

Designing Trade Cooperation under Regime Complexity: A Rational Design Analysis of the Indonesia-Korea Comprehensive Economic Partnership Agreement

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ARTICLE INFO

Article History:

Received : 11-April-2026

Revised : 14-May-2026

Accepted : 31-May-2026

Keywords: *IK-CEPA, Bilateral Trade Agreements, Institutional Design, Rational Design, Economic Governance.*

Abstract

This article examines the Indonesia–Korea Comprehensive Economic Partnership Agreement (IK-CEPA), which entered into force on 1 January 2023, as a case of bilateral trade cooperation within an increasingly complex regional trade environment. The study investigates how the institutional design of IK-CEPA supports economic cooperation and governance between Indonesia and South Korea. Drawing on liberal institutionalism and rational design theory, the research employs qualitative content analysis of the agreement’s legal provisions, supported by implementation documents and official trade and investment data. The findings show that IK-CEPA extends beyond tariff liberalization by establishing formal coordination mechanisms, review procedures, and economic cooperation programs that facilitate policy coordination and capacity-building between the two countries. Early implementation indicates modest changes in bilateral trade performance but stronger continuity in investment cooperation, suggesting that the agreement’s governance functions may be more significant in the short term than its immediate trade effects. This study contributes to the literature by demonstrating how bilateral trade agreements can complement existing regional frameworks and strengthen economic governance through targeted institutional arrangements.

Abstrak

Artikel ini mengkaji Indonesia–Korea Comprehensive Economic Partnership Agreement (IK-CEPA) yang mulai berlaku pada 1 Januari 2023 sebagai bentuk kerja sama perdagangan bilateral dalam lingkungan perdagangan regional yang semakin kompleks. Penelitian ini bertujuan untuk menjelaskan bagaimana desain kelembagaan IK-CEPA mendukung kerja sama ekonomi dan tata kelola hubungan ekonomi antara Indonesia dan Korea Selatan. Dengan menggunakan perspektif institusionalisme liberal dan teori rational design, penelitian ini menerapkan analisis isi kualitatif terhadap ketentuan-ketentuan dalam naskah perjanjian, yang didukung oleh dokumen implementasi serta data resmi perdagangan dan investasi. Hasil penelitian menunjukkan bahwa IK-CEPA tidak hanya berfokus pada liberalisasi tarif, tetapi juga membangun mekanisme koordinasi formal, prosedur evaluasi, dan program kerja sama ekonomi yang memperkuat koordinasi kebijakan serta pengembangan kapasitas kedua negara. Implementasi awal menunjukkan perubahan yang masih terbatas pada kinerja perdagangan bilateral, namun memperlihatkan keberlanjutan yang lebih kuat dalam kerja sama investasi. Temuan ini mengindikasikan bahwa fungsi tata kelola yang dibangun melalui perjanjian memiliki peran yang lebih signifikan dalam jangka pendek dibandingkan dampak langsung terhadap perdagangan. Studi ini berkontribusi pada pengembangan kajian kerja sama ekonomi internasional dengan menunjukkan bahwa perjanjian perdagangan bilateral dapat melengkapi kerangka kerja regional yang telah ada serta memperkuat tata kelola ekonomi melalui pengaturan kelembagaan yang lebih terarah.

Kata Kunci: IK-CEPA, Perjanjian Perdagangan Bilateral, Desain Kelembagaan, Desain Rasional; Tata Kelola Ekonomi.



Introduction

The proliferation of bilateral Comprehensive Economic Partnership Agreements (CEPAs) has become one of the defining institutional trends in Asia-Pacific trade governance.¹ This development has unfolded within an increasingly complex trade architecture characterized by the coexistence of long-established regional agreements and newer mega-regional arrangements.² Such a landscape has generated what international relations scholars describe as *regime complexity*, a condition in which multiple legal obligations, governance mechanisms, and implementation forums operate simultaneously within the same issue area.³ Against this backdrop, a fundamental theoretical question emerges: if regional trade agreements already provide basic trade liberalization and dispute settlement mechanisms, why do states continue to invest substantial political and economic resources in negotiating bilateral CEPAs?

The Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA) offers a particularly illuminating case through which to address this question. Signed in December 2020 and entering into force on 1 January 2023, the agreement coincided with the fiftieth anniversary of diplomatic relations between Indonesia and South Korea.⁴ Substantively, IK-CEPA reflects a level of liberalization that exceeds previous regional frameworks, with South Korea eliminating tariffs on approximately 95.5 percent of tariff lines and Indonesia on around 92 percent.⁵ In parallel, both governments established domestic implementation mechanisms, including Indonesia's ratification through Law No. 25 of 2022 and a series of implementing regulations designed to facilitate the agreement's execution.⁶ These developments indicate that IK-CEPA functions not merely as a trade

¹ E Thippaphone, "Asia-Pacific Economic Growth & the Region's Major Trade Agreements," *Вестник Hayku* 1, no. 4 (49) (2022): 118–27, <https://doi.org/10.24412/2712-8849-2022-449-118-127>.

² Andreas Buser, "Hegemony, Power and International Law," in *Emerging Powers, Global Justice and International Economic Law: Reformers of an Unjust Order?* (Springer, 2021), 47–138, [https://doi.org/Cite this chapter](https://doi.org/Cite%20this%20chapter) Buser, A. (2021). Hegemony, Power and International Law. In: Emerging Powers, Global Justice and International Economic Law. Springer, Cham. https://doi.org/10.1007/978-3-030-63639-5_3 Download citation .RIS.ENW.BIB DOI https://doi.org/10.1007/978-3-030-63639-5_3.

³ Amandine Orsini, "Regime Complexes as a Model of Multilateral Governance: The Case of the Environment," in *Crisis of Multilateralism? Challenges and Resilience* (Springer, 2023), 263–81, https://doi.org/https://doi.org/10.1007/978-3-031-39671-7_13.

⁴ Nabila Bila, "The Impact of IK-CEPA (Indonesia-South Korea Comprehensive Economic Partnership Agreement) for Indonesia," *Formosa Journal of Sustainable Research*, 2022, <https://doi.org/https://doi.org/10.55927/fjsr.v1i3.908>.

⁵ Gonda Yumitro, Shannaz Mutiara Deniar, and Sukma Oktaviani, "Opportunities and Challenges of the Korea–Indonesia CEPA in Bilateral Trade and Investment," *Sospol* 11, no. 3 (2025): 1–14, <https://doi.org/https://doi.org/10.22219/jurnalsospol.v11i3.42055>.

⁶ Imam Budiman, Bulbul Abdurrahman, and Masayu Fatimah Azmi Aradea, "The Role of the Comprehensive Economic Partnership Agreement (CEPA) and Investment in Indonesia's Economic Diplomacy," *Journal of Indonesian Social Sciences and Humanities* 15, no. 1 (2025).

liberalization instrument but also as a deliberately constructed framework for bilateral economic governance.

Despite its significance, existing scholarship on Indonesia–South Korea economic relations remains largely dominated by international economics and trade perspectives that focus on trade flows, foreign direct investment (FDI), export competitiveness, and sector-specific impacts. In many of these studies, trade agreements are treated as exogenous policy variables or simply as instruments for tariff reduction.⁷ Consequently, limited attention has been devoted to the institutional dimensions of cooperation, particularly how agreements are designed to manage cooperation, reduce uncertainty, and facilitate coordination among governments and economic actors.⁸ In other words, the literature has primarily concentrated on explaining trade outcomes rather than examining the institutional designs that make such outcomes possible.⁹

This limitation is particularly important given that IK-CEPA operates within an institutional environment already shaped by the ASEAN–Korea Free Trade Area (AKFTA) and the Regional Comprehensive Economic Partnership (RCEP).¹⁰ Both frameworks establish trade liberalization commitments and governance arrangements binding upon Indonesia and South Korea. The existence of IK-CEPA therefore raises important questions regarding its added institutional value.¹¹ Does the agreement merely duplicate existing rules and commitments, or does it introduce governance mechanisms capable of enhancing bilateral cooperation beyond what is already available under regional frameworks?¹² Addressing this issue is essential for understanding how states design institutions within increasingly dense and overlapping trade regimes.

⁷ Yumitro, Deniar, and Oktaviani, “Opportunities and Challenges of the Korea–Indonesia CEPA in Bilateral Trade and Investment.”

