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## NAVIGATING THE DRIVERS, CHALLENGES, AND REQUIRED INSTITUTIONAL REFORMS FOR INDONESIA'S ACCESSION TO THE CPTPP

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### **Abstract**

*This article examines Indonesia's policy direction in pursuing accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). By reviewing relevant literature, policy documents, and official statements, the study addresses two main questions: (1) What strategic, economic, and political motivations drive Indonesia's decision to seek accession to the CPTPP? and (2) What institutional reforms are necessary to align with the multidimensional commitments of the CPTPP? The analysis finds that Indonesia's motivations are driven by the need to increase exports, attract investment, strengthen competitiveness, and deepen integration into global supply chains. However, Indonesia faces challenges in labor, government procurement, state-owned enterprises, and environmental standards. Using a qualitative case study, this study finds that while Indonesia shows partial regulatory alignment with CPTPP commitments, key gaps persist due to protectionist policies and institutional limitations. While the Indonesian government demonstrates political interest and intent, a gap remains between international commitments and domestic preparedness. The article concludes that Indonesia's CPTPP accession plan requires significant regulatory adjustments and cross-sectoral coordination. The findings provide theoretical insight on institutional adaptation and practical guidance for regulatory reform to align Indonesia with CPTPP standards.*

**Keywords:** *Indonesia, CPTPP, institutional reform, trade policy*

### **INTRODUCTION**

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a landmark trade pact designed to deepen economic integration and liberalize trade and investment among 11 Asia-Pacific economies: New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Vietnam. The CPTPP is the successor to the Trans-Pacific

Partnership (TPP), which was initially signed in 2016 with strong support from the United States under President Barack Obama. However, after the U.S. withdrawal in 2017 under President Donald Trump, the remaining signatories moved forward without the U.S., revising and relaunching the agreement as the CPTPP in March 2018. It officially came into force on 30 December 2018, following

ratification by most of its members (*The Jakarta Post*, 2024).

For Indonesia, a growing economy in Southeast Asia, the emergence of the CPTPP took place amid its growing efforts to expand international trade partnerships. Indonesia's engagement with the CPTPP has been both strategic and deliberate, reflecting its long-standing interest since President Joko Widodo's administration, when the agreement was still known as the Trans-Pacific Partnership (TPP) before the United States' withdrawal. Although supportive of economic integration, the government at the time initially prioritized Indonesia's involvement in the Regional Comprehensive Economic Partnership (RCEP). The RCEP is a trade agreement between ASEAN and its partners, Australia, China, Japan, South Korea, and New Zealand, covering around 30% of global GDP and population (RCEPSEC, 2024). Indonesia's preference for the RCEP was driven by its more flexible framework, which was better suited to the country's domestic economic readiness. The CPTPP's high standards including binding commitments on tariff elimination, investment liberalization, competition policy, intellectual property protection, and investor safeguards, necessitated a more cautious approach (*The Jakarta Post*, 2024). This cautious yet consistent stance has been maintained under President Prabowo Subianto's leadership, as he shares his

predecessor's vision of positioning Indonesia strategically in the global trade landscape. On 19 September 2024, Indonesia formally submitted its request to join the CPTPP through New Zealand as the agreement's depository country (Ministry of Coordinating Economic Affairs, 2024). Coordinating Minister for Economic Affairs Airlangga Hartarto highlighted that approximately 70% of Indonesia's domestic regulations already align with the CPTPP's 30 chapters, signaling a strong foundation for integration (*The Jakarta Post*, 2024).

