

Opportunities and Challenges of the Korea–Indonesia CEPA in Bilateral Trade and Investment

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Abstract

This article aims to assess the strategic benefits of CEPA for both countries while identifying potential obstacles in its execution. Despite its significance, limited academic attention has been devoted to evaluating the real impact of CEPA beyond formal diplomatic agreements. A qualitative approach was used, utilising secondary data from academic journals, the Scopus database, and relevant news sources. The analysis was conducted by mapping key themes and relationships in the literature using VOS Viewer and assessing the logical structure and citation quality through the Typeset platform. The findings reveal that CEPA offers significant opportunities for expanding export markets, increasing foreign direct investment, and promoting technology transfer and human resource development. For South Korea, the agreement provides broader access to industrial raw materials, while for Indonesia, it presents the potential to strengthen the agricultural, manufacturing, and digital sectors. However, challenges such as global economic uncertainty, disparities in local industrial competitiveness, geopolitical tensions, and legal certainty remain critical issues. These findings contribute to the broader discourse on international economic relations and offer valuable insights for formulating sustainable bilateral trade and investment policies.

Abstrak

Tulisan ini bertujuan untuk menilai manfaat strategis CEPA bagi kedua negara sekaligus mengidentifikasi berbagai hambatan dalam implementasinya. Meskipun memiliki signifikansi penting, perhatian akademik terhadap evaluasi dampak nyata CEPA di luar ranah perjanjian diplomatik formal masih sangat terbatas. Pendekatan kualitatif digunakan dengan memanfaatkan data sekunder dari jurnal akademik, basis data Scopus, serta sumber berita yang relevan. Analisis dilakukan melalui pemetaan tema-tema utama dan hubungan dalam literatur menggunakan perangkat VOS Viewer, serta penilaian terhadap struktur logis dan kualitas sitasi melalui platform Typeset. Temuan penelitian menunjukkan bahwa CEPA memberikan peluang signifikan untuk memperluas pasar ekspor, meningkatkan investasi asing langsung, serta mendorong alih teknologi dan pengembangan sumber daya manusia. Bagi Korea Selatan, perjanjian ini membuka akses yang lebih luas terhadap bahan baku industri, sementara bagi Indonesia, CEPA menawarkan potensi penguatan sektor pertanian, manufaktur, dan digital. Namun demikian, sejumlah tantangan tetap menjadi isu krusial, antara lain ketidakpastian ekonomi global, disparitas daya saing industri lokal, ketegangan geopolitik, dan kepastian hukum. Temuan ini berkontribusi pada diskusi yang lebih luas mengenai hubungan ekonomi internasional dan memberikan wawasan berharga bagi perumusan kebijakan perdagangan serta investasi bilateral yang berkelanjutan.

Keywords

Bilateral, CEPA, Indonesia, South Korea, Trade

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Introduction

Bilateral relations between Indonesia and South Korea have become increasingly close in recent years, as reflected in intensive cooperation in various fields beyond culture, including trade, investment, and energy transition (Coordinating Ministry for Economic Affairs, 2023). In 2020, the two countries agreed to a CEPA agreement that further strengthens relations in the economic sector, known as the Indonesia-Korea CEPA Agreement (Verico & Riefky, 2022). *The Korea-Indonesia Comprehensive Economic Partnership Agreement* (CEPA) was officially established in 2023 (Maulidita & Darmanto, 2024). This agreement reflects the importance of strategic economic cooperation between countries, especially in the era of global recovery after Covid-19, IK-CEPA is a strategic effort to help the economic recovery of Indonesia and Korea through changes in the trade structure to recover faster (Ministry of Trade of The Republic of Indonesia, 2020). As the aim of trade liberalisation is to increase trade volume and market competitiveness by reducing tariffs and quotas, this aims to encourage investment by creating an attractive business environment that can enhance economic development between Indonesia and Korea (Bila & Wijayati, 2022). Additionally, this agreement is expected to reduce unemployment and enhance the Indonesian economy (Verico & Riefky, 2022).

