

ANALYZING THE UNDERLYING FACTORS OF INDONESIA'S DECISION TO SIGN THE INDONESIA-PERU COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (IP-CEPA)

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DOI: [10.53866/jimi.v5i6.1058](https://doi.org/10.53866/jimi.v5i6.1058)

Abstract

This article explains why Indonesia decided to sign the Indonesia-Peru Comprehensive Economic Partnership Agreement by applying Solis and Katada's three-motive lens: economic, security, and leverage. The study uses a qualitative desk review with thematic analysis and triangulation of official documents, negotiation records, and 2020-2025 trade statistics. The case shows a rapid process from the first formal round in May 2024 to the conclusion in August 2025 and signature on 11 August 2025. Economically, the agreement addresses discrimination risks by removing most tariffs at entry into force, with Peru covering about 90,68% of lines and Indonesia about 92,26%, and by clarifying rules of origin, customs, and cooperation on technical barriers to trade and sanitary and phytosanitary measures. Security motives are visible in the presidential ceremony tied to 50 years of diplomatic relations, a joint declaration, and a parallel cooperation memorandum that widens cross-regional engagement with an American Latin partner. Leverage motives appear in goods-first sequencing, reusable chapter designs, and committee structures that build capacity for later talks. This further implies the need for further policy adjustment from the Indonesia government in terms of adjusting the implementation process, providing a comprehensive help desk, and improving coordination among various stakeholders.

Keywords: *Indonesia-Peru CEPA, cross-regional FTA, trade agreement*

Menganalisis Faktor-Faktor Dasar di Balik Keputusan Indonesia untuk Menandatangani Perjanjian Kemitraan Ekonomi Komprehensif Indonesia-Peru (IP-CEPA)

Abstrak

Artikel ini menjelaskan mengapa Indonesia menandatangani Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA). Temuan utama dari artikel ini adalah penjelasan alasan Indonesia menandatangani kerjasama IP-CEPA dari tiga kerangka analisis jenis motif cross-regional trade agreement Solis dan Katada yaitu: *economic, security, dan leverage*. Secara ekonomi, perjanjian ini mengurangi risiko diskriminasi MFN melalui penghapusan tarif pada sebagian besar tariff lines saat entry into force (Peru sekitar 90,68% dan Indonesia sekitar 92,26%, serta penegasan rules of origin (ROO), customs and trade facilitation, dan kerja sama pada *technical barriers to trade* (TBT) serta *sanitary and phytosanitary* (SPS). Motif keamanan terlihat dari adanya tujuan untuk memperluas cross-regional engagement dengan mitra di kawasan Amerika Latin. Motif *leverage* tercermin pada goods-first sequencing, reusable chapter designs, dan committee structures yang membangun capacity untuk perundingan berikutnya. Implikasi selanjutnya adalah perlunya penyesuaian kebijakan lebih lanjut dari pemerintah Indonesia dalam hal proses implementasi, penyediaan pusat bantuan dan informasi yang komprehensif, dan peningkatan koordinasi di antara berbagai

pemangku kepentingan.

Kata Kunci: Indonesia-Peru CEPA, perdagangan lintas kawasan, perjanjian perdagangan

1. Introduction

Free trade agreements, and especially Cross-regional free trade agreements, have grown in number and scope over the past two decades (See Figure 1). Within these trends, governments use such agreements to expand market access, reduce discrimination that arises from existing preferences elsewhere, and manage exposure to shocks (Baier & Bergstrand, 2004; Bhagwati & Panagariya, 1996; Ethier, 2007; Maggi & Rodríguez-Clare, 2007; Tejedor Estupiñán, 2017). In addition, cross-regional ties help countries build reliable partnerships outside their immediate neighbourhood. In practice, these agreements combine economic aims with wider strategic goals, and they often create templates that can be reused in later talks (Rodrik, 2018).