Economically, CPTPP membership offers Indonesia significant opportunities. It opens access to markets with which Indonesia currently lacks bilateral trade agreements, such as Mexico, the United Kingdom, Canada, and Peru. Government projections estimate that exports could increase by up to 19%, while Foreign Direct Investment (FDI) could grow by 11%, contributing to the expansion of Indonesia's USD 1.61 trillion GDP (*Kemenko Perekonomian RI*, 2024). In addition to trade, joining the CPTPP is seen as a strategic move to reinforce Indonesia's position within the Asia-Pacific trade architecture and prevent the country from being left behind as other regional players deepen their economic ties through the CPTPP. However, the CPTPP extends beyond purely economic concerns. The agreement includes broader commitments on environmental

standards, natural resource conservation, public moral safeguards, and the integrity of financial systems (Gyanchandani and Mitchell, 2023). These provisions pose significant domestic challenges, as Indonesia will need to ensure that its governance frameworks support not only economic liberalization but also these broader non-economic values. The key challenges will be harmonizing domestic regulations, strengthening institutional capacity, and promoting policy coherence across multiple sectors. Therefore, this study will address two interrelated questions:

1. What strategic, economic, and political motivations drive Indonesia's decision to seek accession to the CPTPP?
2. What institutional reforms are necessary to align with the multidimensional commitments of the CPTPP?

This study is grounded in a dual-theoretical framework combining Rational Choice Institutionalism and Historical Institutionalism, both under the broader umbrella of new institutionalism. These theories are used to analyze Indonesia's strategic motivations and institutional readiness in pursuing accession to the CPTPP. Rational Choice Institutionalism is used to analyze the strategic motivations behind Indonesia's pursuit of CPTPP accession, highlighting how actors

calculate costs and benefits within institutional constraints. Meanwhile, Historical Institutionalism is employed to examine the institutional reforms required to meet CPTPP standards and the potential challenges arising from path dependencies, entrenched practices, and institutional inertia. The combination allows for a multidimensional understanding of both decision-making and institutional adaptation processes. Finally, the study will conclude with its findings and offer recommendations.

### **New Institutionalism**

Institutions refer to formally structured political entities such as the legislature, legal system, state, and corporations (James G. March and Olsen, 1990:1). They serve as arenas for political actions and interactions, encompassing patterns of behavior, underlying interests, and shared beliefs. The term 'new institutionalism' was introduced by March and Olsen (B. Guy Peters, 2011:16). This concept includes at least nine distinct approaches: historical, rational choice, sociological, normative, empirical, international, network, constructivist or discursive, and feminist institutionalism. According to Rosamond (2000:203), rational choice institutionalism focuses on how actors utilize institutional settings to advance their interests and how these institutions influence the actors' capacity to realize those interests by minimizing the

risks involved in interactions through the reduction of transaction cost. Actors are autonomous and individualistic who approach each decision-making scenario with the aim of maximizing their personal objectives. Furthermore, institutions are understood as norms that help actors determine who is involved in the decision-making process, how information is organized, what actions should be taken, and the order in which those actions occur. Institutions in rational choice institutionalism are significant because they influence and guide the strategic actions of individuals (Rosamond, 2000).

Using rational choice institutionalism to analyze Indonesia's decision to seek CPTPP accession reveals how institutions shape the choices of key actors, limit their options, and help them use the CPTPP framework for both individual and collective gains. As external conditions change, actors' strategies and institutional constraints shift. The CPTPP functions as a set of rules, with actors making strategic, calculated decisions based on economic, political, and strategic motivations, aiming to maximize their goals, such as economic growth and political influence.

On the other side, historical institutionalism emphasizes the long-term impact of institutional decisions made over time, based on the assumption that actors cannot fully anticipate the future outcomes of their choices. As a result, past decisions tend to constrain or shape future behavior. This because institutions are

created with a specific purpose, in a specific time, under certain circumstances with certain power, duties and responsibilities (Cini and Borrigan, 2013:91). Historical institutionalism looks at significant changes in institutions as unexpected shifts. It suggests that long-term stability of institutions is often disrupted by external shocks, which challenge and replace old institutions with new, unforeseen one. Historical institutionalism looks at how past decisions affect the structure of institutions, government systems, and future decision-making.

Researching institutions within the framework of historical institutionalism can help identify the value of past decisions, policy choices, strategic approaches, and specific agreements (such as trade regulations, tariffs, etc.) that can guide future reforms. It will also highlight the challenges that may arise in implementing necessary institutional changes. Past institutional decisions and strategies in trade negotiations can provide insights into the reforms required to meet the CPTPP's commitments, while also pointing out potential obstacles, such as conflicting interests or resistance to change, that could hinder their successful implementation.

