

THE RATIFICATION OF INDONESIA AUSTRALIA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT: INVESTMENT CHALLENGES AND OPPORTUNITIES

Andistya Pratama^{1*}, Ginna Yuliana²

^{1*}Master of Law, Universitas Indonesia, Indonesia,

²Master of Public Policy and Management, University of Melbourne, Australia
andistya.pratama@ui.ac.id (*corresponding*).

Abstract: This article aims to conduct a more in-depth study of Indonesia's challenges and opportunities after the ratification of the 2020 Indonesia-Australia Comprehensive Economic Partnership Agreement, hereinafter referred to as IA-CEPA. IA-CEPA offers opportunities for investment, trade in goods and services, and human resource capacity building for both countries. The Indonesian government needs to accelerate the harmonization of national laws related to the substance of IA-CEPA so that no legal conflicts harm Indonesia's national and economic interests. This research applied normative or doctrinal research methods, collecting legal materials with literature studies, which were then analysed with descriptive analysis techniques to find solutions to the problems raised. The results show that IA-CEPA brings great opportunities for economic growth in both countries. With greater access to each other's markets and cuts in trade tariffs, this agreement can stimulate greater trade and investment. IA-CEPA provides incentives for both countries to diversify their investment sources. This can help reduce dependence on one particular country or region and increase economic resilience.

Keywords: International agreements; IA-CEPA; investment; challenges and opportunities.

I. INTRODUCTION

The twenty-first century is the age of globalization, which is characterized by various aspects of life that have a lot of freedom and openness. Every aspect of human life is affected by globalization. Due to the globalization, the economic boundaries of countries will be erased, letting economic matters move around the world without barriers. Despite the impact of globalization, Indonesia remains involved in global trade. Almost every aspect of human life has been affected by globalization, including social, economic, and legal. These changes, caused by globalization, have occurred at the regional, national, as well as international levels, and have indirectly affected changes in the law, requiring the ability to provide legality for any such changes (Harjono, 2009).

It is a well-known phenomenon that, of the many fields affected by globalization, the economy is the most affected. This is demonstrated by the inclusion of new economic sectors into

the Indonesian legal system, such as investment and financing, which were not previously included in the sector.

Indonesia and Australia are two countries located in the Asia Pacific region that have strong economic ties. This relationship has grown rapidly over time, especially after the enactment of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). At the end of 2018, IA-CEPA negotiations were successfully completed and continued with the drafting of the legal text so that it could be ratified and effectively enacted. IA-CEPA was then ratified on 26 November 2019 by Australia, on 29 February 2020 by Indonesia, and officially came into force on 5 July 2020 (Anfasa, 2023). The agreement aims to enhance economic cooperation between the two countries, covering sectors such as trade in goods and services, investment, and other economic cooperation.

IA-CEPA offers opportunities for investment, trade in goods and services, and human resource capacity building. To improve trade relations between Indonesia and Australia through a more transparent and effective process, established as a powerhouse economy. The elimination of tariffs and non-tariffs for goods and services is one way. Automotive, clothing, textiles, herbicides, pesticides, electronics, machinery, rubber, timber, paper, coffee, and cocoa are some of the Indonesian export goods that have had tariffs removed. It is hoped that this cooperation will accelerate trade between Indonesia and Australia by removing import and export barriers, such as import duties, and easing volume restrictions (Andriani & Andre, 2017).

The Explanation of Law Number 1 of 2020 concerning Ratification of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) states that trade as one of the driving sectors of the national economy and supporting national economic development and in order to advance general welfare, international trade agreements with partner countries are aimed at obtaining benefits in the form of market access for goods, services and capital, promotion and protection of investment, human resource development and economic cooperation programs. These international agreements are a consequence of globalization, in which trade activities, including goods, services and investment, cross national borders.

