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Australia–Indonesia Economic Relations Under IA-CEPA: Between Proximity and Distance

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ABSTRACT

This article examines the extent to which the Indonesia–Australia Comprehensive Economic Partnership Agreement (IA-CEPA) has contributed to strengthening bilateral relations. It argues that despite geographic proximity, trade ties remain weak and IA-CEPA alone is unlikely to generate long-term mutual benefits. Employing an interpretivist qualitative interpretivist approach, the study draws on government reports and policy documents to analyze negotiation dynamics and outcomes. The article introduces an actor-centered perspective, showing how limited civil society involvement has constrained the agreement's potential. It argues that IA-CEPA is unlikely to provide long-term mutual benefits unless the government of the two countries provides a more comprehensive approach to public diplomacy. The findings suggest that without stronger political leadership and more inclusive public diplomacy, IA-CEPA will deliver suboptimal results. The study highlights the need for people-to-people engagement as a bridge-builder for sustainable cooperation.

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INTRODUCTION

Over the last few years, Indonesia-Australia relations has been engrossed with much discussion on how to enhance the tie of two countries through economic partnerships. The leaders of two countries put so much hope in the implementation of Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), believing that it would embrace the opportunities for mutual growth (Prime Minister of Australia, 2017). Its past negotiation process and stages after the agreement ratified is also important to frame the policy priorities in each country for the relations in the future, as it has been seen as somewhat a roller coaster, a series of peaks and valleys.

The negotiation of IA-CEPA has been launched in 2010, with the rapid progress can only be seen since the initiative of the leaders to reactivate the round in 2016. The agreement, as it should be, is claiming a normative aim: to create a mutually benefited cooperation on trade (goods and services), investment, and economics at large. However, when the negotiation has entered twelfth round, the two countries have yet succeeded to secure the deal. This is much because Indonesia is likely to be satisfied with the current progress, while Australia is demanding a more 'high-quality' of agreement to assure the maximum outcome (Busch, 2017). A series of unnecessary delays to conclude the round have been announced repeatedly. More recently, despite these delays, both governments are committed to speed up the talks and sign the agreement in October 2018.

Given these circumstances, it is important to examine whether economic approach will work out to strengthen the relations between Indonesia and Australia. This article will provide analysis to answer the question on how has IA-CEPA contributed to the future relations of Australia-Indonesia? It would argue that, unless the government of the two countries provides stronger approaches to enhance people-to-people understanding, IA-CEPA will be unable to provide long-term mutual benefits. It would not argue that IA-CEPA is irrelevant, but rather to scrutinize the current policy priorities in Indonesia-Australia relations that is more measurable output-oriented than long term outcome-oriented.

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The first part of this article will provide qualitative discourse analysis in projecting the impact of IA-CEPA. It will discuss the contending perspectives on the motives for free trade agreements. It will also examine the current economic relations of Indonesia-Australia. The part will highlight the fact that Indonesia is not among top five trading partners for Australia and vice versa. In such, IA-CEPA may be seen as a building block to boost up the trade and investment values between the two countries. This approach, nevertheless, should be put into question, as the ground for closer economic relations for the two countries is yet strong and not without fault. Discussion on competing economic structure and cultural gaps as stumbling block for the upcoming IA-CEPA will form the second part of this article. It will also elaborate briefly argue that IA-CEPA should be utilized beyond the tools for foreign economic policy.

This article contributes to the literature by offering an actor-centered perspective as an additional lens beyond existing economic, political, and societal approaches to free trade agreements. Unlike previous studies that focus primarily on structural or normative aspects, this research emphasizes the role of actors—government, business, and civil society—in shaping negotiation motives and outcomes. This paper argues that building interpersonal engagements, as an approach in setting up broader institutional connections, is one way in ensuring sustainable bilateral relations between Indonesia and Australia. This novelty underlines the article's central argument that without meaningful involvement of civil society, IA-CEPA will remain limited in achieving its long-term objectives.