## **RESEARCH METHOD**

This research uses a qualitative case study approach which focuses on

Indonesia's plan to join CPTPP. A Qualitative approach facilitates a deeper exploration of the meanings and perspectives that individuals ascribe to a social or human issue (Cresswell and Cresswell, 2018). This study revolves around the strategic, economic, and political motivations behind Indonesia's accession to the agreement, as well as the institutional reforms required, and challenges faced. By describing and analyzing the Indonesia's engagement with the CPTPP, the research seeks to identify key factors influencing its strategic shift and the necessary domestic reforms to align with the agreement's multidimensional commitments. To achieve this, the analysis utilizes both primary and secondary data sources. Primary data is sourced from official government documents, reports, agreements, memos, and press releases available online. Secondary data uses scholarly articles, books, and research reports related to Indonesia's trade policies, the CPTPP, and institutional reforms required for its implementation. Dual-theoretical framework is applied under the umbrella of new institutionalism. Rational Choice Institutionalism will be used to understand how actors within Indonesia's political and economic systems make strategic decisions based on their interests and the constraints of existing institutions. On the other side, historical institutionalism will help to analyze how past institutional decisions

shape current strategies, identify necessary reforms, and explore potential challenges arising from path dependencies and entrenched practices.

By combining these two approaches, the study provides a comprehensive understanding of both the decision-making process and the institutional adaptations necessary to align with CPTPP commitments, offering valuable insights into Indonesia's pursuit of CPTPP membership and the reforms needed to ensure its success.

## **DISCUSSION**

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a mega-regional trade agreement which was signed in March 2018 by eleven memberstates: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam. With the United Kingdom officially joining on December 15, 2024, the agreement now comprises twelve signatory states. Representing a combined population of 586 million people, or around 7.3% of the global population and accounting for approximately 14.4% of global GDP, the CPTPP plays a significant role in shaping the economic landscape of the Asia-Pacific region and beyond. The agreement is designed to go beyond conventional trade deals. It facilitates economic integration by eliminating 99% of tariff lines upon full

implementation, reducing non-tariff barriers, enhancing market access for goods and services, promoting investment and labor mobility, and fostering open government procurement among its members. What differentiates CPTPP with other free trade agreements is its progressive agenda. It includes binding commitments to uphold high labor and environmental standards, establishes clear and consistent rules for a fair business environment, and provides targeted support for small and medium-sized enterprises. Additionally, the agreement promotes inclusive trade, aiming to empower women and indigenous communities through equitable economic opportunities. The CPTPP not only reduces costs for businesses, it also seeks to foster a more sustainable, fair, and inclusive regional trade architecture. Furthermore, the CPTPP is open to new members, as long as they are able to follow its rules, commit to broad market access, and have a good track record of meeting past trade agreements. Any decision to let a country join must be agreed upon by all current CPTPP members. These three conditions, agreed upon by CPTPP Ministers in 2023, are known as the "Auckland Principles". Currently, several countries have formally applied to join the CPTPP, including China, Taiwan, Ecuador, Costa Rica, Uruguay, and Ukraine. Indonesia is the most recent applicant, having submitted its request to

join the agreement in September 2024 (APFC, n.d.).

From a rational choice institutionalist perspective, Indonesia's decision to pursue CPTPP membership is not incidental. However, it is the result of strategic calculations made by key actors within the constraints and opportunities presented by both domestic and international institutions. Actors are seen as strategic, utility-maximizing individuals or institutions operating within constraints. For Indonesia, CPTPP accession is also not simply a symbolic gesture. It is a deliberate strategic move aimed at maximizing national economic interests in a competitive and uncertain global environment. Indonesia's interest in joining the CPTPP began under President Joko Widodo, when it was still known as the TPP. President Jokowi viewed the move as a strategic step to prepare for post-Cold War global shifts, amid rapidly changing political dynamics and growing waves of free trade and economic integration. For Indonesia, joining the CPTPP is about more than trade. It is about securing a place in an increasingly interconnected global economy (Sekretariat Kabinet RI, 2015).

