IMPLEMENTATION OF THE INDONESIA-KOREA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (IK-CEPA): AN ANALYSIS OF STRATEGIC AND ECONOMIC IMPACTS ON BILATERAL AND REGIONAL RELATIONS

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Abstrak

Perjanjian Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA) merupakan langkah strategis dalam memperkuat hubungan ekonomi bilateral antara Indonesia dan Korea Selatan. Penelitian ini bertujuan untuk menganalisis dampak IK-CEPA pada aspek diplomatik, ekonomi, dan regional, serta tantangan dan peluang yang dihadapi Indonesia. Metode yang digunakan adalah pendekatan kualitatif dengan teknik pengumpulan data utama berupa kajian literatur. Data dianalisis melalui tiga tahap: reduksi data, penyajian data, dan penarikan kesimpulan, untuk memahami implikasi strategis perjanjian ini. Hasil penelitian menunjukkan bahwa IK-CEPA memperkuat hubungan diplomatik antara kedua negara dan meningkatkan daya saing Indonesia di pasar global. Secara ekonomi, perjanjian ini membuka peluang investasi, mengurangi hambatan tarif, dan meningkatkan perdagangan bilateral, khususnya di sektor otomotif dan energi terbarukan. Di tingkat regional, IK-CEPA memperkuat kerjasama ekonomi di kawasan Asia Timur. Meskipun demikian, tantangan utama yang dihadapi adalah keterbatasan akses informasi dan keuangan bagi UMKM. Peluang yang ada mencakup peningkatan ekspor, digitalisasi UMKM, serta pemanfaatan teknologi tinggi. Penelitian ini menyimpulkan bahwa IK-CEPA memiliki potensi besar dalam mendukung pertumbuhan ekonomi Indonesia dan memperkuat posisinya di pasar internasional.

Kata kunci*: IK-CEPA, Kemitraan ekonomi, Kerjasama regional, investasi, Perdagangan bilateral*

Abstract

The Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA) is a strategic initiative aimed at strengthening bilateral economic relations between Indonesia and South Korea. This study aims to analyze the impact of IK-CEPA on diplomatic, economic, and regional aspects, as well as the challenges and opportunities faced by Indonesia. A qualitative approach is employed, with literature review as the primary data collection technique. Data is analyzed through three stages: data reduction, data presentation, and conclusion drawing, to understand the strategic implications of this agreement. The findings indicate that IK-CEPA enhances diplomatic relations between the two countries and boosts Indonesia's competitiveness in global markets. Economically, the agreement opens investment opportunities, reduces tariff barriers, and increases bilateral trade, particularly in the automotive and renewable energy sectors. At the regional level, IK-CEPA strengthens economic cooperation in the East Asian region. However, key challenges include limited access to information and financing for SMEs. Opportunities include boosting exports, digitalizing SMEs, and leveraging advanced technologies. Overall, this study concludes that IK-CEPA holds significant potential to support Indonesia's economic growth and strengthen its position in international markets

***Keywords**: Indonesia-Korea CEPA, bilateral trade, economic partnership, investment, regional cooperation*

A. INTRODUCTION

The economic relationship between Indonesia and South Korea has been established since 1973 and has dynamically evolved up to the present. Over more than four decades, the two countries have successfully built a strong foundation of economic cooperation, spanning various sectors, including the trade of goods and services, as well as investment. Since the beginning of diplomatic relations, the volume of bilateral trade and Foreign Direct Investment (FDI) from South Korea to Indonesia has grown significantly, positioning Indonesia as one of South Korea’s main investment destinations in Southeast Asia. In addition to investment, South Korea has also provided technical assistance, social aid, and knowledge-sharing programs aimed at improving the quality of life in Indonesia and supporting national economic development (Ismail & Mulyaman, 2018).

As part of efforts to strengthen mutually beneficial economic ties, Indonesia and South Korea began discussing the potential for a free trade agreement in 2011/2012. After several rounds of negotiations and joint studies, the two countries agreed to form the Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA). This agreement aims to remove trade barriers, facilitate investment, and expand market access, thereby enhancing the competitiveness of products and services in both countries. IK-CEPA was officially signed at the beginning of 2022, and the Indonesian government ratified the agreement through Law No. 25 of 2022, which took effect in early 2023 (Dewi & Santoso, 2022).

