agreement.

After years of intensive negotiation, the negotiating teams from both countries managed to finalize the contents, and finally, both countries signed the IA-CEPA on March 4, 2019. At that time, Enggartiaso Lukita, the Minister of Trade, represented Indonesia and Australia by Simon Birmingham, Minister of Trade,

Tourism and Investment of Australia. The signing occurred in Jakarta, Indonesia, and was witnessed by various high-ranking officials from both countries. This signing marked an important moment where both parties decided that the benefits of the agreement they had achieved so far outweighed the potential costs of the remaining items for discussion. This shows that the agreement has become a priority for both parties, which drives the progress of negotiations to the final stage.

After being signed in Indonesia, the DPR plays a key role in the ratification process of the IA-CEPA. Following up on the agreement they signed, the government submits its approval to the DPR for discussion and then decides whether the DPR's approval is needed. The DPR approved the IA-CEPA through a letter from the DPR RI Leadership Number PW/20934/DPR RI/XII/2019 dated December 13, 2019. In the letter, they also decided that they would ratify the IA-CEPA through a law.

After Indonesia completed the ratification process, three implementing regulations were issued: Regulation of the Minister of Trade Number 63 of 2020 concerning the Provisions of Origin of Indonesian Goods and Provisions for the Issuance of Certificates of Origin for Goods of Indonesian Origin in the Comprehensive

Economic Partnership between Indonesia and Australia. Then, Regulation of the Minister of Finance No. 81/PMK.10/2020 concerning the Determination of Import Duty Tariffs in the Indonesia-Australia Comprehensive Economic Partnership Agreement Framework. Regulation of the Minister of Finance No. 82/PMK.04/2020 concerning Procedures for Imposing Import Duty Tariffs on Imported Goods Based on the Indonesia-Australia Comprehensive Economic Partnership Agreement (DPR, 2020). These regulations ensure that the relevant authorities can implement the IA-CEPA effectively and that both Indonesia and Australia can realize the economic benefits of this agreement. This step shows that after reaching an initial agreement, both countries are committed to following up with the concrete actions needed to realize the expected benefits. This arrangement also reflects that implementation costs, including changes in policies and regulations, have been considered and accommodated in the final agreement.

The final negotiation process of IA-CEPA shows that both parties recognize the importance of prioritizing the benefits of the agreement reached so far to drive the progress of negotiations. The signing and ratification process of IA-CEPA also shows the commitment of both countries to follow



up the agreement with concrete actions needed to realize the economic benefits of this agreement.

### **Conclusion**

To conclude, the study finds that Indonesia's continued engagement stemmed from recognizing IA-CEPA as a crucial economic deal for expanding market access to Australia and attracting investment into Indonesia. Consequently, Indonesia's renewed commitment to the IA-CEPA negotiations, following a three-year delay, highlights its strategic importance for these economic objectives. This continuation underscores Indonesia's dedication to strengthening its economic and political bilateral relationship with Australia. Despite previous obstacles, Indonesia considers the agreement a vital step in their strategic partnership, driven by national economic and political interests. The IA-CEPA case study effectively illustrates the complexities inherent in international agreement negotiations, emphasizing the critical role of mutual commitment and realistic goal-setting in achieving a sound and implementable outcome.

Recognizing the limitations of relying solely on documentary and media sources, future research is needed and should aim to incorporate more direct

insights into the negotiation process to provide a richer understanding of Indonesia's decision-making and strategic choices.

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5/indonesia-protests-strongly-in-  
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