Previously, Indonesia had been reluctant to join what was formerly known as the Trans-Pacific Partnership (TPP), choosing instead to focus on the Regional Comprehensive Economic Partnership

(RCEP), which is billed as the world's largest free trade bloc. However, under the leadership of the new president, Prabowo Subianto, who shares the objective of expanding Indonesia's global economic engagement, Indonesia has officially submitted its request to join the CPTPP on 19 September 2024. This move has been further reinforced by the Coordinating Ministry for Economic Affairs, led by Airlangga Hartarto, which plays a central role in shaping Indonesia's trade strategy. Support for Indonesia's entry into the CPTPP has also come from the private sector, with Bernardino Moningka Vega, who served as the deputy for international relations at the Indonesian Chamber of Commerce (Kadin), stating that Indonesia's participation would bring advantages to the country's business environment (*The Jakarta Post*, 2024). According to Minister Airlangga, the CPTPP offers substantial economic incentives, including expanded market access, increased foreign direct investment, and greater integration into global value chains. These benefits align with Indonesia's ambitions for economic diversification and industrial upgrading. Public statements from the ministry indicate that a thorough cost-benefit analysis has been conducted, highlighting that over 70% of Indonesia's domestic regulations are already compatible with CPTPP standards. Minister Airlangga emphasized that the move is part of Indonesia's broader strategy to deepen its

integration into the global economy and support its bid to join the OECD (Organisation for Economic Co-operation and Development). He outlined several projected benefits of CPTPP membership for Indonesia, including access to new markets like Canada, Mexico, the UK, and Peru. Those are countries with which Indonesia currently lacks bilateral trade agreements. The agreement is expected to boost Indonesian exports by up to 19%, attract an 11% increase in foreign direct investment, and raise GDP by approximately USD 1.6 billion (*The Jakarta Post*, 2024).

In addition to these projections, the Ministry of Finance has underscored the strategic significance of the Latin American market, particularly Mexico. According to Indonesia's Ministry of Finance, the Latin American market particularly Mexico holds significant potential. Data from Trade Map indicate that in 2023, Mexico accounted for 42.5% of total imports into Latin American countries. Furthermore, Mexico could serve as a strategic hub for accessing other Latin American markets, especially for countries in the region that do not yet have trade agreements with Indonesia. This positions Mexico as a gateway for Indonesia to expand its exports and establish new market opportunities in Latin America. The United Kingdom, which joined the CPTPP at the end of 2024, also represents a potential market

for Indonesia. The UK holds the largest import share in the European Union (EU 28), accounting for 10.4% of the region's total imports. By gaining access to new markets, Indonesia can lessen its reliance on traditional markets and broaden its range of export destinations. This strategy can contribute to greater economic stability and lower the risks linked to volatility in specific markets (Kemenkeu, 2024).

IMPORTERS COUNTRY	IMPORTED VALUE IN 2023* (USD \$000)	IMPORT SHARE (%)
Latin america and the caribbean aggregation	1,407,289,486	100.00%
Mexico	598,475,395	42.50%
Chile	80,492,407	5.70%
Peru	52,163,927	3.70%
Other latin america and the caribbean (37 countries)	676,157,757	48.00%
European union (eu 28) aggregation	7,607,633,606	100.00%
Germany	1,469,735,377	19.30%
United kingdom	791,855,400	10.40%
France	775,128,724	10.20%
Netherlands	664,131,324	8.70%
Italy	639,928,812	8.40%
Belgium	550,854,786	7.20%
Other eu countries (22 countries)	2,715,999,183	35.70%