The Cooperation (CEPA) has existed since 2012, when relations between the two countries decided to move towards deeper integration, resulting in the emergence of CEPA as an idea for an economic partnership agreement between Indonesia and Korea (Fadhilah & Jatmika, 2022). However, in 2014, the agreement was stopped because it was considered less than optimal. Then, in 2020, CEPA was agreed upon to be reactivated, aiming to restore trade following the Covid-19 pandemic. This cooperation includes tariff reductions, rules of origin for goods, customs procedures, trade in services, investment, and trade facilitation (Bila & Wijayati, 2022). The government then ratified the CEPA through Law No. 25 of 2022, which was passed in September 2022 and officially came into effect on January 1, 2023 (Director General of Customs and Excise, 2023).

CEPA is a trade agreement designed to optimize the potential for economic cooperation between Indonesia and Korea by opening up opportunities that have not been utilized optimally by both countries. This makes CEPA different from other FTAs because the form of the agreement is comprehensive, discussing various aspects of the economic relations between the two countries (Manurung, 2018). Indonesia has numerous trade agreements in place to increase trade volume by reducing tax rates (Sofjan, 2016). IK-CEPA covers the fields of trade in goods, services, investment, and institutions (Director General of Customs and Excise, 2023).

The IK-CEPA agreement has made a significant contribution to increasing South Korean investment in Indonesia. Before the optimal implementation of the agreement, the value of South Korean investment over the five years (2013–2018) was relatively low, ranging from USD 1.6 billion to USD 4.8 billion (Ministry of Investment, 2018). However, following the renewal of the agreement within the IK-CEPA framework, especially during the post-COVID-19 pandemic recovery period, the value of South Korean investment has increased significantly, reaching USD 13.8 billion as of the first quarter of 2024. The three main sectors that are the largest contributors to the realisation of this investment are the automotive, machinery, and electronics industries (Sari & Ika, 2024).

Furthermore, according to the Indonesian Ministry of Home Affairs, the IK-CEPA includes important provisions that can provide greater convenience and opportunities for Indonesia, particularly in entering the services market in South Korea (Ministry of Trade of the Republic of Indonesia, 2024). Several previous studies have examined the macroeconomic impacts of CEPA, including increased trade value, investment, and opportunities for MSMEs (Bila & Wijayati, 2022; Maulidita & Darmanto, 2024; Purwanto, 2024). However, studies that comprehensively discuss strategic aspects, such as technology transfer, human resource development, geopolitical challenges, and legal certainty in their implementation, are still limited. In addition, the analytical approach used tends to be descriptive without visualisation support that can show thematic maps and trends in related literature.

Based on the identified gap, this study aims to fill it. It provides answers to the formulation of problems related to the opportunities and challenges of implementing the Korea-Indonesia CEPA through a qualitative approach using secondary data. In addition, this study explores not only the trade aspect but also the investment, industrial transformation, and the relevance of sustainable bilateral economic policies. Thus, this study is expected to contribute to strengthening the literature on international economic relations, as well as providing a broader picture of the direction of inclusive bilateral economic policies.

The novelty of this study lies in its analytical emphasis on the strategic implications of the Korea-Indonesia Comprehensive Economic Partnership Agreement (CEPA), moving beyond descriptive assessments of trade flows or macroeconomic indicators. While previous studies have largely focused on tariff reduction and investment statistics, this article contributes by examining how CEPA reshapes industrial competitiveness, facilitates technology transfer, and influences the political economy of bilateral relations. In doing so, the paper not only highlights Indonesia's opportunities to strengthen its agricultural, manufacturing, and digital sectors but also identifies the challenges of regulatory harmonization, global economic uncertainty, and domestic capacity gaps. Based on this orientation, the central research question addressed in this study is: *What are the strategic opportunities and challenges posed by the Korea-Indonesia CEPA in shaping bilateral trade and investment relations?* This question guides the analysis in exploring both the immediate benefits and the structural constraints that determine the long-term sustainability of the agreement.

To answer this question, the article is structured as follows. The next section outlines the analytical framework, situating the discussion within the literature on international political economy and trade liberalization theory. This is followed by the methodology section, which explains the qualitative content analysis of secondary data. The subsequent section presents the results and discussion, analyzing the opportunities and challenges of CEPA while comparing them to similar agreements such as IA-CEPA and Indonesia-EU CEPA. The final section concludes by summarizing the findings, discussing their theoretical contributions, and offering recommendations for both policymakers and future research.

Theoretical Framework

The analysis of the Korea-Indonesia Comprehensive Economic Partnership Agreement (CEPA) requires an appropriate conceptual lens to move beyond descriptive accounts of bilateral trade and investment. This study employs an analytical framework that combines perspectives from international political economy (IPE), trade liberalization theory, and the concept of

regionalism in economic integration. These frameworks are essential to situate CEPA not merely as a technical trade agreement, but as a political–economic instrument that shapes state interests, domestic industrial structures, and broader patterns of regional cooperation.