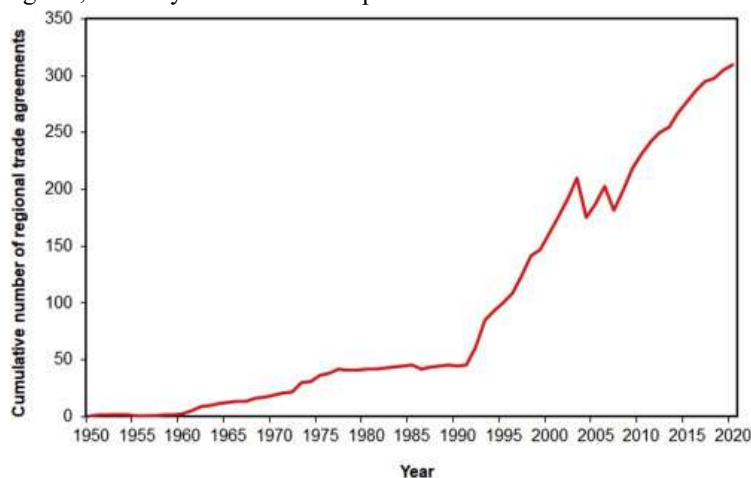


Figure 1. Cumulative number of regional trade agreements in force since 1950

Source: Hulme, 2021

Indonesia, as a pivotal player in ASEAN, has moved in this direction as well. Beyond ASEAN and Asia, Indonesia has signed various cross-regional trade agreements (See Table 1), including the Indonesia-Chile Comprehensive Economic Partnership Agreement and is also signing CEPA agreements with Canada and the European Union. Furthermore, Indonesia has also signed a CEPA agreement with Peru (IP-CEPA), a state that is located in the Latin American region. In this setting, the agreement with Peru is Indonesia’s second partnership in Latin America. Consistent with a phased approach, the Indonesia-Peru CEPA starts with trade in goods and schedules talks on services and investment after two years, which allows early, measurable gains while laying a path for broader coverage.

Table 1. Indonesia’s Recent Cross-regional CEPA Agreement

Agreement	Milestone	Date	Evidence
Indonesia-Chile CEPA (IC-CEPA)	Agreement signed	14 Dec 2017	Indonesia’s trade ministry page for Chile notes the IC-CEPA was signed on 14 December 2017. (Ditjen PPI, 2025)
	Entry into force	10 Aug 2019	Same page states implementation started on 10 August 2019. (Ditjen PPI, 2025)
	Services agreement signed	21 Nov 2022	Same page records the separate services signing on 21 November 2022. (Ditjen PPI, 2025)
Indonesia-Peru CEPA (IP-CEPA)	Agreement signed	11 Aug 2025	Presidential and state-secretariat releases confirm the IP-CEPA signing in Jakarta. (Presiden Republik Indonesia, 2025)

Indonesia-Canada CEPA (ICA-CEPA)	Agreement signed	24 Sep 2025	Global Affairs Canada shows the CEPA status as Signed as of 2025-09-24. (Global Affairs Canada, 2021)
EU-Indonesia CEPA (IEU-CEPA)	Negotiations finalised	23 Sep 2025	EU pages and factsheet state negotiations were finalised on this date, announced in Bali. (European Union, 2025)

However, despite the broader momentum in Indonesia's cross-regional policy, the Indonesia-Peru case is less examined in the academic discourse than Indonesia-Chile and other large partners. Thus, to address this gap, this article seeks to explain the motives of Indonesia's decision to sign the CEPA agreement with Peru using Solis and Katada's framework of three motives in cross-regional trade agreement policy: economic, security, and leverage. The negotiation of the agreement itself was launched in 2023, held four formal rounds starting on 27-30 May 2024 in Lima, reached a conclusion on 6 August 2025, and was signed on 11 August 2025 in Jakarta in the presence of both presidents (Djumena, 2025; Kementerian Perdagangan, 2025). Taken together, the analysis will draw on trade and policy evidence from 2020 to 2025 and show how these motives interact in the decision to sign the Indonesia-Peru CEPA. The result of this article's findings is expected to help explain why Indonesia made such a decision to sign a CEPA agreement with Peru.

1.1. Literature Review

Free trade has long been debated in terms of how much markets and states should do. From a classical view, Smith and Ricardo argued that specialisation and exchange raise welfare when governments keep intervention limited, whereas Friedrich List stressed that states shape productive forces and human capital and thus cannot be absent from development policy (Levi-Faur, 1997). Building on this debate, some works in academia link trade agreements to both price and non-price channels, since tariff cuts interact with rules, standards, and facilitation that lower fixed costs for firms. In parallel, proximity has often been viewed as a driver of regional trade, yet the evidence is mixed. Siddique (2007) noted that geography can support cooperation, while Cai (2010) and earlier work by Yeung (2009) showed that similarity in export structures within ASEAN has limited intra-regional gains. Consequently, scholars began to look beyond geography when explaining why countries sign trade agreements with distant partners.