**Table 1.**

Import Market Share in the Latin American and European Union Regions

CPTPP membership is also expected to significantly enhance Indonesia's trade prospects by providing indirect access to the U.S. market through established member states such as Canada and Mexico, while simultaneously reinforcing Indonesia's position as the largest economy in ASEAN and the sole G20 member from the region. Indonesia, which is already ASEAN's largest economy according to the World Bank (World Bank, 2023), is projected to be one of the world's leading emerging markets with the size of its GDP forecast to rise from USD 1.3 trillion in 2022 to USD 4.1 trillion by 2035 (S&P Global, 2024). According to Minister Airlangga, Indonesia is prepared to meet the high trade standards required by the CPTPP, which are consistent with the country's ongoing structural reforms and its commitments under the WTO and RCEP frameworks. Indonesia has also received strong endorsements from several CPTPP member countries, such as New Zealand. The country views its accession as a critical step toward advancing regional economic integration and modernizing the Asia-Pacific trade architecture. New Zealand has also highlighted that Indonesia's membership would significantly contribute to strengthening regional trade ties and modernizing the trade framework in the Asia-Pacific region (InfoPublik, 2024). Additionally, the Ministry of Trade, represented by Budi Santoso also emphasized the importance of Indonesia

pursuing broader market opportunities, with CPTPP membership identified as a strategic avenue for expanding the reach of Indonesian products (*Bisnis*, 2024).

Indonesia's decision to pursue accession to the (CPTPP) during President Prabowo Subianto's administration, despite the initial interest expressed under President Joko Widodo, reflects a strategic response to institutional constraints. During President Joko Widodo's tenure, Indonesia prioritized its participation in the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade bloc, as part of a broader strategy to strengthen domestic institutions and solidify its regional trade position. Only after consolidating its commitments under RCEP did Indonesia formally initiate the process of CPTPP accession. This sequencing illustrates a calculated approach aimed at maximizing economic and political benefits while minimizing institutional disruption and ensuring coherence with existing international commitments (*The Jakarta Post*, 2024).

Accession to high-standard trade agreements such as the CPTPP is inherently complex and challenging. Indonesia's experience with the Regional Comprehensive Economic Partnership (RCEP) illustrates these difficulties, as the ratification process was delayed due to extensive administrative and technical

procedures required to meet its obligations. One of the toughest and most debated decisions for the country's leaders to comply with is economic reform. Although economists and experts usually push for these reforms, they often struggle to find political support. It's also hard to promote reforms because, even if they clearly boost competitiveness, they are controversial and certain groups will lose out. Furthermore, the realization of RCEP's potential benefits remains highly dependent on Indonesia's capacity to harmonize the agreement's provisions with ongoing domestic economic reforms. Indonesia's cautious approach toward deeper economic liberalization and the expansion of free trade agreements reflects longstanding concerns about the potential negative impacts on domestic industries, employment, and economic sovereignty. These apprehensions continue to shape policy debates and institutional responses, influencing the pace and scope of Indonesia's engagement with international trade agreements. As noted by Damuri and Friawan (2022) negotiations and implementations of FTAs in Indonesia have been accompanied by growing apprehension regarding possible negative effects on domestic production and employment, as well as the risk of relegating the country to the role of a primary commodity exporter. In this context, Indonesia's pursuit of CPTPP membership can be viewed as an effort by

key actors to strategically balance the pursuit of economic and political gains with the imperative to mitigate institutional disruption and avoid domestic political backlash. This approach shows Indonesia's broader trade policy orientation, which seeks to incrementally integrate into global trade frameworks while safeguarding national economic interests. Ultimately, Indonesia's move to join CPTPP represents a deliberate balancing of economic opportunity and political caution, shaped by its experience with past trade deals and internal debates over how much economic liberalization the country can handle without harming the local's interests.

The CPTPP is widely regarded as a "high-standard" trade agreement. Indonesia's pursuit of accession to the agreement signals to global investors about the country's commitment to regulatory reform, legal certainty, and investment protection. By joining the CPTPP, Indonesia would enhance investor confidence through adherence to clearer and more stringent rules on labour standards, dispute settlement mechanisms, and market access. Countries operating under the CPTPP framework have demonstrated the ability to attract higher and more stable flows of foreign direct investment (FDI), largely due to the agreement's robust dispute resolution provisions and non-discriminatory treatment clauses. This

trend is seen in memberstates such as Australia, Canada, and New Zealand, which have raised their investment screening thresholds for private investments originating from CPTPP member states in non-sensitive sectors. Similarly, Vietnam has liberalized its mining sector to encourage greater investment from fellow CPTPP members. Moreover, FDI data from 2015 to 2021 show that since the adoption of the CPTPP, inward FDI among member states has increased by 18.9%, driven primarily by Japan, Singapore, Australia, and Canada (Vaid and George, 2023). Japan, in particular, has emerged as the leading bilateral investor among CPTPP members, maintaining the largest FDI relationships across the bloc. These developments underscore the CPTPP's role not only as a trade agreement but also as a platform for deepening economic integration and enhancing investor confidence among its members. For Indonesia, accession to the CPTPP thus represents both an opportunity to signal policy credibility to international investors and a mechanism to attract higher-quality foreign investments aligned with the country's economic development objectives (Vaid and George, 2023).