⁸ Gordon M Hickey et al., “On Inter-Organizational Trust, Control and Risk in Transboundary Fisheries Governance,” *Marine Policy* 134 (2021): 104772, <https://doi.org/https://doi.org/10.1016/j.marpol.2021.104772>.

⁹ Ruth V Aguilera et al., “Organizational Goals, Outcomes, and the Assessment of Performance: Reconceptualizing Success in Management Studies,” *Journal of Management Studies* 61, no. 1 (2024): 1–36, <https://doi.org/https://doi.org/10.1111/joms.12994>.

¹⁰ Yumitro, Deniar, and Oktaviani, “Opportunities and Challenges of the Korea–Indonesia CEPA in Bilateral Trade and Investment.”

¹¹ Bila, “The Impact of IK-CEPA (Indonesia-South Korea Comprehensive Economic Partnership Agreement) for Indonesia.”

¹² Andriy Tyushka, David Phinnemore, and Wolfgang Weiß, “Joint Institutional Frameworks in EU Bilateral Agreements: Joint Bodies, Rules and Principles, and Special Procedures,” *JCMS: Journal of Common Market Studies* 60, no. 4 (2022): 1124–43, <https://doi.org/https://doi.org/10.1111/jcms.13333>.

To examine this issue, this study employs the perspective of Liberal Institutionalism, particularly the Rational Design framework developed by Koremenos, Lipson, and Snidal.¹³ This approach assumes that international institutions are intentionally designed to address specific cooperation problems, including information asymmetries, transaction costs, compliance challenges, and uncertainty regarding the behavior of cooperating partners. Accordingly, the focus of analysis is not simply whether institutions exist, but how they are designed through features such as centralization, scope, control, and flexibility. In addition, the study draws upon the concepts of issue linkage and iterated cooperation developed by Axelrod and Keohane¹⁴ to explain how the integration of market access, capacity-building initiatives, and economic cooperation programs can strengthen incentives for long-term compliance and cooperation.

Building on this theoretical framework, the article asks the following central question: how does the institutional design of IK-CEPA facilitate bilateral economic cooperation and governance between Indonesia and South Korea within a complex regional trade regime environment?¹⁵ To answer this question, the study examines three interrelated dimensions: first, the institutional mechanisms established to reduce transaction costs and information asymmetries; second, the relationship between IK-CEPA and existing regional frameworks, particularly AKFTA and RCEP, in terms of coordination, complementarity, and potential duplication of commitments; and third, the extent to which IK-CEPA's economic cooperation provisions link market access commitments with capacity-building initiatives as a form of issue linkage.

This article contributes to the literature on international relations and international political economy in three ways. First, it extends Rational Design theory to the study of bilateral trade agreements operating within a broader regime complex rather than as isolated institutional arrangements. Second, it provides a systematic empirical mapping of IK-CEPA's governance architecture, including its committee system, coordination mechanisms, transparency provisions, dispute settlement procedures, and economic cooperation arrangements. Third, it offers policy-relevant insights into the institutional features that can

¹³ Barbara Koremenos, Charles Lipson, and Duncan Snidal, "The Rational Design of International Institutions," *International Organization* 55, no. 4 (2001): 761–99, <https://doi.org/https://doi.org/10.1162/002081801317193592>.

¹⁴ Robert Axelrod and Robert O Keohane, "Achieving Cooperation under Anarchy: Strategies and Institutions," *World Politics* 38, no. 1 (1985): 226–54, <https://doi.org/https://doi.org/10.2307/2010357>.

¹⁵ Sitty Maisyaro Kalauw, Nurinaya Nurinaya, and Etik Siswatiningrum, "Kerja Sama Indonesia–Korea Melalui Indonesia–Korea Comprehensive Economic Partnership Agreement (IK-CEPA) Terhadap Ekonomi Politik Internasional Indonesia Tahun 2020–2023," *Jurnal Ilmu Sosial Dan Humaniora* 1, no. 4 (2025): 2046–57, <https://doi.org/https://doi.org/10.63822/pk7a4008>.

generate governance benefits and justify the substantial costs associated with negotiating bilateral agreements even when states are already embedded in regional trade regimes. The article argues that the significance of IK-CEPA lies not only in its tariff liberalization commitments but also in its institutional capacity to shape a more coordinated, adaptive, and sustainable framework for bilateral economic cooperation.