The IK-CEPA covers a wide range of sectors, including strategic areas such as trade in goods, services, investment, and Intellectual Property Rights (IPR). One sector that has benefited from the agreement is agriculture, particularly commodities like mangosteen. Through IK-CEPA, import tariffs on mangosteen products from Indonesia to South Korea have been reduced or even eliminated, thereby enhancing the competitiveness of this product in the South Korean market. Additionally, better market access has been achieved through the reduction of trade barriers such as technical requirements and sanitary regulations. This agreement also opens up opportunities for South Korean investment in Indonesia's agricultural sector, which could potentially boost production capacity, product quality, and innovation in fruit processing (Hesti, 2023).

The implementation of IK-CEPA is also highly relevant in the context of globalization and increasing economic interdependence. In the aftermath of the global pandemic that disrupted the world economy, international cooperation has become even more crucial in efforts to recover economically. IK-CEPA emerges as a strategic step to create new growth opportunities, drive innovation, and adapt to changes in the global market. In an increasingly competitive economic environment, international trade agreements like IK-CEPA play a crucial role in building an open, stable, and mutually beneficial trading system (Dewi & Santoso, 2022).

Therefore, IK-CEPA is not merely a trade agreement but also a significant symbol of the joint efforts by Indonesia and South Korea to strengthen a strategic and sustainable bilateral economic relationship. The agreement is expected to increase trade volume, encourage investment, and deepen mutually beneficial economic cooperation between the two countries in the future (Purwanto, 2024a).

The economic relationship between Indonesia and South Korea has been the subject of various studies, particularly in the context of trade agreements such as the Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA). This literature review synthesizes key findings from relevant research, highlighting the strategic and economic implications of IK-CEPA while identifying gaps that the current study aims to address.

One significant area of research focuses on the role of governance and market openness in facilitating bilateral trade flows. Lee et al. (2022) explore how high institutional quality positively impacts trade dynamics, suggesting that effective governance structures can enhance the benefits derived from trade agreements like IK-CEPA. Their findings indicate that Indonesia's institutional framework will be crucial for the successful implementation of the agreement, which seeks to eliminate trade barriers and promote investment. However, while this study provides valuable insights into the importance of governance, it does not specifically address the unique challenges and opportunities presented by IK-CEPA in the context of Indonesia and South Korea's bilateral relations.

Another important contribution comes from Bila and Wijayati (2022), who conduct a thorough examination of the expected impacts of IK-CEPA on Indonesia's economy, particularly in sectors such as agriculture and technology. They highlight the potential for increased South Korean investment in Indonesia, which could lead to enhanced economic growth and development. This study underscores the importance of trade facilitation measures included in IK-CEPA, such as tariff reductions and improved market access. However, it primarily focuses on the economic benefits without delving into the strategic implications of the agreement for both countries in the broader East Asian context.

Ismail and Mulyaman (2018) adopt a behavioral approach to analyze the negotiation process of IK-CEPA, concluding that the attitudes of both governments significantly influence trade statistics between the two nations. Their research highlights the importance of diplomatic relations and mutual understanding in achieving successful trade agreements. While this study provides a valuable perspective on the negotiation dynamics, it does not comprehensively address the long-term strategic implications of IK-CEPA for Indonesia and South Korea, particularly in light of regional geopolitical shifts.

Additionally, Amalia (2023) discusses the role of cultural diplomacy, particularly through the lens of Hallyu (the Korean Wave), in strengthening Indonesia-South Korea relations. This study emphasizes the importance of cultural exchanges in fostering mutual understanding and cooperation, which can complement economic agreements like IK-CEPA. However, it does not focus on the economic aspects of the agreement or its implications for trade and investment flows, thus leaving a gap in the literature regarding the intersection of cultural and economic diplomacy.