Table 1. Indonesia-Australia Comprehensive Economic Partnership Agreement

Chapter 1	Introduction and general definitions
Chapter 2	Arrangements for trade in goods, including the reduction and elimination of tariffs (up to 0%), customs duties and export subsidies and the application of the Most Favored Nation Treatment principle and the principle of National Treatment and regulation of the origin of goods.
Chapter 3	Non-tariff measures, including mechanisms and restrictions on the number of non-tariff measures, and import licenses.
Chapter 4	Rules of origin, including regulating the origin of goods, goods that are partially or wholly produced, the formula for calculating the value of goods and the de minimis rule, tariff treatment preferences and their rejection, documentation of evidence of goods and its exceptions,

	verification cooperation, confidentiality of origin of goods and the establishment of the Sub-Committee on Origin of Goods.
Chapter 5	Customs procedures, including customs and trade facilitation procedures, customs cooperation, advance notification of origin, publication and search points, review and appeal mechanisms, penalties, risk management, goods clearance, and confidentiality, information and technology.
Chapter 6	Trade facilitation, including publication and search points related to e.g., tariff quota administration, origin of goods for importation purposes, procedures, restrictions and prohibitions on importation and exportation, entry and transit of goods, repair and re-entry requirements, review and appeal procedures, provisions on perishable goods, receipt of copies of import, export and origin of goods, support for trade facilitation and the establishment of the Trade Facilitation Sub-Committee.
Chapter 7	Sanitation and phytosanitary, including arrangements regarding sanitary and phytosanitary health (plant health) related to the principles of balance, adaptation to regional conditions, cooperation, transparency and notification, technical consultation, and the establishment of the Sanitary and Phytosanitary Sub-Committee. This chapter is also related to technical barriers to trade.
Chapter 8	This chapter regulates, among others, standards, technical rules, conformity assessment procedures, cooperation, transparency, consultation, treaty arrangements and implementation, contact points, and the establishment of the Trade Technical Barriers Sub-Committee.
Chapter 9	Trade in Services, covering production, distribution, marketing, sale and delivery, purchase, use and payment of services, access to public services, security deposit procedures, market access, non-compliance measures, recognition and denial of benefits, disclosure, payments and transfers, judicial review, application of the Most Favoured Nation Treatment principle and the national treatment principle and the establishment of the Trade in Services Committee.
Chapter 10	Financial services issues, including banks, insurance, exchange rates, judicial review, treatment and processing of certain information, self-regulatory organizations, payment and clearing systems, disclosure and administration of certain measures, and dispute settlement in financial services investments through arbitration, Investor State Dispute Settlement (ISDS) and its mechanisms.
Chapter 11	Telecommunications provisions, covering telecommunications services and networks and the regulation, access and use of public telecommunications services and networks, obligations of telecommunications service and network providers, treatment of large providers of public telecommunications services and networks, anti-

	unfair competition rules in telecommunications services, access to facilities of large providers of public telecommunications services and networks, resale, regulation and pricing of circuit services leased by large providers, international submarine cables, independent regulatory bodies and government ownership, universal service obligations, licensing processes, use and allocation of scarce resources, telecommunications dispute resolution, and disclosure.
Chapter 12	Regulations on the movement of persons, including application procedures, temporary entry guarantees, business travel, provision of information related to the movement of persons and dispute resolution The field of coverage is very broad, as can be seen in Anex 12-A.
Chapter 13	E-commerce, including cooperation and use of e-commerce, authentication and electronic signature, online consumer protection, protection of personal information, domestic regulatory framework, transparency, cross-border transfer of information by electronic means, counting location facilities, and source code.
Chapter 14	Investment regulations, including minimum standards and prohibitions, regulation of investors both natural and legal persons, application of the Most Favoured Nation Treatment principle and the National Treatment principle, treatment in situations of armed conflict and social conflict, senior management and board of directors, expropriation and compensation, subrogation, denial of benefits, measures of non-compliance, special formalities and disclosure of information, corporate social responsibility, promotion of regulatory objectives, and establishment of an Investment Committee.
Chapter 15	Economic working arrangements, including support and facilitation of trade and investment, economic growth and prosperity and the establishment of an Economic Cooperation Committee.
Chapter 16 - 21	Competition, general provisions and exceptions, transparency, consultation and dispute resolution mechanisms, and concluding provisions.