Within this broader turn, Katada and Solis (2008) argued that cross-regional agreements reflect three interacting motives. The economic motive expands market access and counters trade or investment diversion by offering preferences and clearer procedures. The security motive manages strategic risks by reinforcing ties with credible partners and by reducing isolation through cooperative initiatives that project a benign leadership image. The leverage motive creates precedents and builds capacity that can strengthen a country's position in later negotiations and help lock in domestic reforms. In this view, cross-regional deals are not anomalies to be explained away by distance. Rather, they are tools that combine commercial aims with signaling and institution-building in settings that are less burdened by historical disputes.

Country cases further illustrate how these motives play out. Yang (2009) documented how China, after joining the WTO, turned to cross-regional agreements with partners such as Chile, New Zealand, and Australia to advance its peaceful-rise narrative while deepening market access. Similarly, studies of smaller and middle powers describe how governments seek both price advantages and status benefits when they branch out beyond their neighborhoods (Albertoni, 2025; Lee, 2022). In line with this reasoning, recent Indonesian scholarship links partner choice to the joint pursuit of preferences, predictable rules, and outward-looking signaling.

Turning to Indonesia, researchers have traced a shift from a near-regional focus to a more cross-regional network. Musfiroh shows that the Indonesia-Chile CEPA fits a mixed-motive pattern in which market-seeking aims, such as avoiding discrimination against manufactures, sit alongside a desire to project reliability and leadership in Southeast Asia (Musfiroh, 2024; Sidharta et al., 2025). Complementing this, a quantitative assessment of Indonesia-Chile trade reports higher two-way flows after entry into force, while the bilateral balance remains broadly stable, which is consistent with rising preference use and improved procedures. Taken together, these works align with Solis and Katada's view that economic, security, and leverage motives operate together in partner selection and agreement design.

However, despite this growing body of research on Indonesia's recent agreements, one gap remains clear. Existing studies discuss Indonesia's Cross-Regional Trade Agreement cases, such as Indonesia-Chile,

Indonesia-EU, and other FTA agreements (Hennessy & Poppy, 2022; Juned & Sutiono, 2024; Limenta, 2022), in detail, yet none provide a focused analysis of the Indonesia-Peru CEPA. Therefore, this article addresses that gap by assessing Indonesia-Peru within the three-motive framework and by drawing on recent trade and policy evidence to explain why Indonesia proceeded with this cross-regional agreement.

1.2. Analytical Framework

This article adopts the Katada & Solis (2008) framework that treats cross-regional trade agreements as instruments driven by three linked motives: economic, security, and leverage. In this view, countries choose distant partners not only for tariff cuts, but also to manage strategic relations and to build capacity for future negotiations. The three motives interact and often work together in a single agreement.

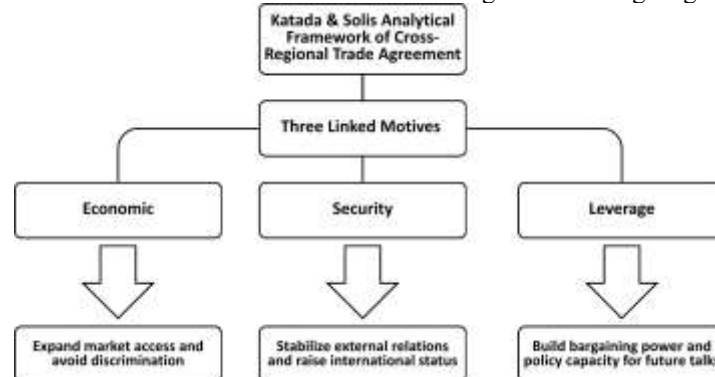


Figure 2. Katada and Solis' Analytical Framework of Cross-Regional Trade Agreement

Source: Katada & Solis, 2008

The economic motive concerns market access and the avoidance of discrimination that arises when competitors already enjoy preferences. It also covers non-tariff features that lower fixed costs for firms, including rules of origin, customs procedures, and trade facilitation. Accordingly, the analysis treats tariff preferences and procedural clarity as the main channels for gains and considers how these channels fit Indonesia's current export basket to Peru.

