

Indonesia's Interests in the Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA)

Defri Gustiawarman

Universitas Sriwijaya

E-mail: defrigustiawarman366@gmail.com

M. Supriyadi

Universitas Sriwijaya

E-mail: m.supriyadi0012@gmail.com

Ryvo D'Novaliano

Universitas Sriwijaya

E-mail: dnovaliano@gmail.com

I Kadek Andre Nuaba

Universitas Sriwijaya

E-mail: ikadekandrenuaba@fisip.unsri.ac.id

Abstract

This study discusses Indonesia's interest in establishing the Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA) to expand cross-regional economic cooperation. The background of this study stems from the growing trend of globalization and economic interdependence between countries, which has prompted Indonesia to expand its export markets and forge strategic partnerships with non-traditional partners such as developing countries in South America. This study employs a qualitative descriptive method with a literature review. The findings indicate that although the IP-CEPA is essentially an instrument of economic and trade cooperation, this agreement also encompasses two other important pillars, namely institutional strengthening and diplomatic ties between countries (the bonding pillar) and the development of community-to-community relations through collaboration in the fields of education, culture, and business (the people pillar). These three pillars demonstrate that Indonesia's interests are not merely economic but also strategic, as it seeks to expand its social and political networks across the region. Despite Indonesia's interest in the agreement, the IP-CEPA faces various challenges, including the considerable geographical distance, which will inevitably affect logistics costs, as well as intense competition from other Southeast Asian countries, such as Thailand and Vietnam, in exporting to Peru. Despite the various challenges, the IP-CEPA agreement offers significant economic benefits, including diversification into new export markets and increased access for flagship products, particularly in South America, with Peru serving as the primary gateway.

Keywords: Economic, Indonesia's Interest, IP-CEPA

Abstrak

Penelitian ini membahas kepentingan Indonesia dalam kehadiran Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA) sebagai upaya memperluas kerja sama ekonomi lintas kawasan. Latar belakang penelitian ini berangkat dari meningkatnya arus globalisasi dan interdependensi ekonomi antarnegara,

yang mendorong Indonesia untuk memperluas pasar ekspor serta menjalin kemitraan strategis dengan mitra nontradisional seperti kelompok negara berkembang di Amerika Selatan. Penelitian ini menggunakan metode deskriptif kualitatif dengan pendekatan studi pustaka. Temuan menunjukkan bahwa meskipun IP-CEPA pada dasarnya merupakan instrumen kerja sama ekonomi dan perdagangan, perjanjian ini juga mencakup dua pilar penting lainnya, yaitu penguatan institusional dan diplomasi antar negara (bonding pillar) serta pengembangan hubungan antar komunitas melalui kolaborasi di bidang pendidikan, budaya, dan bisnis (people pillar). Ketiga pilar ini menunjukkan bahwa kepentingan Indonesia tidak hanya bersifat ekonomi, tetapi juga strategis dalam memperluas jaringan sosial dan politiknya di kawasan. Terlepas daripada ketertarikan Indonesia di dalamnya, IP-CEPA ini sebenarnya juga menghadapi berbagai tantangan seperti kondisi geografi yang terbelah jauh yang tentunya akan berdampak terhadap biaya logistik hingga tingginya angka kompetisi ekspor negara Asia Tenggara lainnya seperti Tailan dan Vietnam ke Peru. Meskipun hadir berbagai bentuk tantangan yang ada, perjanjian IP-CEPA ini sendiri juga menawarkan keuntungan ekonomi yang terbelah besar yaitu sebagai upaya diversifikasi pasar ekspor baru dan peningkatan akses produk unggulan terutama di kawasan Amerika Selatan dengan Peru sebagai gerbang utamanya. Dengan demikian, IP-CEPA bukan hanya instrumen ekonomi, tetapi juga sarana strategis untuk memperkuat posisi Indonesia sebagai eksportir barang dan produk di kawasan Amerika Selatan secara berkelanjutan.