METHOD

This study adopts an interpretivist qualitative approach, recognizing knowledge as socially constructed (Creswell, 2009; Thanh & Thanh, 2015). This writing is also qualitative research in terms of data collection, as it lays out interpretation which is relatively more straightforward and comprehensive towards the matter discussed (Bernhard, 2007). Data were drawn from official government reports, feasibility studies, negotiation documents, and policy papers, complemented by notes from formal meetings and informal discussions with policymakers in Indonesia and Australia. The analysis employed qualitative discourse analysis to identify patterns, themes, and underlying assumptions in the negotiation process. To enhance validity, data was triangulated across different sources, and interpretations were cross-checked with secondary literature on international political economy and trade diplomacy. Reliability was strengthened through consistent coding and comparison of findings with existing case studies on preferential trade agreements.

RESULT AND DISCUSSION

Careful Negotiation, Careless Approach

Puzzle of Perspectives in Trade Agreement

Discussion on push factors of preferential trade agreement has much increased through huge number of literatures over the last decade. First, from the neoclassical economics perspective, it has been apparent that trade agreement, despite its scope, is an important tool for producing the world as single market in consumer goods (Kotz, 2002). Such concerns were also strengthened by the importance of states to identify their comparative advantages to unlock the economic benefits (Oatley, 2015). Many free trade agreements can be examples of this perspective, especially for the countries which have benefited from the agreement. However, this perspective fails to explain why some countries prefer not to terminate their agreement when they suffer from the trade deficit. The bilateral deficit on Indonesia-China trade, for example, does not push Indonesia to withdraw itself from the China-ASEAN FTA.

Second, while neoclassical put strong emphasis on the economic motives as the ground of trade agreements, classical political economy perspective believes that trade deal does not always constitute a struggle for trade surplus (Aggarwal & Lee, 2011; Capling, 2008b; Dent, 2003; Spilker et al., 2018). More specifically, non-economic factors of free trade agreement include geopolitical or geostrategic, from which agreement is expected to partly deliver peace and stability in the region, or at least in the involving countries. Examples of this approach can be seen in the creation of Mercosur and APEC (Chauffour & Maur, 2010). It has also been empirically proven to reduce the possibility of armed conflict between the involving states (Griswold, 2009).

In Australian context, non-economic push factors of preferential trade agreement can be defensive, political, or strategic (Capling, 2008a). Each of these factors has featured least economic advantages, putting more emphasis on trade agreements as a tool of foreign policy. These approaches have much represent Australian trade diplomacy to several existing and upcoming agreements, including Korea-Australia (KAFTA), Australia-Gulf Cooperation Council (GCC) FTA, and Australia-United States (AUSFTA). The latter agreement depicts the Australia's strategic interest with the United States (US). The agreement has failed to cut Australia trade deficit with the US; however it is still perceived as the 'complement' of the ANZUS agreement.

Third, trade agreement also can be seen as result of discourse among the society. Some argue that the role of society is very important to promote values on the trade agreement (Bhagwati, 2008). Trade agreement can be used as a tool to strengthen human rights, democracy, freedom, or any other concern among the involving states. The negotiation of free trade agreement between the European Union (EU) and Australia suits this perspective, where EU has expressed the intention to include "shared valued" on the agreement (McKenzie, 2018). This approach has been commonplace for EU, as it also put similar pressure in dealing the trade with China (Erlanger & Perlez, 2018).

Nonetheless, as these three contending perspectives put a strong emphasis on the classification of economic and non-economic motives behind the free trade agreement, no single perspective suits to explain the motives behind IA-CEPA. Neoclassical perspective provides less convincing argument for the agreement since Indonesia-Australia economic relations is not as profitable as others. Neither of classical political economy nor societal discourse perspectives also able to explain thoroughly how the agreement will impact to the relations between the two countries. Assuming that IA-CEPA is aimed to create stability in Indonesia-Australia and the wider region, geostrategic and geopolitics motives cannot explain why the negotiation is this agreement encounters unnecessary long delays. The AUSFTA was signed after five rounds of negotiation in 2003-2004, while IA-CEPA in 2010-2018 had concluded the twelfth round with ultimately the signed agreement. Concurrently, the societal discourse also does not fit to provide analysis on valued-related motives behind the IA-CEPA, as the round of negotiation is restricted to economic partnerships.