Source: Annex to Law Number 1 of 2020 on the Ratification of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

However, in order to implement this agreement, there are various challenges that both countries must overcome. Differences in regulations, investment policies, and other technical issues can hinder the development of economic cooperation between Indonesia and Australia. One of the main challenges is the harmonization of investment policies between the two countries (Sirait, 2019). While the agreement provides greater access for investors from both countries to each other's market, differences in investment regulations and applicable laws in the two countries can create barriers for investors. Resolving these issues will require concerted efforts from the government and relevant stakeholders.

In addition, the agreement also opens up great opportunities for economic growth and investment in various sectors. In this context, sectors such as agriculture, mining, energy, and services can experience significant growth. However, in order to optimize these opportunities, it is necessary to have the right investment strategy, careful business planning, and a deep understanding of the markets and regulations in each country (Sukma Kristianti, 2021). The purpose of this research is to conduct an in-depth study of the opportunities and challenges of the IA-CEPA for Indonesia. As such, further research can contribute to economic and investment decision-making that will affect bilateral relations between Indonesia and Australia.

II. RESEARCH METHOD

This research was conducted using normative or doctrinal juridical legal research methods. The research used the conceptual and legislative approaches. Reviews of legal materials were conducted as literature studies of both primary legal materials and secondary legal materials (Nurhayati et al., 2021). Secondary legal materials used to support the author's analysis were literature books and journal articles related to the ratification of the Indonesia - Australia Comprehensive Partnership Agreement. The legal material is then managed with analysis techniques using descriptive analysis methods.

III. RESULTS AND DISCUSSION

Challenges to IA-CEPA Ratification

Indonesia and Australia are unique neighbors, with very different, and sometimes conflicting, political systems, economies, religions, national ideologies, historical experiences and national identities, such that former Australian Foreign Minister Gareth Evans once observed that "no two neighboring countries in the world are more different than Australia and Indonesia". Despite their differences, as neighboring countries, it is certainly appropriate for Indonesia and Australia to strive to establish and then maintain a relationship that is constructive, open, helpful, respectful and mutually understanding. The beginning of the relationship between Indonesia and Australia occurred because Australia was one of the Western countries sympathetic to Indonesia's struggle to escape the shackles of colonialism and achieve independence (Rori, 2020).

Indonesia and Australia have established bilateral cooperation for 70 years in various fields of cooperation. In addition to the economic, socio-cultural, and security cooperation factors, another factor that encourages the relationship between the two countries to be closer is their close geographical location (Nuranisa & Paksi, 2022). One of the bilateral cooperation relations between Indonesia and Australia that has a major influence on the harmony between the two countries is the ratification of the Indonesia Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

Mochtar Kusumaatmadja defines international treaties as "international agreements made between members of the community of nations with the aim of causing certain legal consequences" (Rori, 2020). The IA-CEPA provides an opportunity for Indonesia and Australia to utilize each other's strengths, both countries can freely export and import and invest.

The Indonesian government's commitment to developing Indonesia's economic activities is carried out with cooperation between countries in the world to support and improve the economy of Indonesia. Not only does this cooperation have an impact on expanding free market access, but it will also lead to better protection of multilateral cooperation for national interests, especially in

international trade. Economic cooperation, especially in trade, is needed. IA-CEPA is an agreement made by the two countries to improve their economy, including investment.

Australia is one of Indonesia's closest and most important trading partners and sources of complementary trade and investment. Australia, which has a market-oriented economy characterized by high levels of foreign trade and a reputation for strong financial institutions and sound policies, has one of the strongest bond ratings in the Pacific (Syukri et al., 2021).