The security motive addresses the stability of external relations and the signaling value of cooperation. Cross-regional agreements can reduce the risk of isolation, reinforce ties with credible partners, and support an image of benign leadership through practical economic collaboration. In this sense, the case is examined for signs of status and reliability, including the speed and level of diplomacy, joint statements and memoranda that accompany the agreement, and references to wider forums such as APEC alongside South-South cooperation narratives.

The leverage motive views cross-regional agreements as tools that create precedents and build capacity that strengthen a country's position in later talks. Because such negotiations often proceed in settings less burdened by historical disputes, they provide room for learning and for locking in administrative improvements at home. The assessment therefore, looks for new or upgraded provisions that could serve as a model elsewhere, evidence of inter-agency coordination and faster drafting cycles, and early steps that anchor domestic implementation. Furthermore, these motives do not operate in isolation. Rather, they tend to reinforce each other. An assertive cross-regional approach may combine leadership signaling with efforts to maximize market gains, while a defensive approach may focus on countering diversion while securing reliable partners. This interaction lens guides the interpretation of Indonesia-Peru CEPA.

2. Method

This article uses a qualitative approach with a desk review and thematic analysis, since the aim is to explain Indonesia's choice by tracing linked economic, security, and leverage motives rather than to estimate causal effects (Barbieri et al., 2025; Squires, 2023). The design combines document analysis and descriptive trade profiling so the evidence can be read against the three-motive framework in a transparent way (Vaismoradi et al., 2013). Accordingly, the unit of analysis is the policy process around the Indonesia-Peru CEPA, while the key observations are official statements, agreement texts and scope notes, tariff-coverage figures, and bilateral trade patterns that relate directly to the propositions.

The data come from public sources, and the core materials include official releases and speeches from both governments, negotiating updates and fact sheets, and the agreement's chapters and scope notes as they become available. Only a few sources from reputable research journals are used because of the limitations of the existing research in the Indonesia-Peru CEPA case. Furthermore, to capture the economic channel, the article compiles tariff-coverage figures and rules-of-origin and customs provisions, then links them to Indonesia-Peru trade statistics for 2020 to 2025 at the harmonised system (HS) section level and selected HS-4 product lines that reflect current strengths. To capture the security channel, the article collects the negotiation timeline, the level of diplomatic engagement at each stage, joint declarations, and parallel memoranda. To capture the leverage channel, the article identifies provisions that appear new or upgraded relative to Indonesia's prior cross-regional agreements and documents any implementation roadmaps that suggest capacity building.

The procedures follow a clear sequence. First, a timeline of the negotiation and policy milestones is built to structure the narrative and to anchor security-related signals. Second, bilateral trade is profiled by the HS section for 2020 to 2025, with selected HS-4 lines added where concentration is high or policy relevance is clear, so the economic baseline is concrete. Third, tariff-coverage commitments are extracted from official notes and, where possible, matched to those trade profiles to identify priority sectors that are most likely to gain from preference margins and clearer procedures. Fourth, official remarks, communiqués, and concurrent agreements are coded for security-signalling content, including references to cross-regional partnership, South-South cooperation, APEC or Pacific linkages, and leadership or reliability claims. Fifth, the agreement text and implementation notes are reviewed to identify provisions that could serve as reusable templates in later talks, such as rules-of-origin documentation, digital customs practices, and structured TBT or SPS work programs. Throughout, the coding scheme aligns with the three motives so each piece of evidence is linked to a defined indicator.

3. Result and Discussion

3.1 Indonesia-Peru trade relations over time

The bilateral trade between Indonesia and Peru points to a steady deepening of ties in recent years. From 2020 to 2024, total trade expanded at an average annual rate of about 19,8%, signaling rising familiarity among firms and improving logistics links (Dinilhaq, 2025; Kementerian Perdagangan, 2025b). In 2024, two-way trade reached roughly USD 480,7 million, while Indonesia recorded a surplus close to USD 181,6 million (Business Indonesia, 2025). Looking ahead, momentum has continued into the current year, since trade in the first half of 2025 stood near USD 264,8 million and grew by about 34,3% year on year. Taken together, these figures indicate a relationship that is both expanding and resilient, which provides a strong baseline for the agreement (Syifa, 2025).

