

INDONESIA-AUSTRALIA ECONOMIC DIPLOMACY EFFORTS: CASE STUDY OF INDONESIA-AUSTRALIA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (IA-CEPA)

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Abstract

Indonesia-Australia Comprehensive Economic Partnership Agreement(IA-CEPA) is a strategic economic cooperation framework built by Indonesia and Australia with the aim of improving the economy and achieving the national interests of each country. This study aims to analyze how Indonesia-Australia's economic diplomacy efforts are through a case study of IA-CEPA. The research method used is a qualitative method with literature study and interview data collection techniques. The results of the study show that although Indonesia's trade balance still shows a deficit trend because the import value is greater, IA-CEPA is not fixated on the existing trade balance deficit. There are other sectors that help Indonesia achieve its national interests, for example through working holiday visas, Mutual Recognition Agreement (MRA), increasing foreign investment (FDI), improving workforce skills, and people-to-people connectivity. The results of the study also describe that Indonesia-Australia's economic diplomacy efforts did not stop during the negotiation period for cooperation, but also continued during the implementation period when the two countries had to coordinate and harmonize in facing and resolving the challenges of IA-CEPA. The economic diplomacy between the two countries that was established helped Indonesia and Australia to achieve their respective national interests, where state and non-state actors played crucial roles. This is in line with the theory of liberalism which views cooperation in international relations optimistically and makes it a place of interaction for state and non-state actors.

Keywords: *Economic Diplomacy, IA-CEPA, National Interest, Liberalism Theory.*

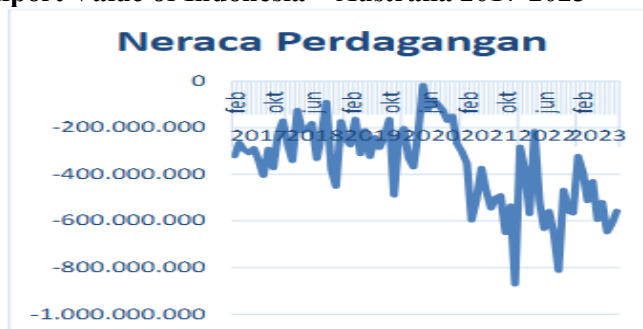
INTRODUCTION

The world of international relations today is becoming increasingly integrated as globalization plays a major role in changing the pattern of relations between countries to become increasingly borderless. The development of economic diplomacy relations between countries is now a necessity for countries to achieve their national interests because economic growth affects the stability of the country and the welfare of its people. This is in line with the priorities of Indonesia's foreign policy in 2020-2024 through Diplomacy 4+1 according to the statement of Indonesian Foreign Minister Retno Marsudi, namely strengthening economic diplomacy, protection diplomacy, sovereignty and nationality diplomacy, increasing Indonesia's role at the regional and global levels, and strengthening diplomatic infrastructure.(Ministry of Foreign Affairs Strategic Plan 2020-2024, nd). Indonesia's economic diplomacy is carried out with three specific goals to be achieved, namely increasing the amount of foreign investment, opening up larger markets abroad, and increasing the quantity of foreign tourists coming to Indonesia (Haryono, 2019 in Nabilla, 2021).

Indonesia has attempted to build economic diplomacy with various countries, for example Australia, which was marked by the signing of *Indonesia-Australia Comprehensive Economic Partnership Agreement*(IA-CEPA). IA-CEPA is an important case study in Indonesian economic diplomacy because it not only regulates free trade, but also as a comprehensive partnership that covers various aspects of the economy, including trade, investment, and human resource development (HRD). This is reflected in the tight negotiation process since 2005 until it was finally agreed and signed in 2019. IA-CEPA has now been ratified through Law Number 1 of 2020 and has been in effect since July 5, 2020(Cabinet Secretariat of the Republic of Indonesia, 2023).

Indonesia and Australia believe that the IA-CEPA cooperation can be a positive-sum game for both parties to be mutually beneficial and gain greater benefits than the initial efforts or capital provided. This agreement will be an opportunity for Indonesia and Australia to create an economic powerhouse in expanding cooperation to third country markets or the global market. So that in the end both countries can use their respective advantages to be involved in the global value chain that provides a link from production to consumption on an international scale. It is hoped that the IA-CEPA can increase domestic commodity exports, increase foreign direct investment flows, and increase the competitiveness of the national industry. The Working Holiday Visa (WHV) scheme is also expected to create jobs and cultural exchanges between Indonesian and Australian citizens by improving people-to-people relations. Thus, the economic cooperation relationship built by Indonesia and Australia through the IA-CEPA is expected to become a strategic partnership for Indonesia to create economic strength in the region.

Figure 1. Import and Export Value of Indonesia – Australia 2017-2023



Source: BPS data processed by Nurul Budi Utomo

The results of Budi Utomo's research (2023) stated that there was a difference in the value of imports, exports, and the trade balance before and after the IA-CEPA came into effect. The value of Indonesia's imports from Australia and the value of Indonesia's exports to Australia increased when compared to the period before the implementation of the IA-CEPA. However, the deficit still occurred because the value of imports was still greater than the value of exports. Thus, it can be concluded that Indonesia has not been able to maximize the IA-CEPA cooperation.(Utomo, 2023).Therefore, the urgency of this research lies in the analysis of broader collaboration opportunities to enhance Indonesia's economic benefits through the success of IA-CEPA cooperation. The purpose of this research is to provide an in-depth understanding of Indonesia's economic diplomacy through a case study of IA-CEPA, review its role in improving the economy and achieving Indonesia's national interests, and identify opportunities for cooperation that can be developed.