Research Methods

This study employs a qualitative approach with a descriptive-analytical research design to examine the institutional architecture of the *Indonesia–Korea Comprehensive Economic Partnership Agreement* (IK-CEPA) within the increasingly complex trade governance landscape of the Asia-Pacific region. A qualitative approach is considered appropriate because the study does not seek statistical generalization; rather, it aims to develop an in-depth understanding of the institutional structures, functions, and underlying logic that shape the agreement's governance framework. The analysis focuses on how the institutional provisions embedded in IK-CEPA have been designed to manage and facilitate bilateral economic relations between Indonesia and South Korea in an environment characterized by overlapping regional and bilateral trade regimes.

The principal analytical framework adopted in this study is the *Rational Design of International Institutions* theory developed by Barbara Koremenos, Charles Lipson, and Duncan Snidal.¹⁶ This perspective conceptualizes international institutions as products of rational choices made by states seeking to address cooperation problems such as transaction costs, information asymmetries, commitment challenges, and coordination failures.¹⁷ Within this framework, institutional features of IK-CEPA including joint committees, transparency mechanisms, consultation procedures, and economic cooperation arrangements—are examined as deliberately designed instruments intended to enhance the effectiveness of bilateral cooperation amid the dense network of existing regional trade agreements, particularly the ASEAN–Korea Free Trade Area (AKFTA) and the Regional Comprehensive Economic Partnership (RCEP).

The study relies exclusively on secondary data collected through documentary research. Primary sources include the official text of IK-CEPA, with particular attention to chapters concerning Institutional Provisions, Trade in Goods, Trade in Services, and Economic Cooperation. Comparative treaty documents, namely AKFTA and RCEP, are also

¹⁶ Koremenos, Lipson, and Snidal, "The Rational Design of International Institutions."

¹⁷ Robert O Keohane, "International Institutions: Two Approaches," in *International Organization* (Routledge, 2017), 171–88.

utilized to identify institutional characteristics that distinguish IK-CEPA from other regional trade arrangements. In addition, relevant domestic legal instruments, including Law No. 25 of 2022 concerning the ratification of IK-CEPA and implementing regulations related to trade facilitation measures, serve as supporting sources.¹⁸ Secondary sources consist of official reports issued by the Indonesian Ministry of Trade and South Korea’s Ministry of Trade, Industry and Energy (MOTIE), policy papers, think-tank publications, and scholarly literature addressing Indonesia–South Korea economic relations and regional economic integration.

Data are analyzed using qualitative content analysis and comparative treaty analysis. The first stage involves identifying institutional design features within IK-CEPA related to centralization, scope, information, and flexibility. The second stage entails a comparative mapping of these provisions against the baseline arrangements contained in AKFTA and RCEP to assess the institutional innovations and added value introduced by IK-CEPA. The final stage involves theoretical inference, linking the empirical findings to key concepts in rational institutional design, particularly issue linkage, iteration, and the strengthening of long-term commitments through the “shadow of the future.” This analytical process enables the study not only to describe the institutional content of the agreement but also to explain the rationale behind the selection of specific institutional arrangements and their implications for the effectiveness of bilateral economic cooperation.

To facilitate systematic analysis, the principal dimensions of rational institutional design are operationalized into observable indicators within the agreement, as presented in Table 1.

Table 1. Operationalization of Rational Design Variables in IK-CEPA

Design Variable	Indicators in IK-CEPA
Centralization	Establishment of a Joint Committee, Sub-Committees, and Contact Points to coordinate and monitor the implementation of the agreement.
Scope	Integration of trade liberalization commitments with economic cooperation programs, capacity-building initiatives, and trade facilitation measures.
Information	Provisions concerning transparency, notification requirements, information exchange, and regular consultation mechanisms.
Flexibility	Review clauses, bilateral consultation procedures, and dispute settlement mechanisms that allow adaptation to changing circumstances.

¹⁸ Yumitro, Deniar, and Oktaviani, “Opportunities and Challenges of the Korea–Indonesia CEPA in Bilateral Trade and Investment.”

Overall, this methodological framework is designed to generate an analysis that goes beyond a descriptive examination of treaty provisions by providing a theoretically informed explanation of how and why specific institutional arrangements were adopted. Through this approach, the study seeks to demonstrate how IK-CEPA functions as a bilateral trade institution deliberately designed to complement, reinforce, and differentiate itself from existing regional trade regimes in the Asia-Pacific region.