Kata kunci: Ekonomi, Kepentingan Indonesia, IP-CEPA

INTRODUCTION

The world, in its current status quo, has undergone massive development, and relations between countries have become increasingly intense. It is evident from the high number of bilateral and multilateral policy collaborations, which aligns with the fact that every country in the world has its own strengths, weaknesses, and, to some extent, dependence on other countries to meet some domestic needs. These cross-border interactions are inseparable from globalization, which facilitates interaction for all international actors. Globalization contributes to advancing some aspects of human life, including technology and communication, transportation efficiency, and global trade (Kujović & Meta, 2022).

As a result, the movement of goods, capital, information, and people becomes more streamlined and connected. In addition, globalization fosters the emergence of other contemporary economic priorities and international trade cooperation policies, which open more doors to economic interdependence for the

actors involved (Omar, 2023). In short, globalization appears to be the cornerstone of the modern international world for facilitating interaction and cooperation.

In today's global economy, trade is a means for countries to develop and grow into stronger, more dominant entities (Maluck et al., 2018). In recent years, countries around the world have widely adopted trade liberalization and economic cooperation to boost economic growth, increase competitiveness, and align themselves with global economic developments. Global trade agreements partly influence the dynamics of global trade in the status quo. These agreements facilitate efforts to remove trade barriers, promote international investment, and foster cooperation in other related sectors (socio-cultural). These agreements often occur between two countries with long-standing, strong diplomatic relations and a high level of dependence and trust (Khosro, 2025).

In the face of globalization and cross-border trade, every country, from

developed to developing, is competing to expand its economic influence through cooperation with strategic partners. Indonesia's participation is evident from its comprehensive economic partnership agreement with developing countries outside the Southeast Asian region, including Peru. Historically, diplomatic relations between Indonesia and Peru were established on August 12, 1975, followed by the opening of embassies in both countries to strengthen ties. Recently, Indonesia signed an agreement with Peru to establish a comprehensive economic partnership in South America, following the agreement with Chile in the same region. Indonesia and Peru have held numerous bilateral meetings, consultation forums, and joint commission meetings. This bilateral agreement includes joint efforts to end illegal drug trafficking and foster diplomatic relations in education, training, agriculture, and defense sectors. In addition, high values of export-import traffic between Indonesia and Peru strengthen the ties. The Ministry of Foreign Affairs of Indonesia reported that from January to October 2022, trade value increased by 45.88% YoY to US\$465 million, making Peru Indonesia's 4th-largest trading partner in South America and the Caribbean (Kementerian Luar Negeri, 2025).

The President of Peru, Dina Ercilia Boluarte Zegarra, and Indonesia's President Prabowo Subianto agreed to sign the Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA) in Jakarta on August 11, 2025. The IP-CEPA marks 50 years of diplomatic relations between Indonesia and Peru, focusing on economic cooperation to expand market access and increase trade between the two countries (Kementerian Sekretariat Negara, 2025). Questions arise on Indonesia's

interests in the IP-CEPA and the projections of mutual prospects from respective countries. Compared to the Indonesia-Chile CEPA (IC-CEPA), which highlights diversification of export markets and the expansion of cooperation into service and technology sectors, the IP-CEPA seeks to affirm the position of both countries as strategic partners in the region, to access regional markets and to strengthen people-to-people relations (Sekretariat Kabinet Republik Indonesia, 2025).

The other difference between IC-CEPA and IP-CEPA lies in the timeline. IC-CEPA took a relatively long time to develop, from the 2006 agreement to establish a discussion group for a potential trade agreement, which led to the Joint Study Group (JSG) in November 2009. Only in May 2014 did the first negotiations take place in Santiago, and they continued until the actual agreement on December 14, 2017, and implementation on August 10, 2019 (Kementerian Perdagangan, 2024). On the one hand, the IP-CEPA progressed rapidly, beginning in 2017, when Peru invited Indonesia to negotiate a free trade agreement after the United States withdrew from the Trans-Pacific Partnership (TPP). Peru proved its commitment by holding gradual negotiations in 2022 and officially launching the virtual talks on August 15, 2023. This trade cooperation policy was successfully finalized and signed in Jakarta on August 11, 2025, during President Zegarra's visit to Indonesia.