In such, this article wishes to propose the fourth perspective that will focus on the role of actors in shaping motives of free trade agreement. By measuring the role of involving actors in trade negotiation, it will be able to provide answers to two questions: why such negotiation is undertaken by the states, and how the result of this negotiation will impact to the states relations. It is emphasized that trade negotiation nowadays is likely dominated by the government, where it leads to the 'disintermediation' in economic diplomacy (Cooper, 2017). In such circumstances, government's legitimacy has diminished, as its knowledge is also limited, depending on their interaction to business and interest groups.

Table 1. Discussion of Perspectives on Political Economy

Neoclassical perspective	Classical perspective	Societal discourse perspective
• Economic motives as grounds for trade agreements • States pursue to identify competitive advantages in unlocking economic benefits	• Belief that trades deals do not always mean struggling for trade surplus • Trade agreements as tools for foreign policy, to partly deliver stability • Reducing the possibility of armed conflict between involving parties	• Society promotes values in trade agreements • Trade agreements as tool in strengthening human rights, democracy, freedom, and other social concerns/shared values

Source: author's analyses

Hocking (2004) develops this approach and proposes three kinds of model in trade negotiation, including club model, adaptive club model, and multistakeholder model. Trade negotiation that involves restricted domestic bureaucratic consultation through related ministries fits the definition of club model. It also can be classified info state-centered trade policy (Oatley, 2015). Meanwhile, adaptive club model is a club model with the addition of business representation. This style is very favored, as business groups have access to provide advice on cost and benefit calculation to the government and how it will impact to the private sectors. Further, Hocking (2004) also proposes multistakeholder model in trade negotiation, which also include the role of civil society representatives during the process. The latter model provides strong grounds for the government, business groups, and civil society to shape the motives and achieve optimal outcome from free trade agreements.

In this context, it is argued that IA-CEPA fits the adaptive club model of trade negotiation. Both government of Indonesia and Australia involve the role of business representative in processing the negotiation. However, as the role of civil society representatives is very limited in both countries, this model is implemented with some underlying obstacles, which will be elaborated in the following section. This article also suggests that the multistakeholder model would overcome these obstacles, as the role of civil society is very pivotal and still needed to be strengthened in building a more sustainable Indonesia-Australia relations. Although IA-CEPA's negotiations rounds in fact have been completed, the process of implementing the agreement should still be observed through the models to further identify its forecasted effects.

While the descriptive overview of Indonesia–Australia trade structures provide important context, it is essential to situate these dynamics within broader debates in international political economy (IPE). As Strange (1988) reminds us, the structure of production and knowledge often shapes the bargaining power of states as much as trade flows themselves. In this sense, the asymmetry between Indonesia's limited manufacturing base and Australia's advanced services sector explains why IA-CEPA tends to privilege sectors already dominated by Australian comparative advantages. Similarly, Gilpin (2001) highlights that power relations, rather than pure economic complementarity, often determine the actual benefits of trade agreements. Applying this to IA-CEPA, the persistence of trade deficits on Indonesia's side suggests that structural dependency, rather than mutual gain, could be reinforced if broader policy measures are not enacted.

This perspective underscores that IA-CEPA negotiations should not be assessed solely through liberal or realist lenses of trade politics. Instead, a critical IPE approach reveals how domestic institutions, interest groups, and transnational linkages constrain both governments. For instance, Indonesian protectionist policies in agriculture reflect state–society bargaining aimed at food security, while Australia's insistence on high-quality agreements reflects its domestic political economy shaped by export-oriented constituencies. Thus, the agreement embodies not only economic calculations but also the political struggles within each state, further reinforcing the importance of actor-centered analysis.

Indonesia-Australia Economic Relations

It is unsurprising to mention that Indonesia and Australia have not unlocked the economic benefits from each other (Springer, 2017). Over time, trade relations have been little promising, despite geographical proximity. Resosudarmo et al. (2015), for instance, argue that the reasons behind the trade imbalance are due to the situation that both countries have "relatively similar major exports", especially in the mining sector, beside Indonesia's limited development in its manufacturing sector. This case completes other relevant issues which withhold substantial growth for Indonesia-Australia's economic relations, including historical diplomatic tension during the New Order administration, lack of direct investment, and different quality standards for commodities production (Resosudarmo et al., 2015).