Other than that, The CPTPP also sets out terms and conditions to ensure that the investment procedure will be easier and more transparent for foreign investors. Chapter 9 specifies this matter by

describing the mechanisms to protect foreign investment into the CPTPP countries (CPTPP, 2018) . Under the CPTPP, an investment is defined to include every asset that an investor owns or controls, directly or indirectly, through a commitment of capital or an expectation to gain or profit. In particular, the agreement requires a contracting country to treat investors from other contracting countries in a fair and equitable manner regarding the establishment, acquisition, expansion, management, operation or sale of the investments (ACSV Legal, 2019). The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) also incorporates an Investor-State Dispute Settlement (ISDS) mechanism, which provides investors with access to an independent arbitral tribunal to resolve disputes arising from alleged breaches of investment protection provisions, including those stipulated in the Financial Services Chapter. The ISDS mechanism further allows investors to initiate arbitration proceedings (in specific circumstances) involving disputes over investment agreements and authorizations. A practical illustration of this mechanism can be observed in Australia's experience as a CPTPP member. The ISDS provision grants Australian investors the legal capacity to enforce investment protections across many of Australia's principal capital export markets, as well as in emerging economies throughout the Asia-Pacific region (*Department of Foreign Affairs and*

*Trade, 2016*). Additionally, the CPTPP ensures the elimination of discriminatory treatment among its member states. For example, in New Zealand, the CPTPP's investment chapter provides legal certainty for New Zealand investors by safeguarding their investments against grossly unfair or unjust actions by foreign governments, such as expropriation without compensation or discriminatory treatment based on nationality, except where specific exceptions apply (except where exceptions apply) (*Ministry of Foreign Affairs and Trade, n.d.*).

While these provisions present promising opportunities for foreign investors and signal a strong commitment to legal predictability and investor protection, the ability of prospective members like Indonesia to implement such standards depends heavily on their institutional capacity. Indonesia's current institutional structure represents the cumulative outcome of historical layers of governance, legal systems, and economic policy frameworks that have evolved over decades. These historically embedded patterns exert significant influence on both the necessity and the challenges of implementing reform. From the perspective of Historical Institutionalism, prior institutional arrangements impose constraints on contemporary policy options by creating path dependencies and fostering reform inertia. In the context of Indonesia's accession to the CPTPP, a

series of institutional reforms would be required to align domestic practices with the agreement's high standards. However, the implementation of such reforms is inherently shaped and frequently constrained by these deeply rooted institutional legacies. According to Milner and Kubota (2005), reforms involve dismantling long-established systems of redistribution and discrimination, making it difficult to implement lasting change. Additionally, individuals or groups with vested interests in the current system have strong motivations to block reforms, as they seek to maintain their privileged positions. Despite the substantial economic and political benefits associated with CPTPP membership, accession remains a complex and demanding process due to the rigorous commitments of the agreement. Many current and prospective applicant countries, including Indonesia, face considerable challenges in meeting the CPTPP's high thresholds for trade liberalization, regulatory reform, and governance (Schott, 2025). While technical assistance is available to support domestic policy adjustments and facilitate adaptation to the evolving trade and investment landscape, the process of compliance represents a profound institutional and policy transformation. The effective implementation relies significantly on the strength of domestic governance.