Currently, major developments in global trade and the emergence of bilateral economic cooperation agreements, such as the Indonesia-Peru Comprehensive Economic Partnership Agreement, are at a standstill. This study examines and describes Indonesia's national interests in

IP-CEPA, and how IP-CEPA can affect cross-continental trade for both actors.

THEORETICAL FRAMEWORK

National interest provides a framework for policymakers to formulate strategies aligned with their country's needs. The definition of national interests aims to promote the welfare of the state in the international sphere (Oppenheim, 1987). The conception emphasizes the importance of safeguarding political autonomy and national integration as essential conditions for protecting citizens' welfare in an increasingly interconnected global environment. In addition, national interest is inherently subjective, shaped by each state's policy direction, particularly concerning foreign policy (Lebow, 2019). In "Discord and Collaboration: Essays on International Politics," the concept of national interest is elaborated through the distinction between Possession Goals and Milieu Goals. Milieu Goals, which are oriented towards the international environment, align with Oppenheim's emphasis on securing national interests within the global context. One way for countries to improve their people's welfare is through international cooperation, particularly when it yields mutual benefits (Welfers, 1962). Cooperation has become a common strategy for countries to enhance national welfare.

As discussed in "Introduction to International Relations Theories and Approaches," states like Indonesia must pursue cooperation beyond territorial boundaries. From the perspective of institutional liberalism, cooperation represents a concrete form of interdependence within the international community. Countries enter into collaborative agreements to mitigate the

impacts of international anarchy, foster stability, and advance domestic and shared interests. Such cooperation is typically driven by mutual understanding and overlapping interests supported by a broader international environment characterized by interdependence (Jackson & Sørensen, 2013). Furthermore, international cooperation, particularly in the economic domain, has evolved toward more comprehensive forms, one of the most advanced being the Comprehensive Economic Partnership Agreement (CEPA). Unlike conventional trade agreements, CEPA frameworks extend beyond typical tariff reductions to include provisions on foreign investment, dispute-resolution mechanisms, intellectual property protection, and other elements commonly associated with modern free trade agreements (Patton, 2010).

This study employs the concept of national interest to analyze Indonesia's national interests in establishing the IP-CEPA, particularly interests in the political, economic, and social sectors. Benabdallah et al. (2017) highlight the persistent inequalities embedded in North-South relations. It outlines that many countries in the South remain disadvantaged due to unequal policies, interventions, and trade practices imposed by developed countries in the North. Such structural imbalances hinder meaningful development in the Global South. It is expected that cooperation among countries of the Global South will emerge as a strategic alternative to address these disparities. The IP-CEPA can therefore be understood not only as an instrument for advancing Indonesia's economic interests through more equitable engagement with Peru, but also as a means of strengthening Indonesia's bargaining

position in the global arena. Furthermore, the historical and socio-political similarities between Indonesia and Peru, both former colonies and developing nations, reflect shared social values and a common aspiration for inclusive development.

RESEARCH METHODS

This study adopted a qualitative descriptive approach, which emphasizes in-depth and comprehensive analysis of social phenomena through non-numerical data (Oranga & Matere, 2023). Qualitative descriptive aims to provide a rich, nuanced description of experiences, events, or social conditions from the perspectives of participants, relevant sources, or actors. This approach is particularly suitable for research in the social sciences because it provides ample room for exploring phenomena without the limitations of a quantitative framework (Furidha, 2024).

In this study, the primary focus is on examining the strategic interests in developing economic relations with Peru. The analysis explored the profile of Indonesia-Peru bilateral relations, assessed the characteristics of the Peruvian market, and mapped trade opportunities Indonesia could develop. Thus, this study not only captures the current relationship but also explores broader opportunities for future economic cooperation.

To support the analysis, this research relied on a literature review as its primary data collection. Secondary data were sourced from various credible sources, including scientific journals, academic books, and the official websites of government agencies and ministries. This approach was expected to enrich the findings with diverse perspectives while also supporting the study's validity.