While existing literature provides valuable insights into various aspects of the Indonesia-South Korea economic relationship, there remains a significant gap in understanding the comprehensive strategic and economic impacts of IK-CEPA. The current study aims to bridge this gap by analyzing not only the immediate economic benefits of the agreement but also its long-term implications for bilateral relations and regional dynamics. By addressing the challenges and opportunities presented by IK-CEPA, this research will contribute to a more nuanced understanding of the agreement's role in shaping the future of Indonesia-South Korea relations in an increasingly interconnected global economy.

In conclusion, the literature on Indonesia-South Korea relations highlights various dimensions of their economic partnership, yet there is a need for a more integrated analysis that encompasses both strategic and economic perspectives. The current study seeks to fill this gap, providing insights that can inform policymakers and stakeholders in both countries as they navigate the complexities of international trade and cooperation.

This study aims to analyze the strategic and economic impacts of the implementation of the Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA) on bilateral relations between the two countries, as well as its implications in the East Asian region. Specifically, the research will identify the strategic impact of the agreement on bilateral relations, including its role in strengthening the positions of Indonesia and South Korea in the regional landscape. Furthermore, it will examine the economic impact of IK-CEPA on bilateral trade, investment flows, and key sectors in both countries. In addition, the study will explore the potential challenges that may arise during the implementation of the agreement, whether from regulatory, technical, or economic perspectives, as well as explore opportunities that both countries can leverage to enhance the competitiveness of their products and services in the international market.

The urgency of this research lies in the need to comprehensively understand the impact of IK-CEPA's implementation on the dynamics of bilateral economic relations and its strategic role in the region. Given that the agreement has only recently been implemented, this research is crucial to assess the extent to which IK-CEPA has provided tangible benefits to both countries, while also identifying various obstacles that need to be addressed in order to maximize the agreement's potential. This study will contribute by evaluating the strategic and economic impacts of IK-CEPA and providing policy recommendations to optimize the agreement in support of the economic growth and development of both countries in the future.

B. METHOD

This study adopts a qualitative approach, aiming to deeply and contextually understand social phenomena (Moleong, 2017). This approach is chosen because it emphasizes exploring phenomena through the perspective of the research subjects and facilitates a comprehensive analysis of the issues discussed. Literature review is used as the main technique for data collection. This involves searching, selecting, reading, and analyzing various secondary sources such as books, scientific journals, articles, research reports, and other related documents.

The data analysis process in this study is carried out in three stages: data reduction, data presentation, and conclusion drawing. In the data reduction stage, the information obtained is simplified to focus on aspects relevant to the research. Next, data presentation is done to illustrate the patterns or key findings emerging from the literature. Finally, conclusions are drawn to gain a comprehensive understanding of the strategic and economic impacts of the IK-CEPA agreement between Indonesia and South Korea.

This study focuses on analyzing the impact of the IK-CEPA agreement, which was reactivated between 2019 and 2022. The selection of this period is based on the importance of analyzing how the agreement, which had previously been paused, was reactivated and provided strategic and economic implications for Indonesia, particularly in the context of bilateral relations with South Korea. Through descriptive analysis, this study is expected to demonstrate the impact of the IK-CEPA agreement on the economic sector, especially from the perspective of liberalism and national interest.

C. RESULT AND DISCUSSION

The strategic Impact of IK-CEPA Implementation on Indonesia-Korea Diplomatic Relations

In the context of diplomatic relations, Indonesia has made significant achievements on the regional and international stages. Its active involvement in various regional cooperation frameworks such as ASEAN,

ASEAN+3, APEC, and G20 has added positively to Indonesia's global image. For instance, South Korea now views Indonesia as a developing country with a predominantly Muslim population that is progressing in terms of democracy, economy, and geo-strategy. This represents a shift from previously perceiving Indonesia as a potential threat to now recognizing it as an important strategic partner (Cholif & Paksi, 2022). This change in perception reflects Indonesia's progress in fostering more positive and stable international relations, showcasing its capability to play a more significant role on the global stage.

The cooperation between Indonesia and South Korea through the Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA) is expected to strengthen bilateral relations between the two nations. IK-CEPA aims not only to boost trade and investment but also to establish a comprehensive institutional framework that expands bilateral relations while taking into account the economic structures of both countries (Maulidita, 2024). The successful implementation of IK-CEPA could serve as a model for other bilateral agreements, demonstrating how a solid and mutually beneficial framework can enhance relations between nations.