Table 2. Australia & Indonesia Trading Partners, 2022 (in thousands of US dollars)

Australia				Export	Indonesia			
No.	**Country**	**Value (USD)**	**Share**		**No.**	**Country**	**Value (USD)**	**Share**
1.	China	102,353,020.79	24.95%		1.	China	65,924,104.12	22.58%%
2.	Japan	52,518,468.58	12.80%		2.	United States	28,240,115.70	9.67%
3.	South Korea	24,697,460.81	6.02%		3.	Japan	24,845,365.32	8.51%
4.	India	19,248,297.31	4.69%		4.	India	23,378,835.99	8.01%
5.	United States	12,366,168.50	3.01%		5.	Malaysia	15,452,430.53	5.29%
8.	**Indonesia**	**7,633,073.32**	**1.86%**		**14.**	**Australia**	**3,469,605.48**	**1.19%**
Australia				**Import**	**Indonesia**			
No.	**Country**	**Value (USD)**	**Share**		**No.**	**Country**	**Value (USD)**	**Share**
1.	China	83,730,941.50	27,07%		1.	China	67,723,688.11	28.52%
2.	United States	31,081,410.06	10.05%		2.	Singapore	19,409,472.95	8.17%
3.	South Korea	19,053,341.16	6.16%		3.	Japan	17,176,667.36	7.23%
4.	Japan	17,798,008.16	5.75%		4.	Malaysia	12,475,633.40	5.25%
5.	Singapore	13,851,741.06	4.48%		5.	South Korea	11,718,181.61	4.94%
15.	**Indonesia**	**4,183,632.40**	**1.35%**		**8.**	**Australia**	**9,863,268.33**	**4.15%**

Source: World Integrated Trade Solution, 2025

Australia and Indonesia share a list of top five trading partners: China, Japan, and the United States – although the latter positioned as the sixth place for most imports share with Indonesia. The inclusion of these countries in the list is unsurprising. The United States and China are the world biggest economies, making it reasonable to be top trading partners for any country. The population of these countries also contributes to attract trading partners in market expansion. Meanwhile, Asia's advanced industrialized country, like Japan, has much dependence on imports for food and raw materials. South Korea and Singapore are also on the list of top import source for Indonesia and Australia, with key commodities, among others, consist of petroleum, transport services, recreational travels, automotive components, and consumer electronics (Australian Trade and Investment Commission, 2024; Darmawan, 2022b; 2022a; Department of Foreign Affairs and Trade Australia, 2025b; 2025a).

The two countries not only share common top trading partners, but also encounter a common challenge that their trade relations to each other are lukewarm. For Australia, Indonesia as a home of 258 million people should have been an opportunity of prospective huge market on its doorstep. Its sustained and continued economic growth, with not less than 5 percent per annum, is in line with the projection of future global economic order, which ranks Indonesia as the fourth biggest economic power in 2050 (PricewaterhouseCoopers, 2017). Australia has exported consumer goods and services, including education, tourism, healthcare, and financial services. Some key merchandise of Australian exports to Indonesia includes agricultural products, such as beef, wheat, and sugar. However,

compared to neighboring countries like Vietnam, Singapore, New Zealand, and Malaysia, Indonesia is the smallest trading partner for Australia (Kilic, 2023; World Integrated Trade Solution, 2025). Nevertheless, following IA-CEPA's ratifications by the government of both countries, values in Indonesian exports to and imports from Australia have shown increases. However, on the contrary, the trade balances are instead continued to deficit. This situation can be considered as IA-CEPA has yet to be optimized by Indonesians, especially in encouraging exports benefitting the country (Utomo, 2023).