Based on a comparison of economic indicators such as gross domestic product, per capita income, and inflation of the two countries, Australia's economic growth is much greater than Indonesia's, Australia is also the world's 21st largest exporter of goods and ranked 20th in the world for exports and imports of commercial services in 2017. Australia is recognized as the 17th major investor in the world. Investment from Australia to the world in 2017 reached a value of USD2.28 trillion. Investment from Australia is particularly strong in the finance and insurance, manufacturing, mining, real estate, construction, trade and health sectors, Australia also has one of the most extensive networks of free trade agreements and economic partnerships covering more than 30 countries/economies (Fatje Bawotong et al., 2022).

The IA-CEPA agreement was initiated in 2005, and then continued with the preparation of a Joint Feasibility Study which concluded that the agreement would be beneficial to both parties. The IA-CEPA negotiations were launched by the President of U.S.A. and the Prime Minister of Australia on 2 November 2010. The first and second negotiations were conducted in September 2012 and July 2013, respectively, but have since been stalled for 3 (three) years. In March 2016, Indonesia and Australia agreed to resume negotiations and after 12 rounds of negotiations and 5 Chief Negotiator level meetings, the two countries managed to substantially complete the negotiations. On 31 August 2018 both parties issued a joint statement signifying the substantial completion of the negotiation process and on 4 March 2019 the IA-CEPA Agreement was signed by the Minister of Trade of the Republic of Indonesia and the Minister of Trade, Tourism and Investment of Australia in Jakarta, Indonesia (Rissy, 2021).

The entry into force of IA-CEPA is supported by the issuance of three implementing regulations, including:

1. Regulation of the Minister of Trade No. 63/2020 on Indonesian Terms of Origin and Terms of Issuance of Origin Certificate Documents for Indonesian Origin Goods in the Comprehensive Economic Partnership between Indonesia and Australia;
2. Minister of Finance Regulation No. 81/PMK.10/2020 on the Determination of Import Duty Rates in the framework of the Indonesia-Australia Comprehensive Economic Partnership Agreement;
3. Minister of Finance Regulation No. 82/PMK.04/2020 concerning Procedures for Imposing Import Duty Tariffs on Imported Goods under the Indonesia-Australia Comprehensive Economic Partnership Agreement.

Trade in goods or services and investment between the two countries and IA-CEPA negotiations Trade in goods between Indonesia and Australia reached US\$7.8 billion in 2019. Indonesia exported US\$2.3 billion and imported \$5.5 billion, resulting in a deficit of \$3.2 billion. However, most of the top ten commodities imported into Australia from Indonesia are raw materials and industrial auxiliaries such as wheat, coal, iron ore, aluminum, zinc, raw sugar, and milk and cream. On services trade, according to Statistics Australia, Indonesia's services exports

in 2018-2019 were \$4.4 billion and services imports were \$1.7 billion, giving Indonesia a surplus of \$2.7 billion. Indonesia's surplus sectors were tourism and transportation services, while Indonesia imported education-related services from Australia. Australian investment in Indonesia in 2019 was \$264 million with 740 projects in mining, metals, food growing, hotels and restaurants, electricity, gas and water, food, chemicals and pharmaceuticals, and trade and repair (Rissy, 2021).

Indonesia and Australia are cooperation partners that have had bilateral relations for a long time. Both countries think that establishing cooperation between countries is an obligation, both believe that a country cannot live alone and needs other countries to fulfill its needs. Several factors of political issues that dominate the relationship between the two countries often cause misunderstandings between the two parties (Sirait, 2019). One of them is the problem with the issue of terrorism, wiretapping or several other things that threaten Indonesia's sovereignty both in terms of local separatism and the absence of order in migration.

IA-CEPA also serves as a link between Australia and Indonesia so that both countries can capitalize on each other's advantages and increase production while lowering costs. For example, Indonesia can use cheaper ingredients from Australia in the food and beverage industry, and the processed goods can be resold in Australia at competitive prices. Indonesia's national economy may be affected by IA-CEPA. It is expected that this deal will benefit beef market supply and attract more Australian investors to Indonesia, in line with President Jokowi's goal for Law Number 11 of 2020 on Job Creation and Investment (Rori, 2020).