The IK-CEPA agreement has several key objectives. First, economically, it aims to increase investment and trade between Indonesia and South Korea, reflected in the opening of over 100 foreign-owned service sectors in Indonesia and significant economic growth. Second, in terms of defense, IK-CEPA seeks to strengthen bilateral ties in the military and defense sectors, including cooperation in the development of submarines and fighter jets. Third, in terms of global governance, the agreement aims to enhance Indonesia's capabilities and competitiveness on the international stage. Fourth, in the area of cultural exchange, IK-CEPA seeks to introduce Indonesian culture to South Korea and foster interest among the South Korean public in Indonesia. These objectives demonstrate that IK-CEPA creates opportunities for cooperation across various sectors, strengthens bilateral relations, and expands regional and international influence (Purwanto, 2024). IK-CEPA has the potential to enhance bilateral relations by providing broad positive impacts on regional and global stability and economic growth.

Liberalism theory supports the view that cooperation between countries is an essential element in achieving national interests. Nations still require collaboration with others to fulfill their national needs, which can be achieved through international interaction or cooperation. Indonesia, with its vast economic potential and abundant natural resources, faces challenges in seizing economic opportunities amidst global economic instability caused by international geopolitical issues (Arwanto & Anggraini, 2021). Agreements like IK-CEPA are key for Indonesia not only to survive but also to thrive in an ever-changing and challenging global economic environment.

The bilateral cooperation between Indonesia and South Korea through IK-CEPA reflects a form of interdependence which, from a liberal economic perspective, aims to achieve mutual prosperity and benefit. The expansion of cooperation, especially in the economic sector, is expected to offer better prospects for achieving Indonesia's national economic stability and accelerate the attainment of each country’s national interests. IK-CEPA serves as a clear example of how economic interdependence can benefit both parties and provide opportunities for both nations to grow together within a framework of mutually beneficial cooperation.

The Strategic Impact of Implementing IK-CEPA on Indonesia's Regional Positioning.

IK-CEPA has the potential to significantly impact the bilateral relationship between Indonesia and South Korea by strengthening trade and investment sectors in both countries while building a comprehensive institutional framework. The agreement focuses on three main pillars: 1) Market access; 2) Trade and investment facilitation; and 3) Economic cooperation, including capacity building. Market access includes the right to participate in existing markets, enabling member countries to take advantage of available opportunities (Dewi & Santoso, 2022).

South Korea, as a developed country with access to investment, capital, and advanced technology, differs significantly from Indonesia, which is still in a developing stage. Nonetheless, Indonesia offers a large domestic market, abundant natural and human resources, and stable economic growth averaging around 6% per year, making it an attractive investment destination (Purwanto, 2024b). In 2023, South Korean investment in Indonesia reached nearly USD 6.2 billion, making South Korea one of the leading investors in the manufacturing and infrastructure sectors (Williams & Daniah, 2023).

Indonesia's bargaining position in this agreement aligns with South Korea's needs, encouraging South Korea to continue the partnership. As part of its industrial restructuring efforts, South Korea plans to relocate production facilities abroad, with Indonesia emerging as a key strategic location for Korean companies. Indonesia's manufacturing sector, which has shown significant contributions, recorded an investment figure of 22.7% of the total investment of 195.1 trillion rupiah in the first quarter of 2019, nearly equivalent to Germany's contribution of 20.6% of its GDP. This indicates that Indonesia is on track to become the largest manufacturing hub in ASEAN (Alunaza et al., 2023).

Additionally, data from the Investment Coordinating Board (BKPM) indicates that South Korea is among the top ten countries investing in Indonesia, with key sectors such as automotive, electronics, and renewable energy being primary focuses (Triharyanti et al., 2017) These developments demonstrate that IK-CEPA not only strengthens bilateral relations but also has the potential to elevate Indonesia's role as a major manufacturing hub in the region, reflecting broad strategic benefits for both countries.

Through the framework established by IK-CEPA, Indonesia is expected to leverage its comparative advantages, including its large domestic market and resource potential, to attract investment and enhance its economic position on the regional and global stage.