For Indonesia, economic relations with Australia could have been filled with many opportunities to upscale the country's industrialization. While the current export is much focused on manufactured goods, crude petroleum, and tourism (Pratama & Yuliana, 2024), Indonesia has spent relatively less effort to unlock the benefits from Australia as advanced industrialized country. For the time being, trade and investment is merely triggered by the short-term demand and supply, emphasizing on the current comparative advantage of both Indonesia and Australia. More importantly, in the case of investment, Australia is not in the list of top five Indonesia's main investing countries. Singapore is the biggest foreign direct investor in Indonesia, contributed USD 15.4 Billion or 31 percent of the total Foreign Direct Investment (FDI) inflows in 2023. China and Hong Kong follow subsequently with USD 7.4 Billion and USD 6.5 Billion capital inflows. While some others developed economies such as Japan, the United States, South Korea, and the Netherlands, occupied the list of top Indonesian FDI source, Australia was merely ranked 10th with USD 545.19 Million capital inflows to Indonesia – although the country in fact marked a recent record by rising from 11th position in the previous year (BPS-Statistics Indonesia, 2024; IIPC Sydney, 2024; Ministry of Investment and Downstream Industry/BKPM, 2024).

In such, the revival of IA-CEPA negotiation in 2016 contributes to the growing awareness of stronger and a more sustainable economic relations of Indonesia-Australia. In June 2018, the negotiations have entered the twelfth round, despite Indonesian President Joko Widodo (Jokowi) claim that the delay is much due to technical details (Massola & Hartcher, 2018). Both Indonesia and Australia are enthusiastic to conclude the deal, believing that this trade agreement will precisely achieve the shared objectives in accelerating economic growth and raising living standards. Along with the name of the agreement as 'comprehensive economic partnership', scope of IA-CEPA is relatively broad, beyond trade in goods and services, investment, and economic cooperation (Patunru et al., 2021). It also alludes to the movement of natural persons, other contemporary issues such as environment, intellectual property rights, and competition policy.

Table 3. Indonesia's Top FDI Realization, 2023 (in thousands of US dollars)

2023		
Country of Origin	**Investment Realization (USD)**	**Share**
Singapore	15.355.234,6	31%
China	7.438.379,1	15%
Hongkong	6.504.785,5	13%
Japan	4.639.450,4	9%
Malaysia	4.060.169,5	8%
United States	3.283.112,8	7%
South Korea	2.543.599,7	5%
Netherlands	1.258.314,3	3%
British Virgin Islands	652.146,0	1%
Australia	545.190,9	1%

Source: Ministry of Investment and Downstream Industry/BKPM, 2024

Nevertheless, the long overdue of IA-CEPA does not only indicate the detailed and careful negotiations between the two countries. It does also indicate that both Indonesia and Australia are not yet ready for the trade deals. The twelfth round of the negotiation has concluded with deadlocks

in selected working groups, making it apparent for the thirteenth round that created further delay. The 'long and slow' IA-CEPA negotiation shows a huge blind-spot for Indonesia-Australia relations, as negotiating trade deals should go beyond tariff liberalization, trade mechanism, and other technical measurements.

It is argued that the blind-spot on IA-CEPA is much due to the negotiation adopts adaptive club model. It has shaped the talks process very effective in measuring potential economic cost and benefit, as business groups are involved since the feasibility studies in 2007 (Department of Foreign Affairs and Trade Australia, 2009). Submissions from Indonesia-Australia business representatives are very numerous and diverse, such as Indonesia-Australia Business Partnership Group (IA-BPG), and Indonesia-Australia Business Council (IABC) to name a few. Submissions from ordinary civil society were also available, despite few in numbers. These include submissions from media, arts, and entertainment alliances, and selected Australian universities.

Regardless of the negotiation rounds covering a wide range of working groups such as the Rules of Origin, Discussion on Investment, Good and Services, Tariffs, and Legal, it should be noted that the role of civil society in assisting these rounds is far less than enough. This, to some extent, also affects the aftermaths when IA-CEPA came into force in 2020 following ratifications by both governments. Adaptive club model of IA-CEPA opens huge opportunities for industry consultation and narrowed economic policy, but it fails in connecting the economic interests to the wider foreign policy context, such as geopolitics and geostrategic between the two countries.

Foreign Policy Context

Building Blocks or Stumbling Blocks?