From the perspective of international political economy, CEPA can be seen as a product of the interaction between domestic interests and the external environment. States are not merely passive actors adjusting to global market forces; they actively negotiate agreements to secure comparative advantages and protect vulnerable sectors. As Gilpin (2001) emphasizes, IPE highlights the intersection of power and wealth in shaping economic policy, meaning that CEPA should be analyzed in terms of both its distributive consequences and its strategic significance for Indonesia–Korea relations. In this regard, the agreement reflects an effort by Indonesia to enhance its bargaining position in East Asia while Korea seeks to consolidate its supply chains and investment networks in Southeast Asia.

Trade liberalization theory provides another important lens for understanding CEPA. According to Krugman and Obstfeld (2009), the logic of liberalization lies in reducing trade barriers to increase efficiency, stimulate competition, and maximize welfare. However, liberalization does not operate in a vacuum; its benefits and costs are unevenly distributed across sectors and actors. CEPA illustrates this tension: on the one hand, the reduction of tariffs and non-tariff barriers opens new opportunities for Indonesian exports in agriculture, fisheries, and resource-based industries; on the other hand, it exposes domestic industries to intensified competition from Korean manufactured goods and technology-intensive products. This duality highlights that trade liberalization must be critically assessed not only for aggregate efficiency gains but also for its implications for national development strategies.

A third conceptual foundation is the literature on regionalism and preferential trade agreements (PTAs). As argued by Ravenhill (2017), the proliferation of bilateral and regional trade agreements represents a form of “new regionalism” where states pursue flexible, issue-specific partnerships rather than comprehensive multilateral frameworks. CEPA, in this sense, is not simply a bilateral economic deal but part of Indonesia’s broader strategy to diversify its economic partnerships beyond traditional partners such as China, Japan, or the European Union. By engaging Korea through CEPA, Indonesia seeks to embed itself within Northeast Asia’s production networks while also leveraging the agreement to attract foreign direct investment (FDI) and promote industrial upgrading.

The theoretical framework also draws on concepts of strategic economic partnerships. Baldwin (2011) argues that trade agreements increasingly carry strategic and geopolitical functions, especially when they involve asymmetries in technological capacity and market access. For Indonesia, CEPA provides not only a channel to expand exports but also a means to access Korean expertise in high-tech sectors such as electronics, automotive, and digital infrastructure. For Korea, the agreement secures access to Indonesia’s vast natural resources and growing consumer base. The asymmetrical yet complementary nature of this relationship underscores the importance of analyzing CEPA as a strategic bargain rather than merely an economic transaction. Operationalizing these theoretical perspectives, the framework in this study focuses on three analytical dimensions. First is the distributional dimension, which examines who benefits and who loses from CEPA within each country. This includes assessing the impact on Indonesian smallholders and SMEs compared to large-scale industries and foreign investors. Second is the

institutional dimension, which considers how CEPA interacts with domestic regulations, legal frameworks, and governance structures. This is particularly relevant in Indonesia, where regulatory inconsistencies often hinder the effectiveness of trade agreements. Third is the strategic dimension, which situates CEPA within broader geopolitical and regional dynamics, including Korea's "New Southern Policy" and Indonesia's aspiration to become a hub in ASEAN economic integration.

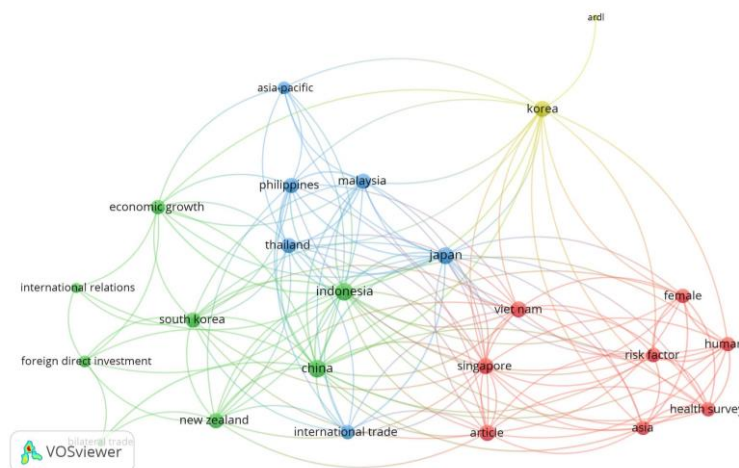
In sum, this theoretical framework integrates IPE, trade liberalization, and regionalism to analyze the opportunities and challenges of CEPA. It emphasizes that bilateral trade agreements are not merely economic tools but are embedded in political strategies, institutional arrangements, and social distributional effects. By applying this framework, the study contributes to a more nuanced understanding of how CEPA shapes bilateral relations and what its long-term implications are for both Indonesia and Korea.