Economic Impact of IK-CEPA Implementation on Bilateral Trade

Bilateral trade agreements such as the IK-CEPA have a significant impact on the economic relationship between Indonesia and South Korea. The primary focus of this agreement includes investment protection, customs procedures, intellectual property rights, regulatory transparency, and dispute resolution. The IK-CEPA facilitates more efficient trade and investment, enhancing benefits for both countries (Rahim & Sudirman, 2023) This agreement strengthens trust between Indonesia and South Korea, as well as enhances cooperation in managing risks and maximizing mutual economic potential.

The economic integration between Indonesia and South Korea is evident in their bilateral trade. South Korea relies on raw materials from Indonesia to support its manufacturing industry, while Indonesia imports electronics, cosmetics, and manufactured goods from South Korea. The removal of tariffs on various sectors in Indonesia allows better access to previously hard-to-obtain raw materials, providing a significant boost for Indonesian industries to compete more effectively in the international market and contribute more substantially to the global value chain (Verico & Riefky, 2022) This cooperation highlights the great potential of bilateral integration in creating mutually beneficial economic synergy.

The agreement also considers the elimination of tariffs on specific items. Although the removal of tariffs can reduce revenue from customs duties, the benefits gained through the IK-CEPA far outweigh these losses. The tariff removal does not have a significant negative impact on state revenue because the advantages of improved market access and increased investment outweigh the potential revenue loss (Kim, 2022) This demonstrates that the long-term benefits of the agreement surpass any short-term losses that might arise.

The IK-CEPA expands the list of tariff-free commodities and accelerates tariff elimination on bilateral components of the Korea-ASEAN Free Trade Agreement. Indonesia, which has substantial economic growth potential, is projected to become the world's seventh-largest economy by 2030. This agreement reaffirms the commitment of both countries to enhance economic relations amid existing global challenges (Setiawan, 2015) The IK-CEPA not only strengthens bilateral economic ties but also provides a crucial strategy for addressing global challenges and harnessing existing economic potential.

Through the IK-CEPA, Indonesia benefits significantly from the elimination of tariffs on 95.54% of 11,686 tariff lines, including products such as T-shirts, processed wood, and seaweed. Indonesia offers a tariff elimination of 92.06% on 9,954 tariff lines, covering products like walls, paving, and vehicle gearboxes. This tariff elimination applies to Indonesian export products in the normal track category, including animal, plant, and textile products, facilitating easier access to the South Korean market and opening new opportunities for domestic industries (Triharyanti et al., 2023; Purwanto, 2024). The IK-CEPA leverages this agreement to maximize export potential, expand market access, and support domestic economic growth and global competitiveness.

The global economic instability caused by geopolitical tensions does not hinder Indonesia's economic growth, which remains robust with a trade surplus. In the context of the IK-CEPA, economic diversification becomes a key strategy to exploit the potential of emerging sectors and reduce dependency on traditional trading partners. This cooperation opens up new potential markets, broadens trade reach, and capitalizes on broader economic opportunities (Wa Uina, 2024). The IK-CEPA serves as a strategic measure to ensure economic resilience and strengthen Indonesia's position in an increasingly complex global economy.

Economic Impact of IK-CEPA Implementation on Investment and Capital Flows

IK-CEPA offers significant opportunities to strengthen technical cooperation between Indonesia and South Korea, particularly in the areas of export promotion, investment, human resource development, and the implementation of Industry 4.0 technologies and automotive industry standards (Peng Er, 2022). This cooperation not only introduces cutting-edge technology to Indonesia but also enables the optimization of domestic industries with support from South Korea, renowned for its technological advancements. This underscores Indonesia's strategic role as an emerging industrial partner. South Korea's experience in technological innovation provides Indonesia with access to the latest expertise and technology, which is crucial for industrial development and operational efficiency.

Regulatory reforms and tariff eliminations under IK-CEPA offer competitive advantages for Indonesia by reducing business barriers and enhancing resource allocation efficiency. The ease of trade and investment resulting from this agreement makes Indonesia an attractive investment destination, reducing business uncertainty (Cholif & Paksi, 2022; Triharyanti et al., 2017). Indonesia’s commitment to investment in renewable energy sectors, such as Small Scale Power Plants, highlights the importance of this cooperation in attracting sustainable investment from South Korea and strengthening the local industrial base. Reduced trade barriers and increased regulatory transparency will encourage more stable and measurable investment flows, enhancing Indonesia’s appeal to international investors.