Unlike many other free trade agreements, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) encompasses not only trade in goods, services, and investment, but also broader dimensions of international economic governance, including dispute settlement mechanisms, labor standards, and environmental protection provisions. In the domain of trade in goods, the CPTPP mandates the elimination of approximately 11,000 tariff lines, covering even highly sensitive agricultural products such as rice, wheat, sugar, and meat (Wangke, 2016). In the services sector, the agreement extends its commitments to key industries including banking, insurance, construction, logistics, and tourism. Regarding investment, the CPTPP guarantees protections such as the right to capital repatriation, fair compensation in cases of expropriation, and the elimination of restrictive measures such as local content requirements. While Indonesia's potential accession to the CPTPP offers considerable strategic, economic, and political opportunities, it also presents substantial challenges, particularly given the current limitations of Indonesia's domestic production base and the relative weakness of its globally competitive industries. Indonesia's economy remains highly dependent on exports of commodities like oil, gas, and agricultural products, making it vulnerable to global price fluctuations and highlighting

the urgent need for export diversification (Setkab, 2023).

The CPTPP requires member states to undertake a range of structural reforms, including tax and fiscal policy adjustments. There is also a distinctive feature of the CPTPP, the agreement does not extend preferential treatment to state-owned enterprises (SOEs) (Wangke, 2016). In the absence of comprehensive domestic preparedness and institutional strengthening, Indonesia risks exposing vulnerable sectors to intensified competition, which could have adverse implications for state revenues and the broader economy. Therefore, accession would necessitate not only regulatory alignment but also strategic capacity-building to ensure Indonesia's industries and institutions are sufficiently equipped to compete under the CPTPP's high-standard commitments. Indonesia's accession to the CPTPP also presents challenges that require government action and broad support. A key challenge is meeting the complex Rules of Origin (ROO), which determine product eligibility for preferential tariffs under the FTA. Complying with CPTPP's high standards will require Indonesia to adjust regulations and align them with domestic policies, such as downstream processing and export bans posing political and regulatory difficulties that demand strong commitment (RI, 2024).

To fulfill the Comprehensive and Progressive Agreement for Trans-Pacific Partnership's (CPTPP) multidimensional commitments, Indonesia must embark on comprehensive regulatory and institutional reforms. These reforms entail revising existing legislation to promote transparency, strengthening competition authorities, enhancing labor protections, and ensuring the effective enforcement of environmental and intellectual property standards. Such measures are crucial because Indonesia's legal and regulatory frameworks have historically been characterized by selective law enforcement, bureaucratic fragmentation, and sectoral protectionism. Protectionism has been a consistent feature of Indonesia's economic policy since the era of President Sukarno, who promoted protective measures to support domestic economic development and limit foreign influence (Sulaiman, 2019). Although Indonesia adopted more liberal economic approaches following the 1997 Asian financial crisis, protectionist tendencies persisted during the administrations of Susilo Bambang Yudhoyono and were further strengthened under President Joko Widodo (Herdianto, 2023). One notable example is the Domestic Content Level (Tingkat Komponen Dalam Negeri/TKDN) policy during Joko Widodo, which mandates minimum local content requirements for certain strategic products, restricting market access for producers who fail to comply (Chasani, 2018). These

protectionist measures have not been applied uniformly across all sectors but have focused on strategic industries to safeguard domestic markets and foster national industrial capacity. The evolution of Indonesia's protectionist policies reflects a response to domestic, regional, and global pressures, underscoring the government's efforts to balance economic sovereignty with global economic integration. However, the persistence of these entrenched practices would undermine the effectiveness and credibility of reform efforts, posing significant obstacles to compliance with the CPTPP's high-standard obligations.

Lili Yan Ing, an economist at the University of Indonesia, identifies three principal challenges that Indonesia is likely to encounter in implementing the CPTPP (Wangke, 2016). First, government procurement processes must be restructured to guarantee transparency, predictability, and non-discriminatory treatment. Second, labor regulations must be aligned with international standards to adhere the principles of freedom of association, collective bargaining rights, and minimum wage protections. Third, the extension of copyright and patent protections, particularly in the pharmaceutical sector, could delay the introduction of affordable generic medicines, thereby raising concerns over access to essential drugs. Consequently, successful CPTPP implementation