RESULTS AND DISCUSSION

Bonding of Indonesia-Peru

As Global South countries, Indonesia and Peru share a common vision of promoting economic growth, reducing poverty, and achieving equitable development. Both countries are committed to strengthening their domestic economic foundations through mutually beneficial cooperation across various sectors. Diplomatic relations between Indonesia and Peru were formally established on August 12, 1975 (Kementerian Luar Negeri, 2025). Initially, diplomatic ties between Indonesia and Peru were managed through Indonesia's embassy in Brasilia, Brazil, an arrangement that proved efficient given the distance and limited direct engagement. Recognizing these constraints, Indonesia established its embassy in Lima, Peru, on February 20, 2002. This step marks a significant step in strengthening bilateral ties.

Meanwhile, Peru opened its embassy in Jakarta on November 1, 1992 (Kementerian Luar Negeri, 2025). These developments marked important milestones in deepening political, economic, social, and cultural ties. Since then, Indonesia-Peru relations have continued to develop positively and have transformed from mere formal diplomatic relations into a strategic partnership focused on improving the welfare of the people in both countries.

Since 1975, both countries have consistently expanded the scope of their partnership, not only in the political and social fields but also in the economic and technical spheres (Anugrahanto, 2025). This collaboration reflects the commitment of both developing countries to provide mutual support to strengthen national capacity and position in the global economy,

and to improve the welfare of their citizens. This tie is embodied in various economic and technical agreements, including the exchange of information, materials, experts, and relevant resources for development in respective countries; general and specialized technical training and seminars; and joint research projects in science and technology (Tobing & Virgianita, 2020). Then, in 2013, due to global pressure and dynamic economies, Indonesia expanded the scope of its bilateral relations by signing a Memorandum of Understanding (MoU) between Indonesia's National Narcotics Board (BNN) and the Peruvian National Commission for Development and Life Without Drugs. This agreement aims to strengthen technical cooperation to mitigate the production, distribution, and illicit trade of narcotics and psychotropic substances, as part of efforts to maintain stability and security in both countries (Tobing & Virgianita, 2020).

Securing bilateral ties with Peru aligns with Indonesia's foreign policy direction of diversifying non-traditional trading partners, especially following the establishment of the trade agreement with Chile through the Indonesia-Chile Comprehensive Economic Partnership Agreement (IC-CEPA) in 2019. Through bilateral ties with Peru, also known as South-South Cooperation, Indonesia focuses on cooperation (knowledge, skills, technology, and resources) between developing countries in the Global South to achieve common development goals (Bry, 2017). SSC is a horizontal cooperation approach that fosters closer technical and economic cooperation among developing countries by empowering experts from fellow Southern nations, exchanging best practices from the Global South, and

enhancing a shared sense of ownership over the development process (Tejasvi, 2007). SSC operates under the principles of equality, non-intervention, respect for state sovereignty and ownership, and ensures partnerships based on respect and solidarity to overcome common challenges (Triwibowo et al., 2025). Accordingly, SSC enables Indonesia to strengthen its presence in South America, expand market access for national products, and increase its bargaining power within a more inclusive and balanced global trade network.

The IP-CEPA agreement is a tangible form of SSC implementation to strengthen domestic economies and the region. Indonesia and Peru are large and influential countries in their respective regions: Indonesia in Southeast Asia and Peru in South America. The IP-CEPA eases bilateral trade, strengthens the involved actors, and facilitates broader cooperation with their respective regional blocs. The SSC aligns with Indonesia's interest, as emphasized by President Prabowo at the BRICS Summit 2025 in Rio, to revive multilateralism amid the increasingly multipolar global landscape and to capitalize on the New Development Bank (Kementerian Sekretariat Negara, 2025).