Methods

This article is qualitative research using secondary data. Data in the form of academic journals were obtained from the Scopus database source by entering the keywords "Korea", "Indonesia", and "Bilateral". Additionally, news and press releases from related ministries in Indonesia were also used as supplementary information. The inclusion criteria for selecting literature were based on the relevance of the topic to economic cooperation between the two countries and the relevance of publications from the last five years. After being collected, the data in the form of journals was managed using Mendeley to be compiled and converted into RIS file format. This file was then processed using VOSviewer software to visualise thematic relationships and keyword frequencies in the analysed literature.

Data analysis techniques were employed using VOSviewer to support the visualisation of themes in the literature. Additionally, Typeset was utilised as a tool to evaluate the logical structure of arguments, consistency of reference formats, and validity of scientific citations used in the article. The visualisation results helped authors identify key themes and trends related to the research. The VOS results are presented in Figure 1 below.

Figure 1. Korea – Indonesia Bilateral Co-occurrence



The image above shows a relatively small network of related keywords, where the keywords that appear together with Korea-Indonesia-Bilateral are international trade, economic growth, Japan, Malaysia, Thailand, Singapore, China and others. Along with that, this study explores the bilateral relations between Korea and Indonesia, as well as the opportunities and challenges that arise from cooperation between the two countries.

Result and Discussion

The Comprehensive Economic Partnership Agreement (CEPA) is a comprehensive agreement with a broad scope, encompassing various issues, including provisions for trade in goods, services, investment, and cooperation across multiple sectors, ranging from technology to sustainable development (Leave a comment, 2022). According to Agus Suparmanto, Minister of Home Affairs of the Republic of Indonesia, IK-CEPA will strengthen Indonesia's position in the eyes of foreign investors, enhance the competitiveness of local industries, and position Indonesia as a major player in the global supply chain. Additionally, Korea views Indonesia as a significant opportunity due to its strategic location within ASEAN. It has the ambition to make Indonesia a new production centre to reach the Southeast Asian market (Ministry of Trade of the Republic of Indonesia, 2020). Based on this, the following opportunities are available for implementing CEPA.

Opportunities of Korea and Indonesia: Bilateral Trade and Investment in CEPA

There are several opportunities for cooperation between Korea and Indonesia in the bilateral trade and investment aspects, particularly in the implementation of CEPA. These can be described as follows:

First, Market expansion and competitive advantage. This cooperation can enhance each other's competitive advantage, allowing South Korea to expand its electronics and automotive markets. At the same time, Indonesia has the opportunity to develop exports of agricultural and textile products (Fan et al., 2023). This synergy allows both countries to integrate production networks more efficiently and strategically.

In addition, CEPA is considered a strategic instrument for Indonesia in reducing the trade balance deficit (Murtasidin, 2021), as reflected in the implementation of the Indonesia–Australia CEPA. The experiences of other countries also demonstrate that CEPA can drive economic transformation. For example, CEPA has contributed to improving the industrial structure in underdeveloped regions such as Guangdong, China, through the services trade sector.(Goh et al., 2024). Likewise, in the Vietnam–UAE CEPA cooperation, which has proven capable of expanding Vietnam's garment export market (Diep, 2023). These experiences reinforce the belief that cooperation between Indonesia and Korea through IK-CEPA has the potential to produce similar impacts, particularly in expanding export markets and fostering innovation in Indonesia's key sectors.