Results and Discussion

Institutional Design of IK-CEPA as a Response to Bilateral Cooperation Problems

Analysis of the agreement text demonstrates that the Indonesia–Korea Comprehensive Economic Partnership Agreement (IK-CEPA) was not designed merely as a trade liberalization instrument but as a framework for bilateral economic governance intended to address coordination problems that cannot be fully resolved through existing regional mechanisms. From the perspective of Rational Design Theory Koremenos, Lipson, & Snidal,¹⁹ institutional arrangements are deliberate responses to specific cooperation problems faced by participating states. Consequently, the establishment of various institutional bodies within IK-CEPA can be understood as a purposeful design choice aimed at reducing uncertainty, enhancing transparency, and strengthening compliance with mutually agreed commitments.

One of the defining features of IK-CEPA is the creation of a Joint Committee that serves as the principal body overseeing the implementation of the agreement. This committee is supported by a number of specialized sub-committees responsible for trade in goods, services, investment, rules of origin, and economic cooperation. Such an arrangement reflects a higher degree of institutional centralization than the ASEAN–Korea Free Trade Area (AKFTA), which relies primarily on broader regional mechanisms encompassing multiple member interests.

From a governance perspective, the multilayered committee structure enables technical barriers to be addressed at the operational level before escalating into formal disputes. At the same time, it shortens coordination channels among government authorities, thereby increasing institutional adaptability to changing economic conditions. In this regard, the committees function not merely as administrative bodies but as instruments for the continuous management of bilateral economic relations. Furthermore, the requirement to designate Contact Points across multiple chapters of the agreement reflects an institutional

¹⁹ Koremenos, Lipson, and Snidal, "The Rational Design of International Institutions."

effort to reduce information asymmetry. Liberal institutionalist scholarship identifies information deficits as a major source of uncertainty in international cooperation. Contact Points serve as permanent communication channels that facilitate the early identification of implementation challenges, including regulatory barriers, customs procedures, and investment-related concerns. This mechanism provides a more specific monitoring capacity than comparable arrangements found in either AKFTA or the Regional Comprehensive Economic Partnership (RCEP).

These findings confirm the central argument of Rational Design Theory, which posits that international institutions are consciously designed to address cooperation problems, particularly those related to informational uncertainty, transaction costs, and compliance.²⁰ The presence of the Joint Committee, Sub-Committees, and Contact Points in IK-CEPA indicates that the parties negotiated not only market access commitments but also governance mechanisms capable of sustaining implementation over time.

The findings are also consistent with studies of institutional design in contemporary trade agreements, which suggest that the effectiveness of cooperation increasingly depends on the quality of coordination mechanisms rather than solely on the magnitude of tariff concessions.²¹ Accordingly, IK-CEPA can be understood as a form of institutionalized cooperation designed to manage bilateral economic relations in a more adaptive manner than broader regional arrangements.

The Added Value of IK-CEPA in the Context of Asia-Pacific Trade Regime Density

The findings indicate that IK-CEPA operates within an institutional environment already characterized by multiple overlapping trade agreements, particularly AKFTA and RCEP. In International Relations scholarship, this condition is commonly described as regime complexity or regime density, referring to situations in which multiple institutions simultaneously regulate similar issue areas. Under such circumstances, the key question is not whether IK-CEPA is necessary, but rather which specific functions it performs that existing agreements cannot adequately provide.

²⁰ Koremenos, Lipson, and Snidal.

²¹ Eugénia C Heldt, Henning Schmidtke, and Omar Serrano Oswald, "Multilateralism à La Carte: How China Navigates Global Economic Institutions," *Review of International Political Economy* 32, no. 4 (2025): 899–921; Md Hasan Imam, "The Role Of Cross-Country Trade Partnerships In Strengthening Global Market Competitiveness," *ASRC Procedia: Global Perspectives in Science and Scholarship* 2, no. 1 (2022): 121–50; Keohane, "International Institutions: Two Approaches"; Bernhard Reinsberg and Oliver Westerwinter, "The Global Governance of International Development: Documenting the Rise of Multi-Stakeholder Partnerships and Identifying Underlying Theoretical Explanations," *The Review of International Organizations* 16, no. 1 (2021): 59–94; Jun Wang et al., "Deepening of Free Trade Agreements and International Trade: Evidence from China," *Emerging Markets Finance and Trade* 59, no. 6 (2023): 1960–75.