The scope of the IA-CEPA, as the name implies, is very comprehensive (broad). The scope of this cooperation has actually been seen in the formulation of objectives in Article 1.2 IA-CEPA 2020 above. The scope of the arrangement begins with the regulation of trade in goods regulated in chapter 2, including the reduction and elimination of tariffs (up to 0%), customs duties and export subsidies and the application of the Most Favored Nation Treatment principle and the principle of National Treatment and regulation of the origin of goods. So far, Australia has eliminated 100 percent or all of its tariff posts, namely 6,474 tariff posts to 0 percent. Meanwhile, Indonesia eliminated 94.6% of all total tariff posts totaling 10,813 tariff posts to 0%, meaning that the flow of goods in and out (exports and imports) of both countries is no longer (or barely) subject to import duty tariffs (Rissy, 2021).

Theoretically, bilateral and multilateral trade agreements can lead to the elimination of tariffs and non-tariffs, which leads to savings in foreign exchange reserves, giving greater access to the internal market and thus creating competition among competitors. Greater access to the internal market can also create opportunities to utilize economies of scale through production specialization. Free flow of goods and services allows countries to capitalize on comparative advantage, and hence optimize resource allocation. IA-CEPA also has the above theoretical strategic value. The issue is whether Indonesia is able to maximize the various opportunities and strategic value of IA-CEPA so that prosperity will come or on the contrary whether Indonesia will become increasingly miserable because Indonesia will be increasingly dependent on Australia and continue to experience a trade deficit. Being on the favorable or unfavorable side, depends largely on Indonesia's choice of IA-CEPA implementation strategy (Andriani & Andre, 2017).

IA-CEPA, despite its noble goal of increasing trade in goods and services with no or minimal barriers between Indonesia and Australia, should be kept in mind that IA-CEPA can or has the potential to create negative externalities, such as software piracy, increasing wage inequality as

experienced by the US against China or by developed countries against developing countries and the movement of dirty industries from developed to developing countries, and coordination externalities where developing countries (including Indonesia) are unable to benefit from developed countries (Winanti, 2022).

In the context of the IA-CEPA, there is a chance of negative externalities as described above. There could be a condition of domination of goods and services from Australia to Indonesia which could trigger new problems in the form of negative excesses for local communities producing similar goods and services and a deepening trade deficit. This is because, on the one hand, entry tariffs for goods and services are minimal or even zero and therefore state revenues are reduced. A further consequence is that the domestic market share is instead taken over or dominated by Australian products and services, which can create unemployment and slow down the local economy. Even from a social and political perspective, such conditions can erode domestic public confidence in Indonesian goods and services and can create social, economic and political instability (Anfasa, 2023). If this is the scenario then Indonesia cannot benefit maximally from Australia (coordination externality).

After the implementation of IA-CEPA cooperation, the Ministry of Trade stated that Indonesia's export performance to Australia is still lower than its import performance (Pasaribu, 2021). From January to August 2022, Indonesia's total exports to Australia were around USD 2.34 billion. Meanwhile, total imports from Australia to Indonesia reached USD 6.25 billion. The condition of Indonesia's trade balance to Australia, which is in deficit, has not changed to a surplus. Even after IA-CEPA was officially ratified, as of November 2020 Indonesia's trade balance deficit with Australia has actually gotten worse because the total imports are far greater than the total exports. Indonesia's trade balance deficit with Australia in 2020 reached the amount of USD 178.4 million with total imports of USD 376.6 million which was greater than exports of USD 198.2 million and even increased by 45.2% in 2021 compared to 2020, which was the beginning of the implementation of IA-CEPA cooperation and its various policy implementations (Anfasa, 2023).

Another major challenge for the Indonesian government from the perspective of national law is to accelerate the harmonization of national laws related to unfair business competition, investment, immigration, especially the movement of goods, services and people, adjustments to tariff regulations related to agreed products and services, and further arrangements regarding investment disputes between investors and the state, including harmonization of laws related to higher education and vocational training. This harmonization is important to avoid conflicts between national laws and the substance of IA-CEPA. If the harmonization of various national laws above does not occur or is slow, it is feared that it will slow down Indonesia's movement to take maximum advantage of IA-CEPA and at the same time can erode the confidence of foreign investors (especially from Australia) in the consistency of regulations and the investment climate in Indonesia (Nando Mantulangi, 2017).