Peruvian Market and Indonesia's Interest

According to the official website of the Ministry of Foreign Affairs of the Republic of Indonesia, in 2021, Peru was Indonesia's fourth-largest trading partner in South America and the Caribbean, with bilateral trade totaling around US\$404.20 million, an increase of 62.46% from the previous year. A significant increase was evident in Indonesia's exports to Peru (85.18% YoY to US\$320 million) and trade surplus

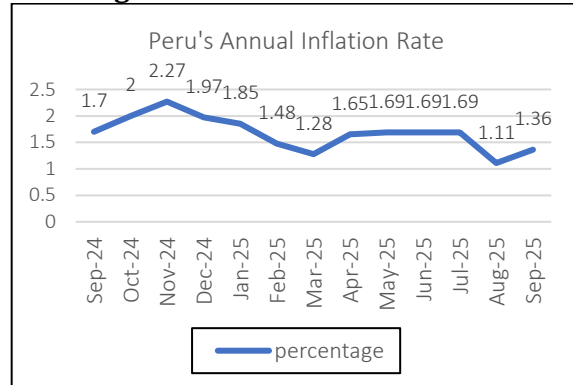
(143.74% YoY to US\$235.70 million). This positive trend continued until October 2022, with a total trade value of US\$465 million. This data confirms stronger economic ties and a substantial partnership between Indonesia and Peru. In line with these dynamics, the two countries are currently exploring the formation of a free trade agreement, the Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA), which is expected to deepen economic integration and expand market access in the South American region.

Peru is a potential market for countries to expand their trade reach in South America. The population of Peru reached 34.5 million in 2025, marking a 1.05% growth from the previous year. Around 80% of the population lives in urban areas, and their life expectancy is 80.5 years for women and 75.8 years for men, which is considered high for a developing country (Worldometer, 2025).

Peru has shown a growing economic power. First, the current macroeconomic condition is fairly stable, according to the 2025 World Bank data. The annual fiscal deficit decreased from 3.5% to 2.6% of GDP between the end of 2024 and July 2025, while per capita GDP was US\$17,800 in 2024. This decline was mainly due to revenue growth outpacing expenditure. The deficit is expected to decrease to 1.9% of GDP in 2026 gradually. In July 2025, the country's foreign exchange reserves were 26.5% of GDP, which is equivalent to 13.7 times its monthly imports. It was estimated

that the country's economy grew by 3% in 2025 and 2.5% in the following year.

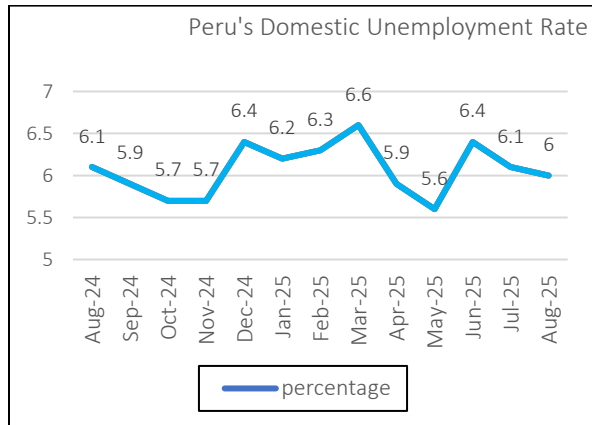
Diagram 1: Peru's Inflation Rate



Source: Trading Economics (2025)

Second, Peru's inflation rate shows promising development. According to Trading Economics (2025), the monthly inflation rate ranged from 1.11% in August 2025 to 2.27% in November 2024. The inflation rate was recorded only 3 times below 1.5% and once above 2%, indicating that the average monthly inflation rate was only slightly below 2% (United States Central Bank). The Fed considered this percentage a safe level for economic stability and consumer and business health. The Fed's annual inflation target was 2%. If the inflation rate falls too low and prices continue to decline over a long period of time, it can lead to deflation (Engemann, 2019). The rate of inflation in Peru over the past year has been relatively stable.

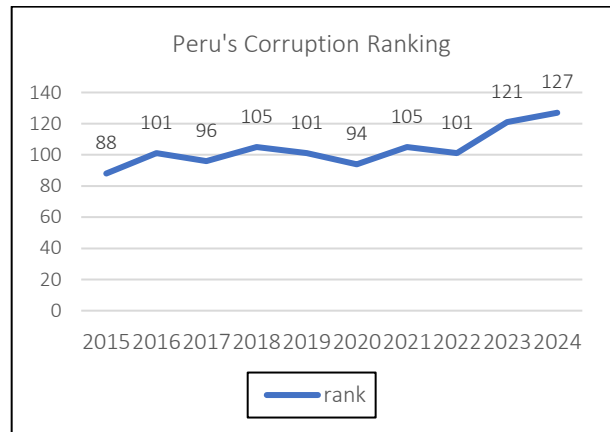
Diagram 2: Peru's Domestic Unemployment Rate