LITERATURE REVIEW

Liberalism Theory

Liberalism theory has at least 3 basic ideas that explain economic dependence, peace through democratic states, and the role of international institutions to achieve international cooperation. All three theories focus on the state as the main actor, but what is characteristic of liberal theory is the assumption and optimism that relations between countries are more intertwined with cooperation than conflict.(Saeri, 2012).In contrast to the realist perspective which emphasizes the state as the main actor, the liberalist perspective emphasizes that non-state actors are also very important in the international arena, so that international relations become a place where state and non-state actors can interact (Dugis, 2018).The implementation of cooperation based on the perspective of liberalism according to Adam Smith is when the strength and wealth of a country depends on economic growth where the means to create economic growth is through international trade.(Maiwan, nd).Liberalism emphasizes the importance of cooperation, international institutions, and economic interdependence as a means to achieve global peace and stability.

Economic Diplomacy

Economic diplomacy is not a separate diplomatic practice from general diplomatic practices. However, the difference between economic diplomacy and other diplomacy is the large role of the private sector in the negotiation process and policy formulation (Rashid, 2005). The Indonesian Ministry of Foreign Affairs (2011) determined one indicator of the success of Indonesia's economic diplomacy, namely the increase in Indonesia's trade volume with its trading partners. According to Dr. Y. Trihoni Nalesti Dewi (2020), the definition of economic diplomacy has not

been explicitly regulated in national legal instruments. He said that the implementation of economic diplomacy in the future will not only focus on encouraging economic development, but also become a means to advance Human Rights (HAM)(Cabinet Secretariat of the Republic of Indonesia, 2023).

National Interest

Felix E. Oppenheim (Oppenheim, 1987) defines national interest as an ideal situation that a country wants to fight for in the international sphere. The national interest of a country is closely related to the foreign policy objectives for that country. can change at any time depending on changes in government or dynamics that occur in international relations. National interests have considerable power because they can be the legitimacy behind every action taken by the state. In fact, national interests are reflected in certain symbioses such as the interests of society. So that in liberal philosophy, economic relations between societies become one of the unities and forces of peace in international politics.

In this study, the researcher used three literatures. The first literature was written by Bahjatul Murtasidin (2021) with the title Indonesia's Political Economic Interests in the Comprehensive Economic Partnership Agreement Cooperation with Australia. The results of the study explain that the IA-CEPA cooperation is a means to strengthen bilateral relations as well as an effort to achieve economic interests so that the trade balance no longer experiences a deficit.(Murtasidin, 2021). The second literature is entitled The Strategic Role of IA-CEPA Cooperation in Indonesia's Economic Recovery during the COVID-19 Pandemic written by Nuranisa and Paksi (2022) where the research results show that the actions that have been implemented through IA-CEPA cooperation have successfully encouraged Indonesia's economic recovery which had slumped during the pandemic.(Nuranisa et al., 2022). The third literature used is entitled Benefits and Opportunities of the IA-CEPA (Indonesia-Australia Comprehensive Economic Partnership Agreement) and its Impact on Indonesia-Australia Import Exports written by Raudina Adzani Hansa (2024). The results of the study describe that through the IA-CEPA cooperation, opportunities have been created to increase bilateral trade between the two countries through Indonesia's superior products such as agriculture and manufacturing, as well as challenges that must be resolved such as global trade policies and uncertain geopolitical dynamics.(Hansa, 2024).

METHOD

This study uses a qualitative method to analyze data collected from primary data through interviews and available secondary data related to the negotiation process until the implementation of IA-CEPA. Data collection techniques through literature studies and interviews conducted in two places, namely the Free Trade Agreement Support Center Semarang (FTA SC Semarang) and the Indonesia-Australia Comprehensive Economic Partnership Agreement–Economic Cooperation Program (IA-CEPA ECP Katalis). Data analysis techniques are carried out through the process of organizing and sorting existing data to then be selected so that conclusions can be drawn that are in accordance with the data and research objectives. This is intended to help the author's analysis process to produce ideal research meanings in analyzing the implementation of IA-CEPA.

RESULTS AND DISCUSSION

Economic diplomacy is the main foundation in building international economic cooperation, including for Indonesia when establishing relations with other countries. Through economic diplomacy, Indonesia and its cooperation partners establish understandings, regulations, and goals to be achieved in the cooperation. This instrument allows Indonesia to fight for its national interests, especially in improving the economy through structured and measurable cooperation. This approach is in line with the principles of liberalism theory which emphasizes the importance of cooperation and interdependence between countries to achieve common interests. Thus, the economic cooperation between Indonesia and Australia within the framework of the IA-CEPA will be analyzed through a liberal perspective by highlighting the concept of economic diplomacy and national interests. This is intended to find out how the IA-CEPA can be maximized in the future to provide optimal benefits to both countries, starting with examining the history and dynamics of the IA-CEPA negotiation process in order to find out the important stages that have been passed until the IA-CEPA agreement was successfully formed.

History and Dynamics of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) Negotiations

In fact, every country cannot meet its own needs, so it requires cooperation with other countries. The characteristics of Indonesia as a developing country with a medium economy, make Indonesia need to build cooperative relations with other countries in order to improve the country's economy and expand the market to the global level. Efforts to build trade relations through promising cooperation prospects with other countries require an international trade agreement. The goal is as a legal basis to eliminate or minimize trade barriers between the parties involved. One form of international trade agreement that is often carried out by Indonesia is the Free Trade Agreement (FTA). FTA is a free trade agreement formed by more than one country by mutual agreement, as a result of trade liberalization in international relations. Other things regulated in the FTA include expanding market access by offering preferential tariffs and reducing or eliminating tariffs, provisions of origin of goods (certificates of origin), reducing non-tariff barriers to trade, regulating customs procedures (export-import), increasing the availability of market services, increasing cooperation and investment agreements. Thus, the FTA contains trade regulations and their impact on the country's economy (Wati et al., 2023).