South Korean investment in Indonesia, especially in the automotive sector, reflects the positive impact of IK-CEPA. For example, Hyundai has invested USD 1.55 billion to build a factory in Indonesia, which will become the largest research and development center in ASEAN (Nabila Salsa Bila & Hasna Wijayati, 2022). This factory, with an annual production capacity of 150,000 units and a maximum capacity of 250,000 units, demonstrates how this investment supports job creation and local skill development while opening new employment opportunities. This significant investment illustrates South Korea's confidence in Indonesia's market potential and its ability to provide skilled labor and necessary infrastructure.

Indonesia is a key investment destination for South Korea, with investments reaching USD 8.5 billion. Between 2012 and 2018, South Korea ranked fourth as a source of foreign direct investment in Indonesia, with a total investment of USD 2.0246 billion from 2,160 projects completed by 2018 (Dewi & Santoso, 2022)This statistic underscores how IK-CEPA plays a role in strengthening capital flows and enhancing economic welfare between the two countries. This success illustrates the direct impact of IK-CEPA in strengthening bilateral economic relations and increasing mutually beneficial investment flows.

The IK-CEPA agreement expands market access for Indonesian export commodities such as oil, gas, and coal, as well as non-oil and gas products like coffee and CPO (Ismail & Mulyaman, 2018).This demonstrates how the agreement not only boosts export potential but also strengthens Indonesia’s position in the global market by leveraging a more diverse range of export commodities. With broader market access, Indonesia can enhance the competitiveness of its export products and expand its international trade network.

Additionally, IK-CEPA encourages deeper cooperation in export and import sectors and expands Indonesia’s global market presence. The significant involvement of South Korean businesses in the IK-CEPA negotiations highlights the importance of the agreement in strengthening bilateral economic relations (Asi et al., 2023; Verico & Riefky, 2022) With coverage that includes trade in goods, services, investment, and broader economic cooperation, IK-CEPA creates a comprehensive framework for the economic relationship between the two countries. This cooperation will enhance economic integration and facilitate more substantial bilateral business growth.

The agreement also covers various investment sectors, including technology, renewable energy, and defense, with major companies such as Lotte and Samsung investing in Indonesia (Ismail & Mulyaman, 2018; Purwanto, 2024b) IK-CEPA not only strengthens economic relations but also supports technological advancements and infrastructure development in Indonesia, demonstrating the broad positive impact of this cooperation. This investment will accelerate the modernization of Indonesia's infrastructure and support the growth of key sectors, facilitating the transfer of essential technology and knowledge for sustainable economic development.

Challenges in the Implementation of IK-CEPA

One of the main challenges in the internationalization process for companies is the lack of information about international markets. Many companies, especially those newly embarking on global expansion, often face difficulties due to a lack of understanding of how to introduce their products in foreign markets. Limited knowledge about global market dynamics and the accessibility of foreign markets can hinder the expansion process and increase risks (Marghanita, 2023; Satria & Yunanto, 2024). In this context, it is crucial for companies to invest time and resources in thorough market research and the development of well-considered strategies. In-depth knowledge of the target market will help companies identify opportunities and challenges and adapt their products and marketing strategies to meet international market needs. Support from government agencies and trade associations is also essential for providing relevant information and assisting companies in navigating global markets.

Additionally, financial constraints are a significant issue, especially for Small and Medium Enterprises (SMEs). SMEs often face difficulties in accessing capital or financial institutions that can support their international expansion. Resources are frequently used for domestic market development, while preparation for entering foreign markets is often neglected. Venture capital, which could serve as initial funding for international expansion, is not yet fully developed to optimally support SMEs (Joisangadji & Rasyidah, 2021) Therefore, it is important for governments and financial institutions to improve access to financing and financial support needed by SMEs. Supporting programs such as subsidies, tax incentives, and special financing facilities can help reduce risks and ease the process of planning and executing international expansion. Providing appropriate financial support will facilitate the development of production and marketing capacities for SMEs and expand their global market reach.