Of course, accelerating the harmonization of national regulations is not very easy. As the public understands, creating and/or revising regulations in Indonesia is not cheap. It takes a lot of time, so that one of the efforts that can be made to harmonize IA-CEPA with national law can be done with omnibus law as a regulatory solution. This is especially the case of investment in Indonesia because Indonesia is a state of law with the role of a welfare state. The formation and entry into force of the Job Creation Law (also known as the omnibus law) facilitate investment,

which will certainly have an impact on improving the economy as national prosperity (A'la & Supriyadi, 2020). Although Indonesia has experienced an unpleasant situation with the Job Creation Law, this law can actually have a positive impact on Indonesia as the government wants to carry out regulatory reforms to improve its performance in several fields in a short period of time. This positive impact is provided that the implementation of the omnibus law is carried out in accordance with the constitutional style and provisions of law formation applicable in Indonesia, and still upholds the principle of sustainability (sustainable development) and the principle of social justice for all Indonesian people (Amin, 2020).

The transfer of investment outside Indonesia is one of Indonesia's challenges in improving the system of ratification of international agreements in the implementation instrument because changes in national law cannot necessarily affect the instrument. Such is the case because if a dispute occurs, the system can prioritize national law and will harm foreign business actors. The rules of business protection, obtaining raw materials as a process of continuity of business activities and other basic rules become part of the main instruments of ratification and can harmonize 2 different economic systems and legal systems (Santoso, 2022). This is not easy for Indonesia and Indonesia needs to pay attention to sectors that can be accepted by all groups because the impact that follows becomes more complex and can affect the existing legal system. The future challenge for Indonesia is to attract foreign business actors to make Indonesia a base for business activities globally by utilizing commodity resources from Indonesia (Fatje Bawotong et al., 2022).

IA-CEPA ratification opportunities for Indonesia's investment sector

IA-CEPA agreement is considered one of the opportunities to make changes in Indonesia-Australia relations because these two countries are living a good life of cooperation, which has never happened before. In this agreement both countries have their own interests for their countries and the main goal is none other than to improve the economy of both countries (Helmiah & Nasrudin, 2021). The agreement is approved by both countries so that it will have an impact on the economy in both countries. The benefits of IA-CEPA agreement for Indonesia can be identified as follows:

1. Easier access to the market for Indonesian businesses in Australia under the 0% import duty tariff elimination agreement for all market sectors.
2. Reduced non-tariff barriers, trade accommodation and also other facilities on various commodities to access the services and investment markets.
3. Improved access to market services by adjusting trade regulations. Trade regulations should benefit all parties involved and minimize losses.
4. Sharing of information between Indonesia-Australia related to their investment potential in various fields. It is expected that investment in both countries will increase in quality and quantity, especially in the fields of education, health, industry, mining, tourism skills and others.
5. The potential to increase export value for Indonesia's automotive industry, especially those producing electric and hybrid cars.
6. Easier local content qualification for electric vehicles originating from Indonesia is provided by IA-CEPA. Thus, Indonesia's automotive industry is more competitive in exporting to Australia compared to those from other countries.

7. The potential to increase the export of Indonesian products such as furniture, textiles and textile products, tires, communication devices, medicines, electronic equipment, machinery.
8. Facilitation of labor exchange programs for Indonesian Chamber of Commerce and Industry or Indonesian Business Association between Indonesian and Australian companies.
9. Improvement of professional criteria in Indonesia with approval of the recognition of technician and civil engineering professions. Focus on higher education and vocational training to improve the criteria and competence of Indonesian workers with international standards so that they can meet market needs and compete without cheating.
10. Increased quota of Work and Holiday Visas to 5,000 per year for Indonesian Citizens in stages.
11. Internship programs and visa guarantee for two hundred people per year in several Australian companies.
12. Skilled worker exchange programs to Australia to increase expertise of Indonesian skilled workers.
13. Organized, long-term and sustainable economic cooperation in various sectors including the food sector.
14. Early outcomes work to create mutual trust between Indonesia and Australia that runs concurrently with the negotiation of IA-CEPA.