In addition to FTA, there is also a type of international trade agreement in the form of an Economic Partnership Agreement (EPA) or Economic Partnership Agreement built by Indonesia. EPA generally regulates broader economic cooperation when compared to FTA, because EPA aims to expand market access, increase investment, and strengthen economic partnerships between countries that cooperate. Basically, Indonesia has built several international trade agreements with ASEAN, China, India, Japan, South Korea, New Zealand, and Australia. Based on the various cooperation that has been built, Australia has become one of the promising economic cooperation partners for Indonesia. Diplomatic relations between Indonesia and Australia have been established since Australia became one of the first countries to support and recognize Indonesia's independence. (Linardy et al., 2021). Since then, the dynamics of bilateral relations between the two countries have been marked by cooperation, conflict, and normalization efforts that continue to occur as a normal cycle in relations between countries. Indonesia is a neighboring country that has a crucial position for Australia because of its population, area, and territorial proximity, making Indonesia a large market share for Australia. In addition, at the level Southeast Asia, Indonesia is the country with the largest economy and is ranked 16th with the largest economy in the world. Trade between Indonesia and Australia alone reached \$ 17.6 billion in 2018 to become the 14th largest two-way trading partner in the global arena (Department of Foreign Affairs and Trade, nd).

More specifically as discussed earlier, Indonesia actually has a free trade agreement with Australia through the ASEAN-Australia-New Zealand FTA (AANZFTA). However, due to the involvement of 12 countries, Indonesia's interests in the trade of automotive, textile, and furniture products have not been regulated and have not been able to be answered optimally through the trade agreement. (Ministry of Trade, 2020). Thus, Indonesia and Australia initiated a new, exclusive and broader trade agreement through the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). Indonesia and Australia have gone through a rigorous negotiation period since 2005 until it finally came into effect in Indonesia on July 5, 2020. The IA-CEPA negotiation process began on April 5, 2005 when Indonesian President Susilo Bambang Yudhoyono and the Australian Prime Minister agreed to the Joint Declaration on Comprehensive Partnership between the two countries. The negotiation process was continued by conducting a joint feasibility study on the benefits of having a CEPA at the bilateral level of the two countries. Finally, on November 2, 2010, President Susilo Bambang Yudhoyono and Australian Prime Minister Julia Gillard officially announced the start of the IA-CEPA negotiations which were then continued with the negotiation process (Directorate General of International Trade Negotiations, 2019). The first IA-CEPA negotiation was held in Jakarta on 26-27 September 2012. After going through a long negotiation process of 12 negotiations, finally on 31 August 2018 the final IA-CEPA negotiation was announced in Bogor. The negotiation process was suspended in 2013-2016 due to the strained diplomatic relations between Indonesia and Australia caused by the issue of wiretapping of President Susilo Bambang Yudhoyono along with other public officials carried out by Australian intelligence based on intelligence statements from the United States, namely Edward Snowden (Ministry of Communication and Digital, 2013). Diplomatic relations between the two countries began to improve when the Australian president and prime minister changed power so that negotiations could continue. Ultimately, the IA-CEPA was officially signed by the two countries in Jakarta on March 4, 2019 and officially came into effect in Indonesia on July 5, 2020 when it was ratified through Law Number 1 of 2020.

The difference between the FTA and CEPA that have been built between Indonesia and Australia lies in the broader scope of cooperation where the CEPA is not limited to trade agreements on goods, services and investment, but also includes broader economic cooperation (Vocational Education Training (VET), Higher Education, Health Sector) (Directorate of Bilateral Negotiations, Ministry of Trade, nd). After going through a long and intense negotiation process between the two countries, it is known that Indonesia and Australia both have a big commitment

to realizing a strategic economic partnership agreement. Proven by the existence of diplomatic tensions and various other challenges, the negotiation process is still being attempted to be continued. This economic cooperation agreement certainly has goals and targets that each country wants to achieve in reflecting its national interests. Therefore, the agreement and inauguration of the IA-CEPA economic cooperation agreement can lead the two countries to gain exclusive benefits that are not obtained when compared to other cooperation partners.

Goals and Targets of Achievement that Indonesia Wants to Achieve through the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

IA-CEPA is a strategic agreement made to strengthen bilateral economic relations between Indonesia and Australia. Through this agreement, Indonesia sets various goals and achievement targets that will be the main focus in efforts to increase trade cooperation, investment, and human resource capacity development. The Indonesian government has set six achievement targets through IA-CEPA, namely increasing access to trade in goods, access to trade in services, investment, the formation of an economic powerhouse, economic cooperation, and human resource development. (National Legal Development Agency, 2020). Furthermore, in the field of trade in goods, Australia eliminated tariff posts during the implementation of trade. Indonesian products that have the opportunity to increase their export value to Australia include automotive, tires, wood, furniture, plywood, pipes, LCD/LED monitors, textiles and garments, footwear, fisheries, cocoa butter, carpets, plastics and others.

In the field of trade in services, Indonesia can invest in Australia through capital ownership of up to 100% for almost all service sectors in Australia. In addition, Executives, Senior Managers, Specialists, Independent Executives, Business Visitors, and Spouses and Dependents are provided with temporary entry permit facilities with a duration of up to 4 years and can be extended. The temporary entry permit is one of the factors that makes it difficult for Indonesian workers to work in Australia because of the difficult process of obtaining the permit. Thus, IA-CEPA makes it easier for Indonesian workers to enter the labor market in Australia. Increasing Indonesian service exports abroad through human resource development with the aim of increasing capacity and supporting the modernization of the national economy in the form of (1) increasing the WHV quota by 4100-5000 people each year; (2) facilitating labor exchange programs; (3) training of educators such as vocational teachers, polytechnic lecturers and instructors; (4) helping engineers from Indonesia to obtain recognition of professional standards in Australia; (5) increasing Indonesian professional standards in the health sector such as nursing education; and (6) allocating 200 training visas each year.