Table 2. Trade from Indonesia to Peru

Period	Indonesia Exports	Indonesia Imports	Total Trade	Indonesia Surplus
Jan-Jun 2025	US\$ 206,4 million	US\$ 58,4 million	US\$ 264,8 million	US\$ 148,0 million
2024	US\$ 331,2 million	US\$ 149,6 million	US\$ 480,7 million	US\$ 181,6 million
2023	US\$ 367,4 million	US\$ 77,0 million	US\$ 444,4 million	US\$ 290,4 million
2022	US\$ 442,7 million	US\$ 111,8 million	US\$ 554,5 million	US\$ 330,9 million

Source: Processed by Author from Multiple Sources

On the export side, Indonesia's 2023 shipments to Peru were concentrated in a few manufactures and refined energy products (See Table 3). Motor cars and other motor vehicles led at US\$ 144,0 million and formed the anchor of the flow (Kementerian Perdagangan, 2025b). Biodiesel and mixtures followed at US\$ 31,8 million, reflecting processed palm-based fuel products. Consumer goods then dominated: footwear with textile uppers reached US\$ 30,5 million, and footwear with leather uppers totaled US\$ 14,4 million. Uncoated paper and paperboard contributed US\$ 13,2 million. This pattern points to comparative strengths in vehicles, processed energy derivatives, footwear, and paper, which are well placed to scale under preferential access.

Table 3. Indonesia’s Top Export Products to Peru

Product	Export Value (2023)
Motor cars and other motor vehicles	US\$ 144,0 million
Biodiesel and mixtures thereof	US\$ 31,8 million
Footwear with textile uppers	US\$ 30,5 million
Footwear with leather uppers	US\$ 14,4 million
Uncoated paper and paperboard	US\$ 13,2 million

Source: Kementerian Perdagangan, 2025b

On the import side, Indonesia buys a complementary basket from Peru that is rich in agri-food and resource-based goods. In 2023, cocoa beans led at US\$ 33,1 million, which reflects Indonesia’s role as a processor in regional chocolate and confectionery value chains. Grapes (fresh or dried) followed at US\$ 19,7 million, while mineral or chemical fertilizer, phosphatic, reached US\$ 8,5 million. Unwrought zinc totaled US\$ 5,36 million, and slag and dross amounted to US\$ 2,5 million. Taken together, this structure shows Peru mainly supplies raw or semi-processed inputs for Indonesian industries and seasonal agri-food products for consumers, while Indonesia supplies finished manufactures and selected intermediate goods, indicating a natural complementarity.

Table 4. Indonesia’s Main Imports from Peru

Product	Import Value (2023)
Cocoa beans	US\$ 33,1 million
Grapes (fresh or dried)	US\$ 19,7 million
Mineral or chemical fertilizer, phosphatic	US\$ 8,5 million
Unwrought zinc	US\$ 5,36 million
Slag and dross	US\$ 2,5 million

Source: Kementerian Perdagangan, 2025b

The composition of flows also explains the persistent surplus in Indonesia’s favor. High-value vehicle shipments and steady footwear sales outweigh Indonesia’s purchases of primary commodities and agri-food. Nevertheless, the relationship remains modest relative to Indonesia’s global trade, and it is concentrated in a small set of HS chapters. Therefore, the room for growth lies both in deepening existing lines and in diversifying into adjacent categories such as auto parts, paper-based packaging, electrical machinery, and processed foods. Realizing this potential will depend on predictable market access and on procedures that keep fixed trade costs low for firms that are entering a distant market.

Finally, this baseline helps motivate the agreement’s three-motive logic. The current structure makes the economic case clear, since tariff elimination and simpler origin and customs procedures would support vehicles, footwear, textiles and apparel, paper, and selected machinery where firms already export at scale. At the same time, the pace of growth and the cross-regional setting provide a platform for security signaling through reliable partnership with a Pacific economy, while the mix of new procedures and committees can create leverage by building templates for future talks. In short, the recent trajectory sets the stage for the agreement to convert legal preferences into measurable trade, while also serving Indonesia’s wider strategic and institutional goals.

3.2. The economic motive

Tariff commitments form the core of the expected gains. Peru plans to eliminate import duties on about 90,68% of tariff lines, most to zero at entry into force, which covers roughly 7,257 products. Indonesia intends to grant preferences on about 92.26% of lines for Peruvian goods (TRT Indonesia, 2025). Taken

together, these cuts narrow the price gap that Indonesian exporters faced under most-favoured-nation treatment and align well with existing export strengths in vehicles, footwear, selected machinery, paper products, textiles, and agro-based items. As a result, the agreement addresses discrimination risks while opening space for scale in lines that are already competitive in the Peruvian market.