CEPA plays a crucial role in eliminating tariffs and other trade barriers (EFTA, 2021). The implementation of IK-CEPA enables the elimination of approximately 11,687 tariff items on Indonesian export products to Korea, and vice versa. Korea eliminates up to 95% of its tariff items, while Indonesia eliminates 92% of the tariff items on products from Korea (Umaira, 2022). Another relevant example is the Indonesia-EU CEPA, which provides an opportunity for

Indonesia's main export products, such as CPO and agricultural products, to overcome high regulatory and tariff barriers (Leave a comment, 2022). Reflecting on the Indonesia-EU CEPA, the IK-CEPA has the potential to increase export access to the Korean market for key commodities such as agricultural products, fisheries, coal, and palm oil (CPO), which have so far faced regulatory challenges and high tariffs. Likewise, Korea will gain easier access to strategic industrial raw materials from Indonesia, such as nickel for electric vehicle batteries and coal for energy, considering that Korea's nickel needs continue to increase annually due to its massive production of electric vehicles (Choi et al., 2024). This wider market access strengthens the position of both countries in regional and global supply chains.

Second, increasing foreign investment and the competitiveness of MSMEs. CEPA can encourage increased foreign investment by creating a stable business environment (Hsieh, 2023). Indonesia can utilise this cooperation to support the growth of Micro, Small, and Medium Enterprises (MSMEs), as well as increase the value of Foreign Direct Investment (FDI) from Korea to Indonesia (Maulidita & Darmanto, 2024). The experience of Indonesia-EU CEPA cooperation demonstrates that this type of agreement can open up investment opportunities by strategically utilizing local human resources (Damuri et al., 2014; Manurung, 2018).

This increased investment has a direct impact on job creation and reducing unemployment rates, because CEPA not only affects Indonesia but also has a strategic position for the expansion of South Korean manufacturing and automotive products (Jang & Oh, 2023). Through IK-CEPA, Korea gains wider market access. Meanwhile, Indonesia benefits from increased Korean investment, especially in the manufacturing and digital sectors. This investment not only creates new job opportunities but also fosters the development of domestic industries and accelerates technology transfer (Maulidita & Darmanto, 2024).

Additionally, CEPA creates opportunities for services, investment exchanges, and various economic collaborations (Kanojia et al., 2024). In this context, the IK-CEPA, as a comprehensive agreement, has the potential to strengthen two-way investment flows between Indonesia and Korea. This condition enables diversification of investment sources, which in turn can enhance the economic resilience of both countries (Pratama & Yuliana, 2024).

Third, technology transfer and human resource development. CEPA has a strategic dimension in encouraging technology transfer and increasing human resource (HR) capacity. This agreement not only strengthens economic relations but also encourages industrial transformation through increasing innovation capacity (Shilin, 2023). Experience in the Guangdong region of China, where investment and collaboration with partner countries have been able to drive increased local industrial capacity. In Indonesia, the Indonesia-EU CEPA has facilitated technology transfer through increased trade flows, with Indonesia importing numerous service products, including transportation, information and communication technology, computers, and other services that meet the domestic economic sector's needs (Damuri et al., 2021).

In the context of IK-CEPA, a real example is seen in the collaboration between Indonesia Battery Corporation (IBC) and Hyundai, which opens up access to electric vehicle and battery technology (Mustafa Zen et al., 2024). This strengthens the role of CEPA as a pathway for investment and technology transfer, as also reflected in the Indonesia–Australia CEPA, which focuses on the green economy (Shaommy & Paksi, 2024). The previous cooperation

agreement between Indonesia and Korea in the defence equipment project also set a positive precedent for technological cooperation in IK-CEPA (Putra et al., 2022). On this basis, cooperation in IK-CEPA has the potential to facilitate technology transfer through FDI, particularly in the manufacturing and technology sectors, by constructing production facilities, training the workforce, and integrating into the global supply chain.

Korea's determination to become a leader in technology development (Stangarone, 2021)—reflected in its technology production and distribution ecosystem—opens up strategic opportunities for Indonesia. With Korea's reputation as the OECD country ranked first in digital technology mastery (Hunt, 2024), as well as Indonesia's increasingly progressive development of digital transformation, collaboration in the technology sector through IK-CEPA can accelerate the modernisation of the domestic industry. Moreover, Indonesia has shown significant improvement over the last decade, prompting the government to continue responding to the development of digital technology through various regulations and policies (COMDIGI RI, 2024).