In addition, increasing investment through IA-CEPA carried out by Australian business actors to increase investment in Indonesia in the sectors of higher education, vocational and vocational education, mining, hospitals, nursing homes, telecommunications, tourism, construction, energy, wastewater treatment, transportation, and professional services. The benefits of this investment can be classified into two categories, investment in the education sector is expected to improve the quality of Indonesian human resources, while investment in the energy and transportation sectors is expected to encourage infrastructure development in Indonesia. Furthermore, the idea of an economic powerhouse concept originating from Indonesian and Australian business actors with the aim of building and expanding the supply chain network between the two countries. The results of this production cooperation will not only be marketed in Indonesia or Australia but also open market access, especially to third countries. The goal is for Indonesia to be integrated into the global supply chain so as to help transform the Indonesian economy to be more outward looking. Indonesia also targets capacity development through economic cooperation programs with nine priority areas, namely (1) increasing productivity by strengthening technical capacity and human resources; (2) technical barriers to trade - especially to harmonize and comply with product technical standards; (3) sanitary and phyto-sanitary – especially for strengthening quarantine and implementing biosecurity; (4) growth in the tourism sector; (5) increasing promotional and innovation activities; (6) increasing the capacity of SMEs; (7) increasing the capacity of vocational education and training; (8) communication and coordination of regulatory institutions; and (9) increasing the standards and competitiveness of professional health workers.

Referring to the goals and targets that Indonesia wants to achieve through the IA-CEPA agreement, it can be analyzed that Indonesia will not only benefit from the economic sector but there is also human resource and infrastructure development that can be achieved through the IA-CEPA cooperation. Therefore, IA-CEPA is one of the strategic economic cooperation for Indonesia. However, these goals and targets can only be evaluated based on the implementation of the cooperation that occurs, because of course there are so many dynamics in the implementation of cooperation that not only involve state actors from two large countries, but also involve non-state actors in its implementation.

ImplementationIndonesia-Australia Comprehensive Economic Partnership Agreement(IA-CEPA)

Since the implementation of the IA-CEPA in 2020, trade relations between Indonesia and Australia have experienced fluctuating dynamics, reflected in the movement of the export and import graphs of the two countries which are not always stable. This fluctuation shows the influence of various external and internal factors, such as global economic conditions, trade policies, and changes in demand and supply in each country's market. Despite the ups and downs in trade value, economic relations between Indonesia and Australia remain an important aspect that continues to be developed, considering the great potential of the two countries in strengthening bilateral cooperation and increasing economic growth together. Thus, fluctuations in the export and import graphs not only reflect challenges, but also opportunities for the two countries to adjust trade strategies and strengthen partnerships in the future.

Table1. Indonesia – Australia Trade Balance 2015-2024

Year	Export – Import (US\$ Billion)	Trade Balance (US\$ Billion)
Prior to IA-CEPA Implementation		
2015	3,702.3 – 4,815.7	-1,113.4
2016	3,208.9 – 5,260.8	-2,051.9
2017	2,524.3 – 6,008.9	-3,484.6
2018	2,819.6 – 5,825.5	-3,005.9
2019	2,328.6 – 5,515.3	-3,187.7
After the Implementation of IA-CEPA		
2020	2,505.7 – 4,646.5	-2,140.8
2021	3,223.5 – 9,425.0	-6,201.5
2022	3,466.4 – 9,863.2	-6,396.8
2023	3,178.3 – 9,299.9	-6,121.6
2024	4,957.9 – 10,439.1	-5,481.2

Source: Processed from the Central Statistics Agency (BPS)(Central Bureau of Statistics of Indonesia, nd)

Based on the analysis of comparative data on the value of Indonesia's exports and imports to Australia in two periods, namely five years before (2015-2019) and five years after (2020-2024) the implementation of IA-CEPA, it can be concluded that there is a significant change in the trend of export and import performance between Indonesia and Australia. In the period before the implementation of IA-CEPA, the value of Indonesia's exports to Australia showed a downward trend, indicating structural challenges as well as tariff and non-tariff barriers that limit the competitiveness of Indonesian products in the Australian market. On the other hand, the value of Indonesia's imports from Australia also experienced quite dynamic fluctuations, reflecting instability in the volume and value of imported goods entering from Australia.

However, after the IA-CEPA was officially implemented, there was stability and even an increase in the value of Indonesia-Australia exports and imports, indicating improvements in market access and increased ease of trade for Indonesian business actors in carrying out exports, and IA-CEPA succeeded in overcoming a number of challenges that previously limited import activities, such as the elimination of tariffs and procedural convenience, thus facilitating the flow of goods from Australia to Indonesia. This is in line with the main objectives of the IA-CEPA which is designed to eliminate various trade barriers, provide preferential tariffs, and expand investment opportunities and economic collaboration between the two countries. Although the trade balance deficit still occurs because the value of imports is greater than the value of Indonesia's exports, the implementation of the IA-CEPA can be said to have succeeded in providing a positive impact by creating a more open, competitive, and mutually beneficial trading environment for both parties. Furthermore, analysis can be carried out by reviewing in depth the export-import commodities of Indonesia-Australia in order to understand bilateral trade patterns and identify opportunities and challenges in efforts to balance the trade balance between the two countries.