Rules and procedures complement the tariff offers by lowering fixed costs and improving predictability. Clear rules of origin and simplified documentation can reduce errors and processing times, while customs and trade facilitation provisions help firms plan shipments with more certainty (Syifa, 2025). This claim is also supported by Kniahin and de Melo's (2022) article, which discussed that rules of origin entail costs for producers, exporters, and customs officials. If rules of origin are "too complex" or at odds with production methods, they will undo the benefits of preferential market access. In addition, cooperation chapters on technical barriers to trade and sanitary and phytosanitary measures create avenues to resolve standards issues before they become shipment delays (Ayele et al., 2023). Together, these elements raise the likelihood that listed preferences translate into actual utilization by firms, especially in sectors where margins are sensitive to small changes in cost and time.

Priority sectors follow from the current trade structure and from the coverage profile. Vehicles and parts stand out, given their existing scale and the large share of lines moving to zero tariffs. Footwear and textiles, and apparel are also well positioned because preferential access and predictable origin documentation have historically supported orders in price-sensitive consumer goods. Palm-based products, including refined palm oil, can benefit when customs and SPS coordination reduces frictions for food and feed inputs. Consequently, these groups should anchor early export promotion once the agreement enters into force.

Furthermore, standards and conformity processes matter for converting opportunities into shipments (Ghodsi & Stehrer, 2021). TBT cooperation can support mutual understanding on labelling and testing for manufactured goods, which is especially relevant for footwear and textiles. SPS collaboration helps agro-based lines meet health and safety requirements with fewer surprises, which matters for palm-based inputs and processed food items. Moreover, facilitation provisions that encourage advance rulings and transparent customs timelines are useful for machinery and paper products that move through multi-stage supply chains. In practice, early use of these cooperation channels can prevent small administrative issues from undermining the tariff benefits.

Implementation will determine the pace of gains. Firms will need clear guidance on origin documentation and quick access to help desks that can answer procedural questions. Authorities should issue implementing regulations without delay and publish step-by-step instructions that are consistent across agencies. Outreach should focus on vehicles, footwear, textiles and apparel, palm-based products, paper, toys, and selected machinery, since these are the lines most likely to respond first. Finally, monitoring early utilization rates, identifying bottlenecks, and adjusting procedures where needed will help ensure that the legal preferences convert into measurable increases in orders and shipments.

3.3 The security motive

The security motive appears in the pace, level, and setting of the Indonesia-Peru process. The negotiation moved from the first formal round in late May 2024 to conclusion in early August 2025 and then to signature on 11 August 2025 in the presence of both presidents. In this context, the 14-month cadence and the presidential ceremony signal priority and reliability (Presiden Republik Indonesia, 2025). The timing also coincided with the fiftieth year of diplomatic relations, which links the agreement to a longer arc of cooperation rather than a one-off commercial move.

Signals were reinforced by accompanying instruments that widened the agenda beyond trade. Alongside the CEPA, the governments issued a joint declaration and signed a memorandum of understanding on narcotics cooperation (Yaputra & Hamdi, 2025). Together, these steps create channels for regular contact between agencies and deepen trust across portfolios that are sensitive for both sides. As a result, the security motive is served through broader ties that reduce the risk of political drift and provide focal points for future coordination.

Cross-regional reach strengthens the strategic message. Peru's role in APEC and participation in CPTPP give Indonesia a credible link to Pacific trade governance and to a network of partners outside its immediate neighborhood (Staszewska, 2024). The deal also complements the earlier agreement with Chile, so the two links form a small but visible platform in Latin America. Consequently, Indonesia can demonstrate engagement with peers across the Pacific while diversifying its political and economic connections.

The partnership also aligns with a South-South cooperation narrative that Indonesia has promoted for decades. Indonesia has become one of the nations that actively promotes collaboration and cooperation with various Global South countries in order to strengthen global solidarity (Triwibowo et al., 2025). Thus, collaboration with a Latin American peer supports an identity built on openness and practical problem-solving with fellow developing economies. In addition, the public framing of the agreement stresses mutual benefit and partnership rather than rivalry, which is consistent with a benign leadership image. These elements help Indonesia project reliability beyond ASEAN while keeping the tone cooperative.