Opportunities in the Implementation of IK-CEPA

Data from 2021 indicates that SMEs in Indonesia reached 65.46 million business units, contributing 60.3% to the national Gross Domestic Product (GDP) and accounting for 14.4% of national exports (Setiawan, 2022). This highlights the significant potential for Indonesia to develop its SMEs through the "Making Indonesia 4.0" initiative. One of the government’s strategic steps is through digitalization and e-commerce programs, aimed at boosting sales and improving the image of local companies in the global market. Leveraging the relationship with South Korea to enhance the appeal of Indonesian products internationally is a strategic move. This collaboration not only opens up broader market access but also increases the competitiveness of Indonesian products in the global market through effective promotion and enhanced visibility.

Markets that allow goods and services to cross borders freely are crucial goals for policymakers in both countries. South Korea and Indonesia are strongly committed to boosting their economies. Indonesia views South Korea as a strategic partner to accelerate progress in high technology. With support from South Korea, especially in the fields of information technology and robotics, Indonesia can accelerate digital transformation and industrial development (Wambrauw et al., 2023) This collaboration creates new opportunities for growth and innovation, strengthens Indonesia's economic position in the global market, and enhances its international competitiveness. Additionally, South Korean investment in high technology in Indonesia will not only speed up the adoption of cutting-edge technologies but also create high-quality jobs and improve the skills of the local workforce.

D. CONCLUSION

The IK-CEPA (Indonesia-Korea Comprehensive Economic Partnership Agreement) has proven to be a strategic move in strengthening the bilateral relationship between Indonesia and South Korea. The signing of this agreement underscores the commitment of both countries to advance economic diplomacy and expand cooperation across various sectors. Diplomatically, IK-CEPA enhances Indonesia's position as a strategic partner of South Korea in the Asia-Pacific region, replacing the outdated view of Indonesia as merely a developing country. This agreement signifies a positive shift in bilateral relations that encompasses not only trade and investment but also cooperation in technology, the automotive industry, and renewable energy.

Regionally, IK-CEPA has a significant impact by reinforcing institutional frameworks and expanding economic cooperation. Through its three main pillars—market access, trade and investment facilitation, and economic cooperation—the agreement broadens the scope for deeper economic interactions between the two countries. Indonesia, with its large domestic market and abundant natural resources, and South Korea, with its high technology and investment capacity, together leverage these strengths to accelerate economic growth in both nations. IK-CEPA allows both countries to harness their respective strengths, facilitate technology transfer and innovation, and optimize production and marketing capacities.

In terms of bilateral trade economics, IK-CEPA offers substantial benefits through tariff eliminations and trade barriers removal. Indonesia gains access to the South Korean market with reduced tariffs, boosting exports of products such as oil, gas, and consumer goods. Conversely, South Korea benefits from better access to sell electronics, cosmetics, and manufactured goods in the Indonesian market. These positive impacts not only enhance bilateral trade but also contribute to economic growth and job creation in both countries.

Regarding investment and capital flows, IK-CEPA strengthens investment flows between the two nations. South Korea, as a high-investment-capacity country, supports various infrastructure and technology projects in Indonesia, including massive investments in the automotive sector such as Hyundai's factory development. This not only expands Indonesia's production capacity but also provides opportunities for improving workforce quality and technology. Meanwhile, regulatory ease and tariff removal make Indonesia increasingly attractive as an investment destination for South Korean companies.

Challenges in implementing IK-CEPA include issues related to information, financial access, and international market uncertainties. Addressing these challenges through government support, enhanced market information, and better financial access will be crucial for optimizing the benefits of the agreement. Existing opportunities include the significant potential of SMEs to leverage digitalization and e-commerce, as well as technological collaboration with South Korea to accelerate industrial progress in Indonesia.

Overall, IK-CEPA is a highly strategic agreement that brings positive impacts to bilateral, regional, and economic relations between Indonesia and South Korea. Through effective implementation and ongoing monitoring, this agreement can maximize economic and diplomatic benefits for both countries, fostering sustainable and mutually beneficial growth.

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