It is important to observe that the view underpinning IA-CEPA is described as the "economic powerhouse" model. In brief, the concept could be simply defined as an approach in which Indonesia and Australia "join forces" – establishing value chain consisting of both countries partnering. Through this approach, both governments hope that IA-CEPA could encourage cooperation in various sectors which go beyond any traditional free trade agreements (FTAs) by identifying both countries' "complementary industries" potential of being linked to broaden the access to supply other countries "outside the agreement" (Patunru et al., 2021; Department of Foreign Affairs and Trade Australia, 2024). Throughout its process, this concept clearly seeks to leverage the geographical proximity of Indonesia and Australia as a strategic neighbor (Winanti & Springer, 2019).

In such circumstances, it is plausible to discuss some issues as stumbling blocks for IA-CEPA. First, the competing economic structure between Indonesia and Australia in raw resource materials, to some points, made the previous negotiation rounds to limit their scope of industry. Like Australia, Indonesia is also a big exporter of coals. Both countries will not be in favor to exchange coals, as these raw materials are much exported to China and the wider region (Rayner, 2018; Patunru et al., 2021). In agricultural sectors, Australia may not rely on IA-CEPA as prospective tools for enhancing the export of beef, as Indonesia plans to manage its beef demand through its self-sufficiency policy over the last few years (Nurfitra, 2024).

Second, cultural gaps have also contributed to hindering the agreement's past negotiations and current process of utilizing IA-CEPA. For start, not all Indonesians have the ability speaking intelligible English, along with most Australians are not accustomed with Bahasa Indonesia. These cultural gaps sometimes lead to misunderstandings between the two countries. Many cases indicate these misunderstandings, from the public controversy of the executions of Bali Nine convicted "ringleaders" for drug trafficking – Myuran Sukumaran and Andrew Chan, to the spying scandal over

Indonesian President which resulted the recall of Indonesian ambassador to Australia (Roberts & Habir, 2015; Huong & Khoo, 2019).

This is also worsened by the limited news framing in Indonesia and Australia, bolstering the stereotyping between the two countries. Indriani & Prasanti (2020), on this, categorize several aspects that often portrayed by Australian media, including that Indonesia is a "violent and dangerous place". Various research and polls also show that only one third of Australians believe that Indonesia is democracy country and assuming that its closest neighbor is still authoritarian and thus a potential threat to Australia (Millott, 2015). Some preexisting civil society relations between the two countries, in particular for humanitarian purposes during tsunami in Aceh and earthquake in Yogyakarta, have set a solid ground for people-to-people understanding in the future (Sulistiyanto, 2010). However, these approaches need to be intensified and extended.

Surveys well shown that Indonesia, to many Australians, is seen as "non-democratic" and viewed being untrustworthy of "to do good in the world" (Iswara, 2020), even fewer trust given compared to other neighboring states, including Singapore, Timor-Leste, India, and the Philippines (Neelam, 2023; Tanamal, 2023). Vice versa, Indonesians also generally have bad perception towards Australia – many seen the country as a "security threat" (Bland & Kassam, 2022). These poll results illustrate the "roller-coaster" character of both countries' relations, widespread ambivalent attitudes, along with the lack of knowledge and trust. Amidst the changes of administration, trust and mutual understanding has been the fundamental requirement to ensure an established long lasting inter-society relation, eventually leading to development of further forms of partnerships (Troath, 2019).

It is important to note that trade is not simply about the economy. Australian corporations need to be able to grasp Indonesia's daily norms and social structure (Fathana & Sulistiyanto, 2020). Therefore, intensive dialogues and training for business actors on Indonesian language, culture, and business best practices should be proliferated in Australia. These activities will enable them to be more agile in creating businesses with the world's largest Muslim population. The urgency to resolve Indonesia's concern of halal certification on Australian products, for example, can be empowered through an in-depth understanding of Indonesia's society.

Further, these gaps also worsened by the closure of Indonesian studies in most Australian high schools and universities over the last few years (Walden & Kristanto, 2024). High school students are vital as actors who are sustaining future connection between Australia and Indonesia (Catton, 2024). Some others, like Monash University and The University of Sydney retain its Indonesian studies, although currently undergoing a literacy decline: merely 12 Australian universities teach Indonesian (Manns et al., 2023). Only few universities are interested to enhance cross-cultural exchange and improve the understanding within Indonesia-Australia relations, like Flinders University through Jembatan Initiative. As this trend could weaken bilateral ties with both countries, Australian society's engagement with Indonesian people should also be revived (Setiawan, 2023). High school and universities can do this by revitalize the required resources to provide lessons in Indonesian language, culture and political studies. Indonesia should also address the same urgency, as the centers on Australian studies in the country are also scarce. This also happens in Indonesia, where dedicated research centers for Australian studies are few and far between as well as professors with expertise and background in this area of interest are also quite hard to find (Fathana, 2016).