Table 2. Indonesia-Australia Export-Import Commodities

*Value in Million US\$

Information	2020	2021	2022	2023	2024
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Jenni Anthonetha Susanti Henukh et al

Export	2,505.7	3,223.5	3,466.4	3,178.4	4,957.9
Oil and Gas	90.3	227.7	243.7	154.5	102.0
Non-Oil and Gas	2,415.4	2,995.9	3,222.7	3,023.8	4,856.0
Import	4,646.6	9,425.0	9,863.2	9,300.0	10,439.1
Oil and Gas	498.7	953.0	634.6	522.8	819.5
Non-Oil and Gas	4,147.9	8,472.0	9,228.6	8,777.2	9,619.6

Source: Ministry of Trade Data Center and Information System processed from the Central Statistics Agency (Ministry of Trade of the Republic of Indonesia, nd)

Based on the table above, the main commodities that are the focus of export and import activities between Indonesia and Australia are the oil and gas sector which includes gas and petroleum, as well as the non-oil and gas sector which includes agriculture, industry, processing, mining, and others. During these trade activities, non-state actors play a significant role in supporting the trade cycle to continue. This is implemented through various efforts made by both organizations that accommodate business actors, as well as by business actors from Indonesia and Australia themselves. At the organizational level, the existence of the Indonesia-Australia Business Partnership Group (IA-BPG) has contributed since the IA-CEPA negotiation period by providing recommendations and analysis of investment and trade opportunities that can be implemented by both countries. Until the implementation period, IA-BPG continues to strive to maximize the benefits of IA-CEPA through market opportunity research, dialogue, education, and various efforts to connect and facilitate business actors from both countries.

IA-BPG consists of several organizations that accommodate business actors in Indonesia and Australia, including the Indonesia-Australia Business Council (IABC), Australian Chamber of Commerce and Industry, The Australian Industry Group, Indonesian Employers Association (APINDO), Indonesian Chamber of Commerce and Industry (KADIN), and the Australian Institute of International Affairs. In 2021 when the world was hit by the COVID-19 Pandemic, IABC held an online dialogue themed "IA-CEPA in the Midst of the Global COVID Pandemic" with the aim of discussing the ratification of the IA-CEPA cooperation that has been in effect since 2020 and how the impact of COVID-19 affects it. (Khalisha, 2021). As a member of IA-BPG, Apindo also collaborated with Katalis to hold a discussion forum entitled "Understanding the Australian Business Environment" to discuss business strategies and understanding regulations with the aim of optimizing the benefits of IA-CEPA (APINDO, 2022). The catalyst itself is a program pioneered by the Indonesian government through the National Development Planning Agency (Bappenas) and the Australian government through the Department of Foreign Affairs and Trade (DFAT) to maximize the benefits of IA-CEPA for both countries with a commercial-focused approach. Other IA-BPG members, namely Kadin, are also trying to increase the productivity and competence of human resources for MSME business actors, as well as mapping access to capital, building digital infrastructure, technology, and information (Cabinet Secretariat of the Republic of Indonesia, 2023).

To analyze non-state actors at the business actor level, Pipiltin Cocoa, Alva, Charged, and Savalt are examples of how non-state actors play a role in introducing Indonesian products to the Australian market, expanding marketing access, and opening up new opportunities for cooperation for both countries. Based on the interview results, Pipiltin Cocoa is a premium chocolate producer from Indonesia that participated in workshops and trade exhibitions in Australia through Katalis facilitation to introduce Indonesian premium chocolate products. The results of these activities provide knowledge access and open networking to the Australian market that Indonesia has export potential and premium chocolate quality that is not yet widely known, thus opening up opportunities for cooperation for both countries in the chocolate commodity. (Catalyst, 2023). In addition, Alva, Charged, and Savalt are Indonesian electric motorcycle manufacturers who also introduced Indonesian-made electric motorcycles at Everything Electric, Australia's largest electric vehicle exhibition held in Sydney on March 7-9, 2025. The initiative provides an opportunity for Australia and Indonesia to work together in the field of more sustainable and integrated transportation in the future. (Australian Embassy Indonesia, 2025).

Although state and non-state actors continue to strive to maximize the implementation of IA-CEPA, it is undeniable that there are certainly challenges that must be faced and require strategic solutions from both actors. Thus, both actors need to pay attention to the factors of obstacles or challenges that occur during trade activities carried out within the framework of the implementation of IA-CEPA, including factors of machinery/technology, price, marketing processes, productivity and quality, and skills (Ginaya, 2023). Regarding the machine/technology factor, the obstacles that occur are that many business actors still rely on machines with technology that is considered traditional or even outdated, so that productivity and production efficiency are less than optimal. This condition is

inseparable from limited capital and high production costs that must be borne, which ultimately limits their ability to modernize equipment and adopt the latest technology. This has an impact on production capacity and product competitiveness in national and international markets. Therefore, the government is expected to provide strategic policies, such as the development of adequate technological infrastructure and the provision of subsidies or fiscal incentives that can ease the burden of investment costs for business actors. With this support, business actors can more easily update production machines and technology, so as to increase operational efficiency and improve the quality of products produced, while simultaneously encouraging sustainable growth in the industrial sector.

Furthermore, in terms of price factors, exchange rate volatility arising from the dynamics of international relations and global geopolitical conditions also has an impact on export activities carried out by Indonesian business actors. This exchange rate fluctuation creates uncertainty in the planning and implementation of international trade, which can disrupt the smoothness and profitability of exports and imports. Business actors also often face obstacles related to international certification and Australian market standards which are considered not fully appropriate or in line with the characteristics of products produced by Indonesia. Differences in technical standards and regulations often become non-tariff barriers that hinder access for Indonesian products to the Australian market, so that efforts are needed to harmonize and adjust standards so that Indonesian export products can be well received and properly valued in the destination market. The government can be a facilitator and mediator between Indonesian business actors and Australian trading partners, especially in formulating agreements or contracts related to managing exchange rate risk so that currency volatility does not become a major inhibiting factor in bilateral trade activities. In addition, the government also needs to initiate and strengthen the harmonization of quality standards and mutual recognition of certification between the two countries, so that a mutual understanding is created regarding technical requirements and product quality. This step is important to ensure that Indonesian export products can meet the standards applicable in Australia.