Table 2. Comparison of Liberalization Scope and Governance Mechanisms

No.	Comparative Dimension	AKFTA	RCEP	IK-CEPA
1	South Korea's Tariff Liberalization Ambition	Approximately 90%	Approximately 91–94%	95.5%
2	Nature of Rules	General Regional Rules	Regional Harmonization	Bilateral and Specific
3	Coordination Mechanism	Regional Multilateral	Regional Multilateral	Bilateral Joint Committee and Sub-Committees
4	Dedicated Contact Points	Limited	Present but General	More Detailed Regulation
5	Economic Cooperation	Broadly Defined	Project-Based	Integrated with Market Liberalization
6	Policy Flexibility	Low	Moderate	High (including USDFS and priority sectors)
7	Strategic Industry Focus	Non-Specific	Regional Focus	EV Batteries, Manufacturing, Digitalization
8	Intensity of Institutional Interaction	Low	Moderate	High
9	Policy Adaptability	Limited	Moderate	Relatively High
10	Governance Orientation	Rule-Based	Rule Harmonization	Governance-Based Cooperation

Source: Compiled from the texts of AKFTA, RCEP, and IK-CEPA (2026).

The comparison demonstrates that the principal distinction of IK-CEPA lies not merely in its level of tariff liberalization but in the depth of its governance architecture. Whereas AKFTA functions as a general regional framework and RCEP emphasizes regional rule harmonization, IK-CEPA is specifically designed to address the particular needs of Indonesia–South Korea economic relations. Accordingly, the added value of IK-CEPA can be understood in terms of institutional complementarity. Rather than replacing AKFTA or RCEP, the agreement complements their limitations through more detailed rules, closer coordination mechanisms, and a stronger focus on strategic sectors. These findings suggest that under conditions of regime density, states do not necessarily seek to replace existing institutions but instead create additional institutions tailored to specific governance challenges. Nevertheless, the study also finds that the advantages of institutional design do not automatically demonstrate implementation effectiveness. Empirical evidence regarding

tariff preference utilization rates, the effectiveness of committee activities, and the agreement's impact on bilateral investment remains limited. Consequently, claims regarding the effectiveness of IK-CEPA should be interpreted as institutional potential that requires further empirical verification.

These findings reinforce the regime complexity literature, which argues that the proliferation of trade agreements does not necessarily generate institutional redundancy.²² Instead, states frequently establish new institutions to fill governance gaps that existing arrangements cannot adequately address. In this context, IK-CEPA does not represent institutional competition with AKFTA or RCEP but rather a complementary relationship. The findings support the argument that bilateral institutions can function as governance enhancers, deepening cooperation in specific sectors without replacing broader regional frameworks.²³ The study also extends previous research that has predominantly evaluated trade agreements in terms of tariff liberalization. It demonstrates that the strategic value of contemporary trade agreements is equally determined by their institutional capacity to facilitate intensive coordination, flexibility, and responsiveness to the evolving needs of participating states.

Institutionalizing Economic Cooperation and the Mechanism of Issue Linkage

One of the features that most clearly distinguishes IK-CEPA from many other trade agreements is the inclusion of a dedicated Economic Cooperation Chapter as an integral component of the agreement's overall design. This finding suggests that the agreement aims not only to expand market access but also to establish a mechanism for sustainable economic capacity building. From a liberal institutionalist perspective, this approach reflects a strategy of issue linkage, whereby multiple issue areas are connected within a single cooperative framework, thereby strengthening incentives for compliance.

²² Kenneth W Abbott and Benjamin Faude, "Hybrid Institutional Complexes in Global Governance," *The Review of International Organizations* 17, no. 2 (2022): 263–91; Anthea Roberts and Taylor St John, "Complex Designers and Emergent Design: Reforming the Investment Treaty System," *American Journal of International Law* 116, no. 1 (2022): 96–149; Daniel Verdier, "Bargaining Strategies for Governance Complex Games," *The Review of International Organizations* 17, no. 2 (2022): 349–71; Zhiyuan Wang, "Designing Competition Clauses in Preferential Trade Agreements," *World Trade Review* 22, no. 5 (2023): 657–79.