Source: Trading Economics (2025)

Third, the unemployment rate in Peru declined consistently between August 2024 and August 2025, though with some fluctuations throughout the year (Trading Economics, 2025). These conditions result from the government's nationwide initiatives to curb unemployment following the COVID-19 pandemic in 2020, including cash assistance, private pension fund withdrawals, and cooperation with strategic partners. Peru's success in recovering from the worst unemployment rate during the 2020 pandemic (above 10%) to an average of 7% of its total population in the past year demonstrates a strong commitment to maintaining economic progress, supported by a productive working population and stable governance.

Diagram 3: Peru's Corruption Ranking



Source: Trading Economics (2025)

In addition to a relatively stable inflation economy, Peru's government bureaucracy has consistently improved. The corruption ranking trends reported in Diagram 3 show that Peru tended to decline. In 2018, Peru ranked 88th most corrupt, but in 2024, it had fallen to 127th. This situation indicates that Peru was committed to eradicating corrupt practices in the country. The implication of this positive development is evident in the government bureaucracy, which is streamlining licensing processes for business actors, both domestic and foreign. Countries with low levels of corruption are also more trustworthy as partners for cooperation and trade.

All these developments demonstrate consistent economic growth in Peru. The productive-age population and abundant imports of mineral fuels, oil, and distilled products provide high-value resources. The declining inflation rate and streamlined bureaucracy increased economic excellence and confidence to partake in global trade. In addition, the government's commitment to reducing the unemployment rate after the pandemic demonstrates that it restored

local communities by creating more employment opportunities.

Indonesia's interests in Peru align with the concept of the Milieu Goal, namely improving the community through mutually beneficial cooperation. The IP-CEPA was established further to expand Indonesia's access to the Peruvian market. According to the latest report presented by the Minister of Trade of the Republic of Indonesia, economic interaction between Indonesia and Peru continues to show positive development through import and export activities. In 2024, both countries recorded a total cross-border trade value of US\$480 million, with Indonesian exports to Peru reaching US\$331.2 million and Peruvian exports to Indonesia reaching US\$149.6 million. Through the implementation of the IP-CEPA, both Indonesia and Peru aim to increase trade volumes by up to 2 times. In 2024, five top export commodities from Indonesia to Peru were motor vehicles (US\$120.8 million), footwear with textile uppers and rubber soles (US\$21.8 million), palm oil products (US\$21.4 million), refrigerators and non-air-conditioning heat pumps (US\$16.5 million), and leather footwear uppers (US\$14.9 million) (Rizky, 2025).

People to People Connection

The issuance of IP-CEPA as a bilateral economic agreement reflects social identity interests that strengthen the common identity between Indonesia and Peru as part of the Global South. As colonized countries, Indonesia and Peru are bonding over a shared fate and past. Under the status quo, a new form of cooperation has emerged: South-South Cooperation. This cooperation aims to strengthen collaboration and solidarity among developing countries to address various development challenges

and promote sustainable development (Jatmiko, 2024). South-South cooperation is a joint effort by communities and countries in the South that stems from shared experiences and sympathies, grounded in common goals and solidarity. The implementation of South-South Cooperation (SSC) through IP-CEPA can be understood as a form of enhanced relations between Indonesia and Peru to support each other in various international forums, such as the United Nations (UN) and the World Trade Organization (WTO), especially in fighting for global issues such as sustainable development and fair trade (Hutabarat, 2023).