In terms of marketing, Australian consumer preferences and Indonesian product marketing strategies are challenges faced by business actors. Australian consumer preferences are influenced by cultural characteristics, lifestyles, and social environments that are different from conditions in Indonesia, so that marketed products must be adjusted so that they can be well received by the local market. Therefore, business actors need to conduct in-depth and continuous market research to understand the needs, tastes, and trends of Australian consumers specifically. The use of digital technology in marketing activities is also a very relevant and effective strategy in the current era, given the rapid development of digital platforms and e-commerce that increasingly dominate the way consumers make purchases. The use of digital technology not only expands market reach, but also allows for a more interactive, personal, and responsive marketing approach to consumer needs. On the other hand, the government can support business actors by facilitating business meetings, providing market information, and strengthening cooperation networks between Indonesian business actors and business partners in Australia. This is because collaboration between business actors and the government in integrating market research, cultural adaptation, digital marketing innovation, and institutional support will greatly determine the success of Indonesian products in penetrating and surviving in the competitive Australian market.

In relation to process factors, complex regulations and ineffective information delivery to the grassroots level of business actors are one of the main obstacles in the production and trade processes carried out by Indonesian business actors. This condition results in less than optimal understanding and utilization of existing policies, including the potential offered by IA-CEPA. The government should improve the information delivery mechanism so that it can reach all levels of business actors down to the grassroots level effectively and sustainably. Intensive and structured socialization of the benefits of IA-CEPA, especially related to the reduction or reduction of import duty rates, needs to be carried out so that business actors can take maximum advantage of existing opportunities and increase the competitiveness of Indonesian products in the Australian market. The government needs to carry out comprehensive reform and harmonization of applicable regulations with the aim of simplifying procedures and increasing transparency. In addition, a strategic step that can be taken is to establish a Mutual Recognition Agreement (MRA) between the Indonesian government and Australian business partners, so that both parties have the same understanding of product standards and technical requirements that must be met.

Productivity and quality factors are also challenges for business actors related to the export context, especially in the suitability and maintenance of product quality during the transportation process, especially for products that are susceptible to quality degradation during the journey, such as agricultural products and fresh food. Business actors need to ensure that the shipping procedures implemented meet strict safety and quality standards, starting from selecting the right mode of transportation, using containers with preservation technology, to integrated and efficient logistics management. On the other hand, the government can provide technical and operational support, including

by conducting double checking of products before export. This step aims to ensure that the products sent truly meet the established quality standards and reduce the risk of damage during shipping. With good coordination between business actors and the government in managing transportation and supervising the quality of export products, it is hoped that it can increase international market confidence in Indonesian products and maintain the added value of products during the cross-country distribution process.

Lastly regarding the skill factor, there are obstacles related to limited knowledge and access to adequate training for business actors, which affect the quality of the products produced. These limitations include a lack of technical understanding, managerial skills, and the ability to adapt to increasingly stringent international quality standards, resulting in low competitiveness of Indonesian export products in the global market. This condition indicates the need for systematic and sustainable intervention from the government to improve the capacity of human resources in the business sector, especially for micro, small, and medium enterprises (MSMEs) at the grassroots level. The government can organize comprehensive and equitable training programs, which not only focus on the technical aspects of production, but also include improving capabilities in terms of business management, understanding export regulations, and implementing international quality standards. This ongoing training is expected to strengthen the competence of business actors so that they are able to produce products with consistent quality and meet export market requirements to improve the quality of Indonesian export products and strengthen Indonesia's position in international trade competition.

Through the dynamics of cooperation, challenges, and strategies that have emerged during the implementation of IA-CEPA to date, the role of state and non-state actors is crucial in optimizing the benefits of IA-CEPA for both countries in the future. Since the beginning of the negotiation process until the implementation of IA-CEPA, it is inseparable from the role of non-state actors who help Indonesia to pursue its national interests. Therefore, the success of economic diplomacy efforts in achieving the country's national interests will be analyzed based on the framework of liberalism theory which emphasizes how international cooperation can be established through interactions between state and non-state actors.

Indonesia-Australia Economic Diplomacy through IA-CEPA: A Liberalism Review

The theory of liberalism in international relations emphasizes that interactions between countries are more dominated by cooperation than conflict, as stated by Saeri (2012). In this context, an analysis of the economic cooperation relationship between Indonesia and Australia through the IA-CEPA shows that the initial negotiations of this agreement could be realized because of the strong desire and determination of both countries to build a comprehensive economic partnership. Although there were diplomatic tensions during the negotiation process, this is a common phenomenon in the dynamics of international relations and can be negotiated effectively to strengthen relations between the two countries. This liberal perspective emphasizes that international cooperation can be maintained through global institutions and norms that facilitate economic and political interdependence, allowing countries to overcome differences and achieve common goals through constructive dialogue and cooperation.

Adam Smith's liberal theory emphasizes that international trade is a means to create economic growth that provides strength and wealth to a country. In the context of Indonesia, the implementation of IA-CEPA has shown a positive impact on national economic growth, especially reflected in the increasing export trade balance. Although the trade deficit still occurs, the stability of export values that have not decreased significantly indicates that Indonesian exports remain strong and able to compete in the Australian target market. This is in line with the principle of liberalism which emphasizes the importance of free trade as a driver of welfare and economic growth. In addition, the fact that Indonesia's import value is still greater than its exports indicates that the needs of the domestic community can be adequately met through international trade, which is a manifestation of economic openness and global market integration. As a strategy to address the trade deficit, the government can prioritize and increase the quantity and quality of exports of Indonesia's leading products such as palm oil, electronics, wood, and clothing.