Given these circumstances, it is important to note that the adaptive club model of IA-CEPA and its prior negotiations is likely to be an economic narrowed approach and provides small opportunities for civil society consultation. Impacts of this model include the current small public awareness both in Indonesia and Australia, as aforementioned, that the two countries are committed to develop stronger ties through trade agreement. It is also clear that trade negotiation with small

interference from civil society will only create benefits to business groups as the most affected entities in this negotiation. IA-CEPA will require a more comprehensive approach as an agreement beyond trade, to avoid the possibility for suboptimal outcome. The multistakeholder model can be one of the alternatives, as it includes the involvement of civil society and ordinary people-to-people understanding that will amplify the impacts of the agreements.

More interestingly, the current adaptive club model of IA-CEPA does not reflect the big picture of Australian trade diplomacy. Throughout much of its history, Australian trade diplomacy have been much dominated by the debate whether it should focus on bilateral or multilateral approach. Labor is very much well known for its enthusiasm on multilateral trade agreements, as can be seen through APEC and the idea for The Asia Pacific Community (APC) by Kevin Rudd (Baba & Kaya, 2014). Liberal government prefers bilateral approach instead, demonstrated by the numbers of bilateral trade agreement signed under the John Howard administration. Despite debates of which approach will result the best gains, both multilateral and bilateral approaches of Australia's trade agreement do not always weigh economic benefits as the only prerequisites for trade deals, as indicated earlier (Capling, 2001, 2008a). In such context, it is important to note that the IA-CEPA should not be biased merely by the potential economic benefits. Australian government may perceive Indonesia as huge potential market, but taking the advantages this prospect should not only rely on IA-CEPA. For Indonesia, IA-CEPA should be used an entry point to increase its industrialization capacity through technology transfer, foreign direct investment, or any other possible measurements (Pratama & Yuliana, 2024).

Fostering People-to-People Engagements as Bridge-Builders

Civil society engagement are primarily bridge-builders to reconcile the divide and maintain a sustaining bilateral relationship (Yongming, 2018). By proposing the usage of multistakeholder model, the analysis encourages how IA-CEPA could involve civil society in fostering meaningful people-to-people relations. There are instances where the currently ongoing IA-CEPA implementation in several fields showcase progress and benefits. For example, in higher education sector, Australian universities have started to establish branch campuses and programs in Indonesia, including Monash University, Western Sydney University, and so forth (Napitupulu, 2024). These forms of partnership inherently in its process provide chances for local varsities to thrive, as the common local higher education institutions (HEIs) were identified with "poor quality". Therefore, existence of foreign HEIs could allow for "spillover effects" of technology and knowledge transfers, upskilling of local human capital, and ultimately improve the bar of tertiary education standards in Indonesia (Azzahra & Zahra, 2023, p. 8). Enabled through IA-CEPA, the approach also could promote mobility and exchange between citizens of both countries.

For instance, supporting knowledge transfer, Indonesia and Australia could prioritize conducting collaborative efforts in exchanges for vocational education and training (VET) stakeholders. These steps could be aligned with IA-CEPA's three priority sectors: agrifood, advanced manufacturing and services (Department of Foreign Affairs and Trade Australia, 2025a). These fields are more than possible to be integrated with the established scholarships –full or short-term programs, including which administered by Australia Awards Scholarship (AAS), New Colombo Plan (NCP), and Lembaga Pengelola Dana Pendidikan (LPDP). Actors in the private industry also became the sector benefited from IA-CEPA implementation. In particular, the agreements open chances for skilled workforces to have government-sponsored temporary employment opportunity through Indonesia-Australia Skills Development Exchange Pilot Project (Zubi M, 2023; IA-CEPA ECP Katalis, 2024). The new work exchange scheme could grant individuals with professional experience to develop expertise, allowing for enhancement of mutual understandings towards each other. Within this scenario, IA-CEPA is open for optimalization in producing targeted graduates capable of boosting Indonesia and Australia relations on the key areas.