²³ Abbott and Faude, "Hybrid Institutional Complexes in Global Governance"; Sandra Eckert, "Sectoral Governance under the EU's Bilateral Agreements and the Limits of Joint Institutional Frameworks: Insights from EU-Swiss Bilateralism for Post-Brexit Relations with the UK," *JCMS: Journal of Common Market Studies* 60, no. 4 (2022): 1190–1210; Mohammad Tarikul Islam and Md Belal Hossen, "Economic Diplomacy and Bilateral Relations: Conceptual Clarity," in *Economic Diplomacy: Reshaping Bangladesh-Latin American Diplomatic Relations* (Springer, 2025), 19–44.

Market access, investment, human resource development, digital transformation, and technology transfer are not treated as separate concerns but rather as mutually reinforcing components of a broader cooperation framework. This is particularly evident in initiatives related to electric vehicle industries, battery production, advanced manufacturing, and the digital economy. Compared with AKFTA, which focuses primarily on trade liberalization, and RCEP, which emphasizes regional regulatory harmonization, IK-CEPA demonstrates a stronger orientation toward national economic capacity development. As a result, its benefits extend beyond increased trade flows to include opportunities for enhancing domestic industrial competitiveness. The existence of annual work programs and periodic evaluations conducted through the Sub-Committee on Economic Cooperation also creates a pattern of iterated interaction. International cooperation theory suggests that repeated interactions foster trust among parties and extend the shadow of the future, thereby reducing incentives to violate agreed commitments.

The integration of trade liberalization and economic cooperation within IK-CEPA provides empirical support for liberal institutionalist arguments emphasizing the importance of issue linkage in sustaining international cooperation.²⁴ The findings indicate that states are more likely to maintain commitments when the benefits derived from cooperation extend across multiple interconnected sectors rather than being confined to a single issue area. The results are also consistent with Robert Keohane's argument that international institutions facilitate repeated interactions that reduce uncertainty and increase expectations of long-term cooperation.²⁵ In the case of IK-CEPA, annual work programs, periodic evaluations, and strategic-sector cooperation strengthen the shadow of the future, making compliance dependent not only on legal obligations but also on expanding economic interests. Consequently, economic cooperation within IK-CEPA should not be viewed as a mere administrative supplement but rather as a central mechanism that enhances the institutional resilience of the agreement.

²⁴ Buser, "Hegemony, Power and International Law"; Orsini, "Regime Complexes as a Model of Multilateral Governance: The Case of the Environment"; Thippaphone, "Asia-Pacific Economic Growth & the Region's Major Trade Agreements."

²⁵ Robert O Keohane, "The Global Politics Paradigm: Guide to the Future or Only the Recent Past?," *International Theory* 13, no. 1 (2021): 112–21, <https://doi.org/https://doi.org/10.1017/S1752971920000445>.

Conclusion

Comprehensive Economic Partnership Agreement (IK-CEPA) facilitates bilateral economic cooperation and governance between Indonesia and South Korea. The findings provide empirical support for the central proposition of Rational Design Theory that international institutions are deliberately designed to address specific cooperation problems. The existence of the Joint Committee, Contact Points, periodic review mechanisms, and the Economic Cooperation Chapter demonstrates that states negotiate not only levels of market access but also governance arrangements capable of facilitating effective implementation. More importantly, the study reveals that in the context of increasing trade regime density across the Asia-Pacific region, the relevance of bilateral agreements has not diminished, contrary to assumptions frequently found in the international trade literature. Instead, bilateral agreements such as IK-CEPA function as governance instruments that are more specific, adaptive, and responsive to particular economic relationships than large-scale regional institutions.

The principal contribution of this study lies in its argument that the strategic significance of contemporary trade agreements is no longer determined solely by the extent of tariff liberalization. Rather, it increasingly depends on the quality of institutional design capable of fostering coordination, institutional learning, and long-term economic cooperation. From this perspective, IK-CEPA can be understood as a form of institutionalized economic governance, illustrating how middle powers such as Indonesia utilize legal and institutional design to manage uncertainty within an increasingly complex international political economy.

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