The main focus of the Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA) is to strengthen bilateral economic relations by expanding market access, increasing trade volumes, and creating sustainable investment opportunities. This agreement also aims to remove various tariff barriers that have been hampering the flow of goods and services between the two countries. In addition, IP-CEPA covers a wide scope of cooperation, including the tourism, fisheries, and aquaculture sectors, which have great potential to drive economic growth in both countries (CNN Indonesia, 2025). Through this focus, IP-CEPA not only serves as an economic instrument but also as a bridge for social interaction, opening up opportunities for people-to-people and business-to-business relations. This cooperation enables people from both countries to interact more intensively through various forms of collaboration, such as student exchange programs, educational initiatives, and cross-cultural tourism activities. Such interactions are expected to strengthen mutual

understanding between communities, expand professional networks, and foster mutually beneficial social relationships within the framework of cross-regional cooperation.

The development of cooperation between Indonesia and Peru shows that relations between the two countries are not limited to formal economic dimensions but are also expanding into social aspects and cross-community interactions. The improvement in trade relations between the two countries is reflected in increased trade volumes and mutual interest in diversifying areas of cooperation. One example is the 2024 Indonesia–Latin America and Caribbean Business Exhibition and Forum (INA-LAC), held in Lima, Peru, and attended by more than 30 Indonesian companies from various sectors, including food, technology, fashion, energy, and automotive. This event not only served as a trade promotion platform but also as a space for social interaction and exchange of ideas between business actors, governments, and communities from both countries. Such momentum strengthens the essence of people-to-people connections by bringing together various non-governmental actors to expand networks and deepen cross-cultural understanding. Accordingly, the growth of trade relations and forum activities, such as INA-LAC, also supports the implementation of IP-CEPA, which aims to form a more inclusive, dynamic economic alliance rooted in the values of South-South solidarity (Narrea, 2025).

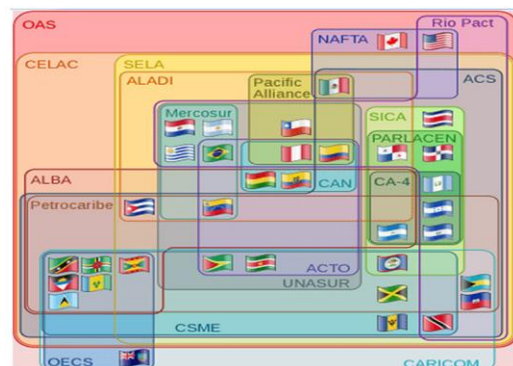
Struggle of the Interest

Indonesia's efforts to establish a trade partnership with Peru face a major obstacle due to the two countries' geographic locations. Geographically, both countries

are located in different regions separated by the Pacific Ocean. Obviously, this great distance will lead to higher shipping costs. In addition, the goods traded must be durable, as shipping from one country to another takes a long time. This condition will affect domestic market demand, which will tend to favor suppliers offering goods with more efficient shipping costs and times. The long distance also hinders the potential to open trade opportunities, due to the high costs businesses incur to enter markets in the destination country.

Under the status quo, Indonesia is not the only Southeast Asian country that has trade relations with Peru, nor is it the largest trading partner. Two other Southeast Asian countries surpass Indonesia's exports to Peru: Vietnam, with an export value of US\$729 million, and Thailand, with an export value of US\$551 million. Meanwhile, in the same year, Indonesia's exports to Peru were capped at US\$507 million (Trading Economics, 2024). It demonstrates barriers to trade competition between fellow Southeast Asian countries to reach the Peruvian market.

Figure 1: Complexity of Regionalism in South America

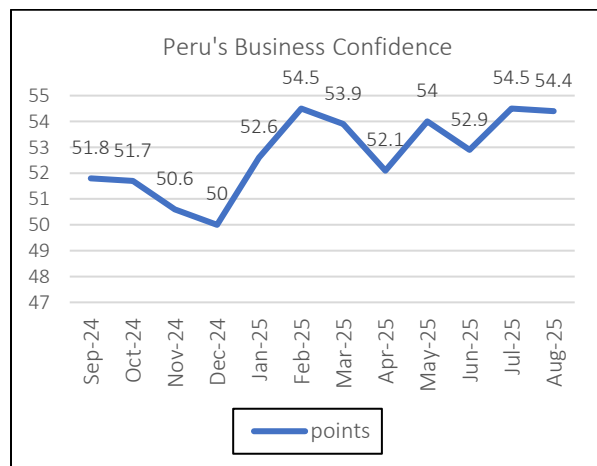


Source: Ministry of Foreign Affairs Republic of Indonesia (2019)

Figure 1 illustrates the complexity of regionalism in South America, known as the “spaghetti bowl,” which refers to the overlapping membership of countries in existing institutions. In South America, several state institutions focus on cross-border trade agreements, each with its own policies and bureaucracy. This phenomenon affects differences in the application of standards, which are sometimes contradictory across institutions, and creates a fairly diverse regional trade environment (Kementerian Luar Negeri, 2019).