This type of international agreement includes the concept of "Economic Power", the purpose of which is to increase the productivity of industrial and agricultural products and increase exports to third-country markets. Both countries can participate more in the "global value chain" to meet global needs (Sitepu, 2020). Indonesia is expected to become a production (processing) centre where various cheap and quality raw and auxiliary materials are readily available from Australia, for example the practice of importing livestock as raw materials for the meat processing industry. There are several examples of cooperation: Grain partnership for the iron and steel industry, the partnership related to the raw materials for wheat, sorghum and barley provided by Australia, as well as cooperation to develop Indonesia's processed food industry. It is also possible to benefit from export opportunities for construction needs as needed for the rapid global development. After implementation, Australia eliminated all its customs lines (6474 customs lines) to 0% (Harjono, 2009).

IA-CEPA is expected to make it easier for Australian investors to invest in financial services, agribusiness, tourism, mining, health, infrastructure and education. However, in strategic sectors, Indonesia still has control over the level of foreign investment flows into Indonesia. Increasing exports between Indonesia and Australia can be done through the implementation of the Indonesia-Australia Comprehensive Economic Partnership Agreement under IA-CEPA (Andriani & Andre, 2017).

The provisions in IA-CEPA do not conflict with applicable national laws and regulations. However, for the optimal implementation of this Agreement, harmonization of laws and regulations and the preparation of technical regulations are required, including regulations regarding the imposition of import duty rates in the agreement scheme, and other customs rules and rules in the field of trade facilitation (Manurung, 2018). From other technical legal aspects, the investment provisions in IA-CEPA will provide legal certainty for business actors from both

countries in making investments. Meanwhile, the Agreement on Consultation and Dispute Settlement of IA-CEPA will help settle disputes between Indonesia and Australia in the context of IA-CEPA (Linardy et al., 2021). IA-CEPA, which is an agreement in the economic field, does not have a direct impact on the defence and security sector. However, IA-CEPA has a positive impact on energy security. The commitment of the energy sector to trade in services and investment encourages Australian capital to be invested in Indonesia, which will strengthen Indonesia's energy security.

Indonesia can use trade remedies instruments such as safeguards if there is a surge in imports that causes injury to the domestic industry, or antidumping duties if it is proven that Australian companies sell their products in Indonesia below the normal price, or countervailing duties if it is proven that Australian products exported to Indonesia enjoy certain subsidies (Paryadi, 2020).

In terms of services trade, Indonesia's services export performance under IA-CEPA shows that under business-as-usual conditions Indonesia would still show positive export growth in the 2019-2024 period (Nabila Salsa Bila & Hasna Wijayati, 2022). However, Indonesia's non-joining of IA-CEPA trade cooperation scheme would cause potential losses as Indonesia would not be able to take advantage of potential market access in Australia. Indonesian service providers would face discrimination as they were subject to Australian barriers to trade in services. When Indonesia entered into the IA-CEPA, in the short term it was predicted that Indonesia would experience a significant increase in services exports from 2019 to 2024. Cumulatively, Indonesia's exports to Australia will reach USD1,029 billion in 2024. Liberalization of services trade in the IA-CEPA scheme will provide incentives and long-term strategies for the Indonesian services sector to increase productivity and improve the quality of human resources accelerated by technology and innovation. So that the Indonesian services sector can penetrate market access in export destination countries more efficiently (Syukri et al., 2021).

