CHAPTER I
INTRODUCTION

South Korea and Indonesia are trading partners who rely on one another. Given the fact that there are numerous purchasing and selling opportunities in the fields of goods, services, and investment between Indonesia and South Korea that can be expanded further, both parties agreed to enter into an economic cooperation agreement. Even closer in order to continue increasing the two nations' economic volume through the IK-CEPA, or Indonesia-Korea Comprehensive Economic Partnership Agreement. It is envisaged that the IK-CEPA will help Indonesia and Korea develop their economic relations.

1.1. Background

Diplomatic relations between South Korea and Indonesia have been established since 1973. Following events, the leaders' visit strengthened the two countries' partnership. The intensifying state visit demonstrated a positive shift in the two countries' relations. In 2002, South Korea was able to carry out multifaceted international cooperation with Indonesia in various industries, including commerce, investment, energy, infrastructure, development, information technology, and so on (Syarief, 2016). Bilateral ties between the two nations have grown significantly over time, particularly after the two nations signed the Joint Declaration on Strategic Partnership in December 2006, which was then upgraded to the Special Strategic Partnership in 2017 (Embassy of The Republic of Indonesia in Seoul, 2021).

Furthermore, the bilateral and regional relations between South Korea and Indonesia are mutually beneficial. Indonesia considers South Korea to be an important strategic partner. On the other hand, Indonesia's central location in the Asia Pacific region makes it a strategic location for the South Korean product market.
Regarding regional cooperation, the two nations are equally participating in the Association of Southeast Asian Nations (ASEAN). Indonesia is a founding country and a member of ASEAN since 1967, while South Korea has officially become an ASEAN dialogue partner since 1991. The bilateral relations between Indonesia and South Korea have been shaped by various factors leading to goods, capital, socio-culture, and people's exchange through international migration. The asymmetric demands of both nations have defined the inter-spatial transfer of those movements, which has been supported by resource complementarity and the fantastic process of economic and political advancement.

Growing closer does not imply that Indonesian - Korean cooperation ties are always seamless. Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA) is one of bilateral cooperation that took a long time to be ratified after a lengthy procedure. The IK-CEPA, which was established in 2012, is a bilateral economic agreement that will assist both countries in developing their global markets. However, in 2014, the negotiation of IK-CEPA was forced to end due to several issues. The Director-General of International Industrial Cooperation of the Ministry of Industry, Agus Tjahajana, stated that the IK-CEPA negotiations were terminated because South Korea had not yet issued a decision on several clauses proposed by Indonesia in the seventh-round negotiation. Furthermore, the change in leadership and the complexity of negotiations regarding the opening of tariff posts with Indonesia were cited as reasons for the agreement's temporary suspension (Ministry of Industry, 2014). According to Tiara (2017), the failure of the IK-CEPA negotiations was caused by the inability of South Korea and Indonesia to complete the package deal. A 'win-win solution' is one of the main goals sought by both parties in
a Cooperation agreement. The trade sector inequality between South Korea and Indonesia necessitates Indonesia ensuring reciprocity from this cooperation, one of which is investment guarantees from South Korea in an effort to reduce the two countries' trade gap. However, the South Korean side cannot confirm this because the investment sought by the Indonesian side is included in the private sector's commitment (Tiara, 2017). Furthermore, research conducted by Ismail & Mulyaman (2018) states that several clauses proposed by Indonesia which were rejected by the South Korean government were in sensitive sectors such as agriculture, fisheries, automotive, steel, and electronics (Ismail & Mulyaman, 2018).

The difficulties encountered during the negotiations had an indirect impact on the trade climate, investment relations, and market participants in Indonesia and South Korea. According to data from the Republic of Indonesia's Ministry of Trade, the trend of trade between the two countries has decreased by 51% between 2012 and 2017, despite an increase in the number of quarters. The two countries' trade fell by the most in 2014-2015. On the other hand, the amount of investment from South Korea into Indonesia has decreased. The greatest drop occurred between 2013 and 2014, and it continued until 2017.

The change in leadership has the potential to improve relations between Indonesia and Korea. Marks 45 years of bilateral ties between Korea-Indonesia, President Joko Widodo visited South Korea in 2018 and gave the news that Korean President Moon Jae In agreed to reactivate the IK-CEPA. Then the negotiations were continued until finally, the IK-CEPA was ratified in December 2020 (Directorate General of International Trade, 2020).
1.2. Research Question

The passage above raises the author’s curiosity on ‘Why did South Korea finally agree to Indonesia’s invitation to reactivate the IK-CEPA agreement negotiations in 2019?’

1.3. Theoretical Framework

1.3.1. Concept of National Interest

The author uses the concept of national interest as foreign policy decision-making to find the reasons behind the South Korean foreign policy in reactivating the IK-CEPA. National interest, a fundamental concept of international relations. With state sovereignty as its core, the political interests of a country embody most of its national interests (Liu, 2013). The national interest is a set of goals that the state must maximize the state's potential to get maximum results. In general, the national interest shared by all countries is to survive, increase wealth, security and increase the power to carry out their will (Nye, 1999).

The national interest has several aspects, but primarily the military and economy are seen as the country's vital national interests. The national interest is a fundamental objective and a determining factor in formulating foreign policy (Burchill, 2005). Every country needs a foreign policy to interact with other countries. Foreign policy is a state tool to fulfil national interests and the state's strategy to benefit the international world (Kiyono, 1969). In this case, the South Korean state is a rational sovereign state with national interests. One of the essential elements of the national interest, according to Morgenthau, is the interest in economic welfare, which is realized through foreign policy (Morgenthau, 2013).
In formulating foreign policy decision-making, the state is required to make the right choice. Foreign policy must be based on an intellectual process in which government behaviour applies deep reasoning in every effort to make foreign policy policies. According to Graham T. Allison, the state is a monolithic unitary actor, capable of making rational decisions based on considerations of advantages and disadvantages by optimizing available policy alternatives (Mas’oed, 1990). The use of national interest theory in foreign policy decision-making approaches will analyse South Korea's national interests to be achieved if the IK-CEPA cooperation runs effectively and as expected.