Despite the global and regional challenges faced, the implementation of the Indonesia-Peru CEPA also faces major challenges, particularly from within Peru. From Indonesia's perspective, Peru, as a CEPA partner country, faces internal challenges, including political and bureaucratic conditions and the economic climate for international trade.

Diagram 1: Peru's Business Confidence



Source: Trading Economics (2025)

Based on data from Trading Economics (2025), Business Confidence in Peru in August 2025 fell to 54.40 points from 54.50

points in the previous month. This index is based on a sample of 42 economic analysts, 28 banks, and 900 non-financial companies, measured on a scale of 0 to 100, where values above 50 indicate optimism, 50 is neutral, and values below 50 indicate pessimism. Peru achieved the highest score at the end of 2007, with 75.30 points, and the lowest during the pandemic in April 2020, with 9.10 points. The business confidence index measures the expectations of business executives for their companies' production, market demand, and labor, as well as national economic conditions such as inflation, GDP growth, foreign exchange rates, and interest rates over the next three months. Business confidence in Peru has been a challenge since the decline in the business confidence index began in 2007, although the index rose in 2016 (above 60 points) before declining due to the pandemic and recovering afterward.

CONCLUSION

Indonesia pursues economic expansion in countries in the northern region and traditional economic partners such as the European Union, South Korea, and Australia, as well as in the full-potential southern region, particularly South America. This step aligns with the national foreign policy direction, focusing on diversifying trading partners and strengthening its strategic position among developing countries. The cooperation between Indonesia and Peru through the Indonesia-Peru Comprehensive Economic Partnership Agreement (IP-CEPA) is a concrete reflection of the spirit of South-South Cooperation (SSC) based on the principles of equal partnership. Through the IP-CEPA, Indonesia seeks to strengthen networks among developing countries to

create a more equitable global economic order.

The analysis shows that IP-CEPA has three main foci: bonding, market, and people. The bonding pillar emphasizes the formation of institutional ties and trust between countries to strengthen the foundation of long-term economic diplomacy. The market pillar focuses on expanding Indonesia's cross-border trade reach to new non-traditional partners, particularly in South America, and on establishing Peru as a key gateway for export commodities in the region. The implications of the IP-CEPA also signal the strengthening of the decade-long bilateral relationship between the two nations. Moreover, Peru's macroeconomic potential, which tends to be stable and quite promising year after year, presents an opportunity for Indonesia to enhance its economic interests.

Meanwhile, the people pillar emphasizes interaction between communities through cooperation in education, tourism, culture, and business networks that expand cross-regional connectivity. Indonesia's interests and potential can be synergized through these

three pillars. In terms of bonding, Indonesia has the opportunity to strengthen its diplomatic position and expand its foreign policy influence in South America.

In terms of the market, Indonesia can take advantage of export diversification opportunities to penetrate non-traditional markets while increasing the added value of its domestic industry. Regarding the people aspect, Indonesia can encourage human resource exchanges and cultural promotion, and strengthen the nation's positive image at the global level.

However, Indonesia still struggles to boost the potential of its national interests. Barriers such as long distances, high logistics costs, and trade competition with other Southeast Asian countries, such as Vietnam and Thailand, need to be addressed sooner rather than later. Therefore, the success of IP-CEPA greatly depends on Indonesia's ability to manage adaptive economic diplomacy, logistical efficiency, and cross-sector cooperation and innovation. With the right strategy, IP-CEPA can be an important instrument for Indonesia to strengthen its global role in the southern region while strengthening the national economy.

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