In addition to state actors who play a role in cooperative relations according to liberalism theory, non-state actors also play a significant role in the planning process to the implementation of cooperation. Within the framework of the IA-CEPA cooperation, since the beginning of the IA-BPG negotiations, it has played a role in providing advice and recommendations to both governments in the formation of regulations or policies written in the IA-CEPA, so that these regulations can also provide an umbrella and legal certainty for business actors as non-state actors. During the implementation of the IA-CEPA, business actors play a major role in export and import activities between the two countries through products produced for trade. In addition, the IA-CEPA also provides benefits to non-state actors in the development and empowerment of MSMEs, wider market access, tariff reductions, and ease of trade. Thus, the implementation of the IA-CEPA is analyzed from the perspective of liberalism theory providing two-way

benefits to state and non-state actors, where the state is helped through products provided by non-state actors in this case business actors, while non-state actors are also helped by the existence of wider market access and ease of regulation provided by state actors through the IA-CEPA cooperation.

Analysis of Indonesia's economic diplomacy efforts is reflected during the IA-CEPA negotiation period where Indonesia seeks to fight for its exclusive national interests that are not obtained through economic cooperation with other countries, namely not only fighting for its national interests in the economic sector, but also for infrastructure development and human resource development. In the case of IA-CEPA, this agreement represents the commitment of both countries to increase economic cooperation and strengthen strategic partnerships, which can ultimately strengthen the economic and political positions of both countries in the international arena. Not stopping during the negotiation period for the formation of IA-CEPA, Indonesia also continues to carry out economic diplomacy during the implementation period of IA-CEPA with coordination and consolidation to ensure that export and import activities are in accordance with the provisions that have been agreed upon and stated in IA-CEPA. This is reflected through the coordination established by representatives of the two countries, namely the Australian government represented by DFAT, while the Indonesian government is represented by the Ministry of Trade, Ministry of Foreign Affairs, and also Bappenas.

Table 3. Foreign Direct Investment (FDI) Investment in 2017-2019

*Value in Million US\$

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Prior to IA-CEPA Implementation					
2017	146,689.4	59,298.3	109,252.3	198,625.5	513,865.5
2018	135,341.8	160,208.1	48,812.9	253,075.0	597,437.8
2019	65,244.7	72,104.1	127,277.0	83,640.0	348,265.8
After the Implementation of IA-CEPA					
2020	86,009.5	62,079.9	121,514.0	78,949.9	348,553.3
2021	59,524.1	41,140.6	43,919.8	50,611.0	195,195.5
2022	46,839.7	111,926.0	185,661.0	179,981.8	524,408.5
2023	156,555.3	94,412.1	176,956.1	117,267.4	545,190.9
2024	172,256.9	112,616.8	296,992.8	157,183.7	739,050.2

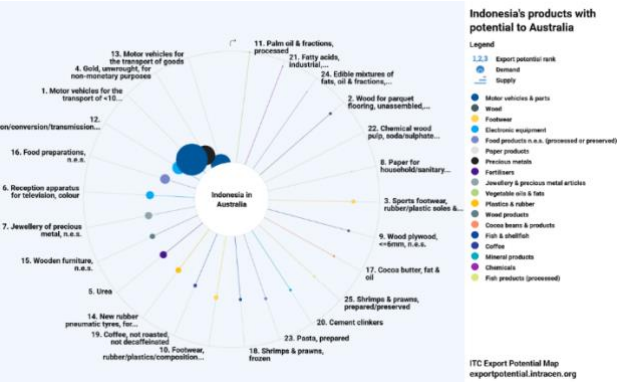
Source: Data processed from the One Trade Data Website–Ministry of Trade of the Republic of Indonesia(Ministry of Trade of the Republic of Indonesia, nd)

In the economic sector, in addition to the export value which shows an increasing trend, Indonesia has also succeeded in achieving its goal through the IA-CEPA, namely in increasing FDI. In the period before the implementation of the IA-CEPA (2017-2019), FDI investment in Indonesia showed a drastic decline, compared to the period after the implementation of the IA-CEPA (2020-2024) where FDI investment in Indonesia experienced dynamic fluctuations. Although FDI had fallen in 2021, in 2022-2024 the FDI value managed to increase again and showed a positive trend. There are several influences that can have an impact on the FDI value that are considered by foreign investors to invest their capital in Indonesia, including the level of corruption, fluctuations in the value of the rupiah, and labor productivity.(Hinsa, 2025).In fact, FDI provides benefits to the country through economic and foreign exchange improvements, technology transfer, workforce skills development and job creation. This is directly related to achieving Indonesia's national interests through the IA-CEPA cooperation framework in addition to economic benefits. In the field of human resources, Indonesia has succeeded in forming an MRA for the engineering profession, and is currently planning to form other MRAs for the accounting and nursing professions initiated by Katalis(Catalyst, 2023). Through the MRA, Indonesian engineers, nurses, and accountants can access wider employment opportunities with commensurate salaries in the Australian market. These achievements are in line with the concept of implementing economic diplomacy put forward by Dr. Y. Trihoni Nalesti Dewi (2020) that economic diplomacy does not only focus on increasing economic development, but also as a means to advance human rights and create decent jobs and workforce.

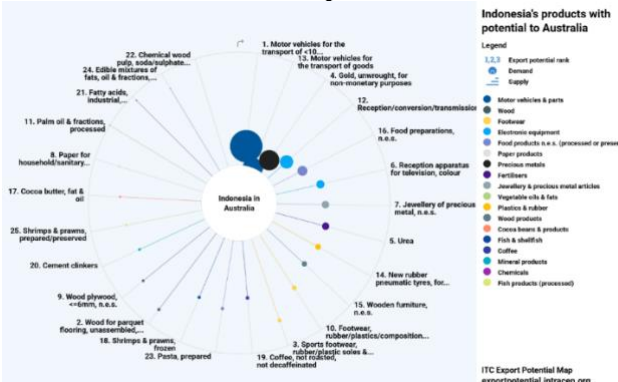
To achieve Indonesia's national interests in improving human resource skills, Katalis carries out socialization, training, and institutional cooperation between the two countries with the aim of establishing

knowledge transfer so that the people of Indonesia and Australia can share knowledge, experience, skills, or information they have in order to support trade activities and cooperation between the two countries. In addition, Katalis is also running a Business to Business (B2B) Indonesia-Australia Skills Exchange (IASE) platform which functions to facilitate digital training between business actors in Indonesia and Australian training providers. This platform can answer the problem of the skills gap between Indonesian workers and business actors that do not match the Australian market. Through IASE, Indonesian business actors and workers can improve their skills according to the demands of modern work, as well as develop local talent in Indonesian society. Australia also benefits from this program, namely the expansion of the market for Australian training providers(Catalyst, 2025). Thus, Katalis helps both countries to optimize the benefits of IA-CEPA through the analysis of promising and profitable cooperation opportunities for both countries. The cooperation opportunities that can be developed between Indonesia and Australia can be seen in the images below:

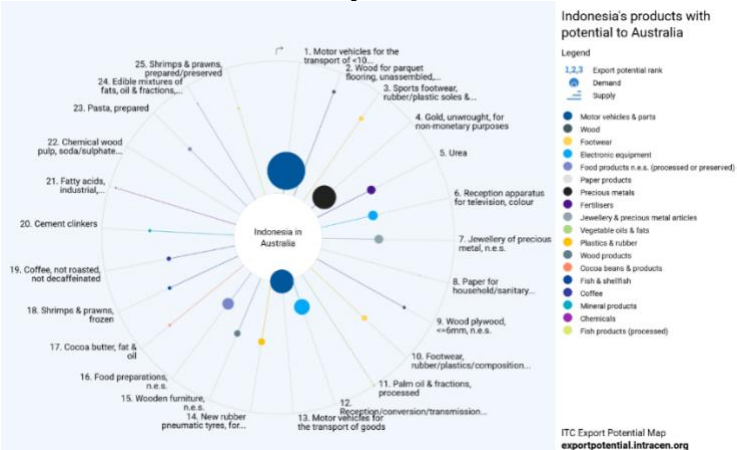
Picture1. Availability of Indonesian Export Products to Australia



Picture2. Australian Market Demand for Indonesian Export Products



Picture3.Potential of Indonesian Export Products to the Australian Market



Source: International Trade Center Website Export Potential Map(Export Potential Map, 2025)

As one of the evaluations of Indonesia's trade balance deficit through the implementation of IA-CEPA, the Indonesian government and business actors need to adjust the products available in Indonesia with the demand of the Australian market. This is intended so that export products originating from Indonesia can be accepted and given a proper value in the Australian market, with the aim of avoiding rejection of Indonesian export products. In addition,

analysis of products that have great potential in the Australian market is also important to be carried out so that Indonesia can not only adjust exported products to suit Australian market demand, but is also able to maximize trade relations between the two countries through products that have a profitable probability when traded. If the government and business actors have maximized this, then even though Indonesia's trade balance cannot immediately provide a surplus value in a short period of time, at least it is hoped that the deficit in Indonesia's trade balance can be reduced. In addition, internally at the domestic level, the Indonesian government can take several steps, including (1) The government needs to increase research and ensuring the readiness of business actors from production activities to exports are carried out to comply with international standards and certifications.

In its implementation, the government must be open and responsive in helping to resolve any difficulties faced by business actors; (2) The government must be proactive in providing regular and even education to the community down to the grassroots level about the benefits that the community can get through this IA-CEPA cooperation. For people who have become business actors, the government must provide assistance starting from the production planning stage to production evaluation, so that export activities can be increased again; (3) The government must conduct regular reviews and evaluations of whether the IA-CEPA provides maximum benefits to Indonesia, what its long-term prospects are, and whether there is potential for developing new sectors that can be developed through this cooperation; (4) Ensure that the quality of goods (products) and services (labor services) sent to Australia have met the standards of the destination country so that Indonesian products and labor can be accepted and recognized by the Australian parliament. Externally at the bilateral level, the Indonesian government can also focus on handling the following two things to optimize the implementation of IA-CEPA, namely (1) Conducting a diplomatic approach to establish mutual understanding of all IA-CEPA regulations and provisions with Australia so that the positions of both countries are on the same understanding and language. The goal is to align perceptions so as to reduce technical obstacles such as differences in standardization or certification that result in double standards during trade activities; (2) Understanding the regulatory patterns of the destination country based on research and in-depth knowledge of the parameters and standards of the Australian market so that all Indonesian products are not less competitive than the same products from other countries.

CONCLUSION

The IA-CEPA, which has been officially in effect in Indonesia since July 2020, has provided benefits to Indonesia through increased export value, increased foreign direct investment (FDI), development of Human Resources (HR) through the Mutual Recognition Agreement (MRA) for the professions of engineers, nurses, and accountants, and through various other activities that are not limited to the trade balance deficit. In addition, there has been a cultural exchange between the people of Indonesia and Australia through the Working Holiday Visa scheme which makes it easier for Indonesians to live and work temporarily in Australia. The existence of the IA-CEPA since the negotiation process until now shows that the two countries continue to carry out economic diplomacy through coordination and harmonization of adaptive regulations to suit market needs and situations. These economic diplomacy efforts are solely carried out to achieve the national interests of both countries through the IA-CEPA framework. This is in line with the theory of liberalism which states that the development of cooperative relations will form a situation of interdependence so as to minimize the possibility of conflict between the parties involved. In order to optimize the IA-CEPA, real action and cooperation are needed from the state and also non-state actors, namely business actors and civil society. The new IA-CEPA will only be able to run optimally when state and non-state actors work hand in hand, support each other, and carry out their respective functions. The suggestion from this research is that there needs to be a deeper exploration related to achieving the objectives of cooperation in the services sector, for example through knowledge transfer, MRA achievement, and also the tourism sector which also benefits from the IA-CEPA cooperation, not only focusing on the goods sector.

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