1.3.2. Theory of International Cooperation

The notion of international cooperation has been used extensively in international relations literature to discuss how cooperation arises and persists in international system. Cooperation occurs when "actors adapt their behavior to the actual or predicted preferences of others," according to the conventional definition. As a result, international cooperation refers to the interaction of actors to achieve a common goal when their interests are not identical or cannot be resolved (Ruggie, 2011).

According to liberals, a country tends to engage in a cooperative process to pursue its national interests. Cooperation between countries is also motivated by a common set of interests by both parties. The fact that each country is unlikely to be able to meet its own needs leads to each country working together to ensure the survival of its people. Aside from that, the goal of international collaboration is to strengthen good relations between countries. As a result,
cooperation between one country and another can help to alleviate needs and provide assistance if one of the countries requires assistance at any point (Mugasejati, 2006).

In general, international cooperation is carried out in the realms of social, political, cultural, defence, security, and economic cooperation. International collaboration must take place in accordance with the terms agreed upon by the participating countries. International cooperation will strengthen strong diplomatic ties between countries participating in or undergoing cooperation, in addition to benefiting each country.

In this scenario, South Korea and Indonesia develop economic collaboration in which the existing international cooperation will benefit both countries by improving welfare through the export-import trade process and investment. The failure of the IK-CEPA negotiations in 2014 revealed an agreement that was not approved by the two governments. International cooperation follows a basic sequential structure that begins with talks and ends with treaty enforcement, emphasizing the difficulty of securing cooperation in the first place (Dai et al., 2010). Hence, the reactivation of IK-CEPA negotiation is one of Korea’s way to achieve its national interest through this cooperation.

1.3.3. Theory of Economic Cooperation

Countries came to recognize in the post-World War II era that worldwide cooperation—politically, economically, and socially—was a critical component to achieving any kind of global peace. The goal is to level the playing field in commerce and reduce economic problems, as economic inequality can lead to more significant conflicts. Countries decided to
collaborate to promote free trade and to enter into bilateral and multilateral agreements as part of the objectives (Jeffrey A. Hart, 2013). International economic cooperation is the interaction between a country and other countries in the economic field that is established via specific agreements based on the principles of justice and mutual benefit. International economic cooperation is motivated by a desire to increase economic well-being, economic growth, and the organization of national economic activities. The IK-CEPA agreement is a type of bilateral economic cooperation. Economic cooperation is a component of a larger process than international political cooperation. Economic policy cooperation that is successful can increase political relations and national security (Meade, 1988).

This is consistent with one of the primary missions of Korean diplomacy, which is to expand economic diplomacy and development cooperation in order to achieve national interests (Ministry of Foreign Affairs Republic of Korea, 2022). The reactivation of the economic agreement under the IK-CEPA is a measure taken by the Republic of Korea's government to build an open international economic environment by boosting cooperation with developing market countries such as Indonesia. The reactivation of this collaboration would strengthen the Republic of Korea's contribution to the international community through effective development cooperation and the promotion of national interests.

1.4. Hypothesis
The following are the reasons why South Korea agreed to reactivate the IK-CEPA agreement in 2019:
1. South Korea’s interest was to strengthen the implementation of President Moon Jae In’s Policy ‘New Southern Policy’
2. South Korea’s interest was to advance its economy through cooperation with Indonesia.

1.5. Research Method

The descriptive qualitative approach is employed in this study. The goal of descriptive research is to characterize a phenomenon and its features. This study is mainly concerned with what or why something happened. As a result, observational and survey technologies are frequently utilized to collect data (Nassaji, 2015). This research is intended to reveal information and data about the reasons for South Korea to reactivate the IK-CEPA agreement. The subject of this research is South Korea. Secondary data sources were used in this investigation. Researchers get information from books or other forms of literature such as journals, papers, government data, and reliable online pieces. Following data collection, the researcher drew findings based on critical points. To keep the study's issues to a minimum, the author will solely look at South Korea's economic motives underlying the IK-CEPA reactivation strategy. This is due to the fact that the IK-CEPA is an economic-based bilateral agreement with the primary goal of enhancing economic cooperation between South Korea and Indonesia.

1.6. Scope of Research

The scope of this thesis will focus from the cessation of the IK-CEPA negotiations with Indonesia in 2014, until the IK-CEPA was finalized in 2020. This research also explains the benefits of South Korea by re-joining the IK-CEPA agreement.
1.7. Objectives
The author conducted this research with the following goals in mind:

1. Understanding the IK-CEPA agreement.
2. Examining South Korea's national interests in order to persuade the country to reactivate the IK-CEPA cooperation negotiations in 2019.

1.8. Systematical Writing
The writing in this paper will divided into four chapters as follows:

**Chapter I:** The introduction contains of background, research question, theoretical framework, hypothesis, research methodology, scope of research, and objectives.

**Chapter II:** This chapter explains the detailed chronology of IK-CEPA negotiations between South Korea and Indonesia. Such as the formation of the IK-CEPA, the IK-CEPA negotiation timeline from 2012 to 2020.

**Chapter III:** This chapter analyzes the benefit of IK-CEPA for South Korea to uncover the South Korea’s interest as the basis of its foreign policy.

**Chapter IV:** This chapter concludes all findings of the research that have been explained previously.