requires the dismantling of protectionist practices and the elimination of preferential treatment for state-owned enterprises (SOEs). Without addressing these structural constraints, Indonesia will face risks on compromising the potential economic and institutional gains associated with CPTPP membership. Another critical concern raised by Indonesia for Global Justice (IGJ), a civil society organization advocating for trade justice, centers on the inclusion of the Investor-State Dispute Settlement (ISDS) mechanism within the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The ISDS mechanism allows foreign investors from signatory countries to initiate arbitration proceedings against host states before an independent tribunal, such as the International Centre for Settlement of Investment Disputes (ICSID) under the World Bank Group, in cases where investors allege violations of investment protections. According to IGJ, Indonesia has already faced multiple lawsuits from foreign investors, particularly in the mining sector, under similar provisions in other bilateral and multilateral investment treaties. The organization warns that Indonesia's accession to the CPTPP is likely to exacerbate these legal vulnerabilities by exposing the country to an expanded scope of investor claims under the ISDS mechanism.

Moreover, IGJ argues that CPTPP membership would put Indonesia into necessary extensive regulatory adjustments, potentially leading to deregulatory pressures that prioritize investor protections over domestic policy space. This concern is rooted from the requirement to harmonize domestic laws with the agreement's investment and dispute settlement standards, which may constrain Indonesia's ability to implement policies in the public interest, particularly in sectors such as natural resources, environmental protection, and public health. Consequently, from the perspective of IGJ and similar advocacy groups, Indonesia's accession to the CPTPP presents significant risks of reduced regulatory autonomy and increased exposure to international arbitration, warranting careful consideration of the agreement's long-term implications for national sovereignty and development policy (Indonesia for Global Justice, 2024).

Compared to other free trade agreements, the CPTPP establishes more stringent rules governing state-owned enterprises (SOEs), characterized by stronger principles of competitive neutrality, broader coverage, stricter regulations on non-commercial assistance, and enhanced transparency requirements. Nonetheless, in developing countries such as Indonesia, SOEs hold significant economic and political influence, playing a

pivotal role in national development strategies (Yang, 2024:83). Historically, SOEs in Indonesia have been deeply embedded as privileged economic and political actors since the developmentalist era, serving both as engines of economic growth and as instruments of political patronage. Their institutional entrenchment has fostered longstanding resistance to market liberalization, driven not only by economic interests but also by institutional path dependencies that reinforce their privileged status. Consequently, reforming SOEs and advancing broader market liberalization are imperative for Indonesia to align with the CPTPP's high standards. However, these reforms face obstacles, as entrenched interests and institutional inertia create powerful resistance that cannot be easily addressed through incremental policy changes alone. Achieving compliance with CPTPP obligations, therefore, demands comprehensive and politically challenging institutional transformation.

## **CONCLUSION**

In conclusion, Indonesia's decision to pursue accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is driven by strategic, economic, and political motivations. Strategically, Indonesia sees membership as a means to enhance its

global trade position and economic resilience. Economically, the country seeks to diversify trade partners and attract foreign direct investment. Politically, the accession itself reflects Indonesia's commitment to regional cooperation and its leadership role in ASEAN as a way to adjust to the evolving global governance standards. Together, these factors highlight Indonesia's ambition to strengthen its global relevance while addressing domestic economic challenges.

In order to comply with CPTPP commitments, Indonesia must implement comprehensive reforms in trade, investment, intellectual property, labor standards, and environmental protection. These reforms require moving away from protectionist policies and addressing historical constraints. The reform process should be informed by past institutional logics and executed through a carefully sequenced approach. Building broad-based coalitions of government, civil society, and the private sector is essential to ensure support, while aligning domestic incentives with CPTPP obligations and maintaining political stability. Transparency and accountability will be crucial to gaining trust and minimizing resistance. A dedicated task force could monitor and evaluate the alignment of policies with both national and international priorities.

Indonesia's pursuit of CPTPP membership represents a strategic effort to balance global integration with domestic

governance realities. A pragmatic approach that integrates historical contexts with future reforms will enable Indonesia to fully leverage CPTPP benefits while addressing the associated challenges. Future research could compare Indonesia's approach with that of other CPTPP members to identify best practices and lessons learned.

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