Security signalling matters at home as well as abroad. A fast and orderly negotiation shows administrative capacity and inter-agency coordination, which reassures domestic stakeholders that cross-regional initiatives can be managed without disruption (Khusumawati, 2025). At the regional level, visible engagement with extra-regional partners reduces the risk of isolation in a shifting trade environment and strengthens Indonesia's claim to a constructive role in Southeast Asia. Thus, the security motive is advanced by both external messaging and internal credibility.

Furthermore, institutional design supports the durability of these signals. Committee structures, review clauses, and planned work programs provide routine venues for dialogue that can defuse frictions before they become disputes. When combined with the joint declaration and parallel cooperation instruments, these routines anchor the relationship in predictable processes. Consequently, the agreement serves a security function by stabilizing ties with a Pacific partner, by projecting dependable behavior to regional audiences, and by embedding cooperation in institutions that can endure beyond electoral cycles.

3.4. *The leverage motive*

The leverage motive is visible in how the Indonesia-Peru CEPA can serve as a template for later talks and as a platform for institutional learning. The agreement arrives in a setting that is less constrained by historical disputes, which allows policymakers to test text, procedures, and inter-agency routines that can be reused. Because the scope begins with trade in goods and includes a planned pathway toward services and investment, the legal and administrative work completed in this first phase can inform broader commitments elsewhere. In this way, the agreement functions as a bridge between immediate commercial aims and longer-term capacity building.

Precedent value lies in specific chapters that are easy to port to other negotiations. Clear rules of origin and straightforward documentation lower the cost of compliance and can be replicated with few partner-specific adjustments (Geraets, 2025). Digital customs practices such as electronic submissions, advance rulings, and time-bound release standards create predictable processes that firms and officials learn to use. Structured work programs in technical barriers to trade and sanitary and phytosanitary measures provide ready-made agendas that help agencies coordinate testing, certification, and information exchange. Provisions on small and medium enterprises, transparency, and enquiry points further standardize how governments communicate with the private sector. These elements are attractive as model text because they solve routine problems that recur across markets.

Process learning strengthens bargaining power over time. The 14-month cadence, the number and spacing of rounds, and the concentration of drafting work build shared experience across ministries and agencies (Presiden Republik Indonesia, 2025). As officials settle on drafting protocols, translation practices, and internal checklists, they reduce cycle times and errors in future negotiations. Reusing tested language also allows negotiators to protect core preferences while calibrating concessions at the margin. In effect, each completed chapter increases the stock of institutional memory, which can be drawn on when sequencing or upgrading other agreements.

Domestic lock-in is the second pillar of leverage. Implementing regulations on origin, customs, and cooperation create routines that persist beyond a single agreement and that can be applied to other partners. Guidance notes and help desks teach firms how to document origin and how to navigate standards, which improves preference use across the network. Investments in digital systems, enquiry points, and risk management strengthen the national single window and improve data flows between agencies (Kniahin & de Melo, 2022). As these practices mature, they lower administrative costs, reduce clearance times, and raise predictability, which together support firmer negotiating positions in future talks.

Finally, leverage also comes from built-in review mechanisms and staged expansion. Review clauses, committee meetings, and reporting requirements generate evidence on what works and what needs adjustment. The scheduled opening of services and investment talks creates an incentive to refine goods

procedures and to collect performance data that can support deeper offers. As these processes yield measurable results, Indonesia can present validated models to other partners, request recognition of tested practices, and argue for symmetrical treatment in areas where it has proven capacity. In sum, precedent chapters, process learning, and domestic lock-in together turn the Indonesia-Peru CEPA into a source of bargaining strength for the wider FTA strategy.

However, in leveraging relations between the two countries, the Indonesia-Peru CEPA still has some limitations in its execution process. The agreement has not specified a detailed manner for further implementation and coordination within each respective domestic market. Hence, to further leverage the agreement, it is also important to consider the involvement of various domestic market stakeholders to enhance the trade process. This option can thus improve the trade activities between Indonesia and Peru and further leverage the trade balance of the two respective nations. Furthermore, strengthening the trade balance between the two countries could expand future potential cooperation and lead to additional, more specific economic agreements, which could then improve the relationship between the two countries.