Indonesia will benefit from the reduction and even elimination of barriers to trade in services. This will incentivize sectors of the Indonesian economy to increase output. A reduction in barriers to trade in services will lower transaction costs, leading to an increase in productivity. Increased productivity of Indonesia's services sectors can have a significant impact on increasing Indonesia's services exports to Australia (Darmastuti et al., 2022). Regarding the concern that Indonesia will be dominated by foreign service providers, it can be conveyed that the service trade commitments in IA-CEPA have limitations or restrictions that need to be considered by investors, especially on *Moda* (commercial presence) as stipulated in Presidential Regulation No. 44/2016. IA-CEPA also does not change the immigration and labour provisions that apply in Indonesia (Nuranisa & Paksi, 2022).

In terms of investment, the IA-CEPA will encourage a balance between portfolio investment and direct investment (FDI), which tends to be more stable. In a long-term perspective, the IA-CEPA will encourage the Indonesian economy to become more competitive with stronger growth rates, and open up new employment opportunities (Kelsey, 2019).

IA-CEPA provides benefits in the development of Indonesia's human resources. The commitment of higher education and vocational sectors in IA-CEPA Investment as well as the existence of labour exchange programs, the allocation of apprenticeship visas in Australia, the addition of work and holiday visa quotas in Australia, training for education personnel, and Australia's willingness to assist Indonesian engineers to be recognized in the Australian market

and Australia's commitment to help improve professional standards in the health sector, will increase the capacity of Indonesia's skilled and expert workforce in the medium and long term.

Indonesia has made a commitment to 94.5% tariff elimination in IA-CEPA, this commitment has the potential to reduce state revenues derived from the collection of import duty tariffs. However, IA-CEPA tariff elimination commitment builds on the ASEAN - Australia - New Zealand FTA (AANZFTA) tariff elimination commitment that has eliminated 92% of Indonesia's import duty tariffs, so the implication of reduced state revenue is insignificant when compared to the economic benefits created by IA-CEPA. In practice, there are costs that will arise when implementing cooperation activities. These costs are accompanying costs that have been budgeted by the Ministry/Institution of sector supervisors in each cooperation program involving partner countries. Therefore, the IA-CEPA does not result in a new financial burden (Ras & Trio Suroso, 2020).

The IA-CEPA is expected to provide benefits for Indonesia, including increasing Indonesia's Gross Domestic Product, increasing the competitiveness of Indonesian products, expanding market access for Indonesian products and services (Pamungkas & Zulfikar, 2021) not only in Australia but also in the South Pacific region. This, in turn, will encourage the strengthening of domestic industries, diversifying Indonesia's export destination countries (Ramadhan et al., 2018), providing certainty and clarity in terms of customs procedures for businesses in order to facilitate the flow of goods, increasing the services trade surplus, increasing the flow of investment into Indonesia, and encouraging the development of human resources.

IV. CONCLUSION

IA-CEPA has the potential to elevate the trade relationship between Indonesia and Australia to a higher and more efficient level. The wide scope of cooperation requires Indonesia to work hard and act strategically and quickly to take maximum advantage of the elimination of tariff and non-tariff barriers in trade in goods and services between the two countries. From the legal aspect, the Government of Indonesia needs to accelerate the harmonization of national laws related to the substance of the IA-CEPA Agreement so that there are no legal conflicts that harm Indonesia's national and economic interests. Hopefully Indonesia can win the trade and services battle with Australia in the long run and get maximum benefits. In the context of foreign investment, there are concerns about protecting national interests and the impact of foreign investment on strategic sectors. These challenges require a cautious approach in balancing economic and national security interests.

On the flip side, IA-CEPA brings great opportunities for economic growth in both countries. With greater access to each other's markets and cuts in trade tariffs, this agreement can stimulate greater trade and investment. IA-CEPA provides incentives for both countries to diversify their sources of investment. This can help reduce dependence on one particular country or region and increase economic resilience. The agreement also uncovers more opportunities for cooperation in technology development and innovation, which can improve the competitiveness of both countries' economies in the global market. IA-CEPA includes cooperation in infrastructure development. In conclusion, this can improve connectivity between Indonesia and Australia, facilitate trade, and boost economic growth.

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