Similarly, the potential complements various other possibilities of people-to-people exchanges, whether by academia, industry workers, government officials, businesspeople, and more. Another instance, IA-CEPA will let increase of Indonesian grantees considered eligible for Australia's Working and Holiday Visa (WHV), allowing its holders to spend six months for working and the rest for travelling (Dewi & Setiawati, 2020). As Australia is facing demands of workforce, the chance could provide Indonesia further opportunities in improving the quality and numbers of skilled workers, a form of upskilling the country's human capitals (Sebastian et al., 2019). Although the direct impact of fostering people-to-people relations is presumably hard to quantify, increased awareness of one another's identities would be the minimum impact. As a strategic partnership, implementation stages of IA-CEPA between Indonesia and Australia should be viewed within a broader context embodying long-term aims.

Within this relation, trust plays an important role. People-to-people relation is oriented to build and sustain trust between citizens of Australia and Indonesia. This type of connection will likely serve to overcome the possibility of mistrust, as illustrated in previous cases where both countries' citizens being suspicious of one another. Building mutual interpersonal trust is one approach to set up wider institutional or structural trust, leading to mutuality and reciprocity (Wrighton, 2022). This is one way to extend IA-CEPA's current nature relating to the adaptive club model. Moreover, speaking of change with governments, civil engagement certainly outlives the short-term administration – continually replaced with elections, with all its probability of shifting in motives and approaches towards foreign relations. Diplomatic ties might be altered accordingly to a state administration's changing policy, but the bonds sustained between the civil society groups could prevail over them. Thus, civil society links could ensure a more nuanced and sustainable bilateral relationship.

Theoretically, people-to-people engagement resonates with the constructivist argument in international relations that identities, norms, and mutual perceptions shape the durability of cooperation (Wendt, 1999). Civil society actors, including universities, business associations, and cultural organizations, provide the social capital that governments alone cannot generate. Empirically, IA-CEPA's implementation has already demonstrated how such engagement can shape outcomes. For instance, Australian universities' establishment of campuses in Indonesia under IA-CEPA not only opens economic opportunities but also embeds long-term cultural and knowledge exchanges. Similarly, initiatives like the Indonesia–Australia Skills Development Exchange Pilot Project show how non-state actors, such as industry associations and vocational training institutions, become pivotal in sustaining cooperation beyond formal diplomatic cycles. These examples illustrate that the inclusion of civil society directly enhances IA-CEPA's effectiveness by broadening its ownership across societies, thereby reducing the risks of policy reversals or public mistrust.

CONCLUSION

This article has argued that the implementation of IA-CEPA remains limited in generating long-term mutual benefits unless complemented by stronger political leadership and inclusive civil society engagement. Beyond summarizing the findings, this study makes three contributions. First, it advances the theoretical debate on preferential trade agreements by introducing an actor-centered perspective that highlights how governments, business groups, and civil society jointly shape negotiation outcomes. Second, it demonstrates that civil society engagement — particularly through education, vocational training, and cultural exchange — is not peripheral but central to ensuring sustainable bilateral cooperation. Third, it situates IA-CEPA within the broader literature of international political economy, showing how structural asymmetries and domestic political economies constrain the scope of mutual benefits.

In practical terms, both governments should institutionalize civil society participation in IA-CEPA's ongoing implementation. This may include establishing joint consultative forums involving universities, industry associations, and NGOs, expanding education partnerships beyond elite universities, and creating transparent mechanisms for addressing societal concerns such as halal certification and labor mobility. By doing so, IA-CEPA would not only serve business constituencies but also foster societal trust and legitimacy.

This study acknowledges its limitations, particularly the reliance on secondary sources and the absence of systematic primary data such as in-depth interviews. Future research could strengthen the analysis by incorporating fieldwork with policymakers, business actors, and civil society representatives in both Indonesia and Australia. Despite these limitations, the study offers a critical lens for understanding why IA-CEPA, while comprehensive in scope, will only achieve its full potential if treated as both an economic and societal partnership.

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