4. Conclusion

4.1. Conclusion and Implications

This article finds that Indonesia's decision to sign the Indonesia-Peru CEPA can be explained by the joint operation of economic, security, and leverage motives. Economically, the agreement narrows price gaps and lowers fixed trade costs through broad tariff coverage and clearer procedures. Peru's commitment to remove duties on about 90,68% of tariff lines and Indonesia's coverage of about 92,26% align with Indonesia's current export strengths in vehicles, footwear, textiles and apparel, paper, selected machinery, and palm-based products. Rules of origin, customs facilitation, and cooperation on technical barriers to trade and sanitary and phytosanitary measures increase the likelihood that preferences translate into actual shipments. Security considerations reinforce these gains. A 14-month cadence from the first formal round to signature, a presidential ceremony linked to 50 years of diplomatic ties, and a joint declaration with a parallel cooperation memorandum signal reliability and deepen cross-regional engagement with a Pacific partner that participates in APEC and CPTPP. Leverage considerations are also clear. Goods-first sequencing, reusable chapter designs, and structured committees create precedents and build administrative capacity that can be deployed in later negotiations, while domestic implementation routines lock in improvements that lower costs for firms over time. Taken together, these motives are complementary and mutually reinforcing in the Indonesia-Peru case.

The policy implications point to swift and coordinated implementation so legal preferences become measurable trade. Authorities should issue implementing regulations for rules of origin and customs without delay, provide step-by-step guidance, and set up a help desk for origin and documentation questions. Early TBT and SPS work plans should be agreed upon to prevent standards issues from becoming shipment delays, with clear enquiry points on both sides. Outreach should focus on priority sectors that are ready to scale under preference, including vehicles, footwear, textiles and apparel, paper, selected machinery, and palm-based products. Commercial teams should coordinate with the Indonesian mission in Lima and local trade offices to match buyers and organize sector-focused promotion. Monitoring should track preference utilization rates, clearance times, and recurring procedural bottlenecks, with a rapid problem-solving mechanism that allows agencies to adjust forms, timelines, or guidance as needed.

Strategically, the government can use IP-CEPA to magnify leverage across the wider FTA agenda. Chapter text and operating procedures that prove effective should be documented as model provisions for future talks, while inter-agency teams should consolidate drafting checklists, translation standards, and review protocols to shorten negotiation cycles. Engagement with APEC and CPTPP working groups can be used to learn standards, practices, and to widen business networks that support exporters entering Peru and adjacent markets. The planned opening of services and investment talks within two years should be prepared through pilots that test digital customs processes, mutual recognition pathways, and SME support tools, with clear performance targets and periodic review clauses. Finally, because ratification and entry into force will shape timelines, a public implementation roadmap with milestones, responsibilities, and indicators will help maintain momentum and signal credibility to partners and firms alike.

4.2. Limitations and Future Research

For further consideration, this research is still limited to analyzing the underlying factors of the Indonesia-Peru CEPA agreement. However, this article does not address the detailed implications of the agreement for the respective conditions and its impact on Indonesia's domestic market, and also Peru's domestic market. Hence, further research could be directed toward examining the detailed sectoral implications of the Indonesia-Peru CEPA, particularly how the agreement reshapes opportunities, competitiveness, and challenges across key industries in both countries. This may include analyzing changes in tariff structures, market access, and regulatory adjustments for sectors such as agriculture, fisheries, manufacturing, and services. Additionally, deeper assessments are needed to evaluate how Indonesian domestic markets respond to increased imports from Peru, how local industries adapt to new export opportunities, and whether certain segments of the economy require safeguards or capacity-building support. Such research would provide more granular insight into the economic, social, and distributional effects of the CEPA at the national and local levels, helping policymakers anticipate long-term outcomes more effectively.

Beyond sector-specific impacts, future studies should also explore how institutional coordination, implementation gaps, and administrative inefficiencies within Indonesia's bureaucratic structure influence the execution of the CEPA. This includes examining how inter-agency collaboration, regulatory harmonization, and logistical frameworks might be optimized to facilitate smoother trade flows. Further scrutiny into existing loopholes or bottlenecks may reveal opportunities to streamline processes, reinforce compliance mechanisms, and enhance the overall enabling environment for Indonesia-Peru trade relations. Altogether, the Indonesia-Peru CEPA opens a broad research agenda that spans economic, institutional, and strategic dimensions, offering extensive room for scholarly exploration and policy innovation.

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