Challenges of Korea and Indonesia: Bilateral Trade and Investment in CEPA

First, economic uncertainty. Essentially, CEPA has significant potential to enhance trade. However, in the context of IK-CEPA, there is a risk that Indonesia may not be able to achieve a trade balance surplus, which could impact national economic stability (Maulidita & Darmanto, 2024). Indonesia faces several economic consequences if it fails to achieve a trade surplus under the CEPA framework. One of the main risks is the widening trade deficit, which may evolve into a structural trap in which economic imbalances persist even after infrastructure projects are completed, without being accompanied by an increase in productivity (Chang, 2022). Such a condition can heighten dependence on foreign capital and increase the risk of currency depreciation, which in turn makes imports more expensive (Torkington, 2023). In addition, the trade deficit negatively affects the domestic industrial sector, which struggles to compete with imported products, thereby reducing its capacity to absorb labor and leading to potential job losses. Furthermore, this imbalance may prompt the Central Bank to adopt monetary policies such as raising interest rates in order to attract foreign investment and stabilize the exchange rate. However, such measures carry negative consequences, as they may slow down national economic growth (Administrator, 2024). Thus, the failure to achieve a trade surplus in the CEPA framework not only generates macroeconomic challenges but also has broader implications for industrial competitiveness, labor resilience, and the overall stability of Indonesia's economic development.

Second, geopolitical issues. South Korea is a country with a higher level of development than Indonesia, which creates the potential for an imbalance in the implementation of IK-CEPA. For example, in the context of the trade balance, Indonesia faces a major challenge in achieving a surplus against South Korea (Maulidita & Darmanto, 2024). In addition, Indonesia also still needs to increase the value of foreign direct investment from Korea (Bila & Wijayati, 2022; Maulidita & Darmanto, 2024).

Additionally, the disparity in the equivalence of positions between Indonesia and South Korea complicates tariff negotiations. This imbalance can lead to uneven tariff burdens, hindering market access and investor protection, and thereby reducing the effectiveness of trade

facilitation (Rahim & Sudirman, 2023). On the other hand, the reactivation of IK-CEPA after it was suspended also reflects not only the existence of a deadlock, but also the previous results, which were considered less than optimal in aligning the national interests of the two countries (Cholif & Paksi, 2022). Therefore, although IK-CEPA offers significant economic opportunities, geopolitical challenges still necessitate a strategic approach and careful economic diplomacy to narrow the implementation gap.

Third, legal certainty. One of the challenges in implementing IK-CEPA is legal certainty. Without clear and consistent regulations, the implementation of IK-CEPA is at risk of facing obstacles at the implementation level. This is reflected in Indonesia's experience in exploring a comprehensive partnership agreement with the European Union, where there are demands to guarantee legal certainty in aspects such as democracy, human rights, social justice, and environmental sustainability, in order to prevent exploitative economic expansion (Katriana & Mutiasari, 2023).

Certainty Law is also a major factor considered by foreign investors, especially regarding licensing and dispute resolution mechanisms. Legal ambiguity can impact investor confidence and the sustainability of long-term investments (Taduri, 2021).

In the context of the IK-CEPA, the inconsistency or bias of legal arrangements can trigger losses for parties in weaker positions, such as small and local business actors, and can give rise to resistance to the implementation of the agreement, as has happened in several agrarian disputes in Indonesia (Hazucha, 2016; Mulyanti et al., 2025). If there is legal inconsistency between IK-CEPA and national law, it has the potential to cause conflict, especially in areas where legal certainty is already fragile, such as agrarian affairs and corruption (Arum, 2024; Mulyanti et al., 2025).

The problem is further complicated because the agreement is faced with regulations that often overlap between the centre and the regions. For example, in the case of investment in North Sumatra, Presidential Decrees No. 28 and 29 of 2004 are considered to conflict with the Regional Government Law, which delegates investment authority to the regions. Both Presidential Decrees withdraw this authority back to the centre, creating bureaucratic confusion and hampering investment services (Nasution, 2019). Similar problems also occur in the tourism sector, especially in the context of investment. The National Legal Development Agency (BPHN) said that Indonesia must overcome the problem of overlapping regulations, where Law Number 25 of 2007 states that business permits can be obtained through the One-Stop Integrated Service (PTSP), while Government Regulation Number 24 of 2018 requires the issuance of business permits to be carried out through the Online Single Submission (OSS) system. This lack of synchronisation creates procedural dualism that confuses business actors and is exacerbated by the division of authority between the central, provincial, and district/city governments in the regulation which is only limited to the territorial aspect, without a clear description of technical authority in other investment aspects, which adds complexity and legal uncertainty in the implementation practices in the field (BPHN Public Relations, 2023).

In the context of IK-CEPA, overlapping regulations like this can disrupt the smooth progress of the commitment agreement. Due to the lack of synchronization between the centre and regions, or between agencies, this creates legal uncertainty that can erode trust in Indonesian regulations.

Theoretical Reflection: Trade Liberalization and International Political Economy

The findings of this study on the Korea–Indonesia CEPA invite a broader theoretical reflection on the dynamics of trade liberalization and international political economy (IPE). While the agreement demonstrates tangible benefits in terms of market access, investment flows, and technology transfer, it also illustrates the uneven nature of globalization and the distributive consequences inherent in liberalization processes. From the perspective of trade liberalization theory, CEPA confirms that the removal of barriers can stimulate efficiency and competitiveness. Yet, the Indonesian experience highlights the paradox of liberalization: while export-oriented sectors such as agriculture and resource-based industries gain access to new markets, domestic manufacturing often struggles to compete with technologically advanced imports from Korea. This dual outcome reflects Krugman and Obstfeld's (2009) assertion that the welfare gains of liberalization are not uniformly distributed but depend on sectoral comparative advantage.

Within the IPE framework, CEPA also demonstrates how economic agreements are deeply embedded in power relations and strategic considerations. For Korea, CEPA is not only about lowering tariffs but also about consolidating its role within Southeast Asia's supply chains and securing critical resources. For Indonesia, the agreement represents both an opportunity and a constraint: while it provides a platform for industrial upgrading and foreign direct investment, it also reinforces dependency on external capital and technology. This dynamic echoes Gilpin's (2001) argument that economic interdependence is often asymmetrical, with stronger economies shaping the terms of exchange to their advantage.

Furthermore, CEPA illustrates the contemporary trend of bilateralism in the global trading system, often described as part of the "new regionalism." As Ravenhill (2017) observes, states increasingly rely on bilateral or minilateral agreements to navigate the slow progress of multilateral negotiations under the World Trade Organization. CEPA reflects this pragmatic turn, allowing Indonesia and Korea to pursue sector-specific cooperation without waiting for broader multilateral consensus. Yet, such bilateralism also risks fragmenting the global trading order and reinforcing hierarchies between developed and developing economies.

In theoretical terms, the case of CEPA underscores the need to conceptualize trade agreements not merely as instruments of economic liberalization but as arenas of political negotiation and strategic positioning. The liberalization achieved through CEPA is thus inseparable from the politics of power, dependency, and institutional adaptation. By situating CEPA within the dual lenses of trade liberalization and IPE, this study contributes to ongoing debates about how global trade governance operates in practice and how states balance economic openness with developmental sovereignty.

Conclusion

IK-CEPA is a comprehensive agreement that presents significant opportunities for Indonesia to expand market access, increase foreign investment, and foster technology transfer and human resource development. This agreement has the potential to strengthen Indonesia's national competitiveness and position in the global supply chain. However, the implementation of IK-CEPA faces significant challenges, including economic uncertainty, unequal positions in

cooperation due to geopolitical dynamics, and problems of legal certainty characterised by overlapping regulations and weak coordination between institutions.

Theoretically, the findings enrich the literature on international economic relations by positioning CEPA as a multidimensional mechanism that links trade liberalization with strategic considerations of power, resilience, and interdependence. This contribution highlights the importance of analyzing trade agreements not only through the lens of tariff reduction but also as tools for long-term political and economic positioning. Empirically, the study offers added value by presenting an analysis based on actual post-implementation data (2023–2024), which allows for a more concrete assessment of CEPA's early impact on bilateral trade and investment flows. The evidence shows significant opportunities in market expansion, technology transfer, and sectoral cooperation, while also identifying persistent challenges such as competitiveness gaps and regulatory uncertainties. By grounding the discussion in current developments, this study provides a timely contribution to both academic debates and policy deliberations.

The main limitation of this study is that the status of IK-CEPA has only been running for one year, so the impact study is preliminary and relies more on secondary data and prospective analysis. Further research is recommended to empirically examine the implementation of IK-CEPA in the medium to long term, to obtain a more comprehensive picture of its effectiveness and challenges. The success of this agreement ultimately depends on Indonesia's ability to strengthen domestic regulations, ensure legal certainty, and create a conducive and inclusive investment climate for all national economic actors.

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