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Explaining the Driver Factors Behind Indonesia's Decision on the Indonesia-Canada Comprehensive Economic Partnership Agreement

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Abstract

This article explains Indonesia's decision to sign a Comprehensive Economic Partnership Agreement with Canada by assessing how economic and political motives interact. The study uses a qualitative descriptive design with a desk review of official trade and tariff data and policy documents from 2009 to 2025. The findings show strong complementarity between Indonesia's export structure and Canada's demand in manufacturing and the light industry. Before the agreement, most-favoured-nation tariffs on apparel of about 17.3 percent and on leather goods of about 16.1 percent created a price gap relative to suppliers that already enjoyed preferences. The agreement narrows this gap through staged tariff elimination and clearer operational rules that facilitate the use of preferences. Politically, the partnership broadens Indonesia's cross-regional network, adds a direct link to a G7 economy, and supports Indonesia's standing in ASEAN. The study concludes that Indonesia's choice reflects mutually reinforcing economic and political drivers that are expected to reduce tariff discrimination and increase the predictability of market access.

Keywords: Indonesia-Canada Cepa, Economic Motives, Political Motives

INTRODUCTION

Over the last decade, Indonesia has widened its network of trade, especially agreements beyond its immediate region (See Figure 1). Some of the recent examples are the FTA with Mozambique under the Indonesia-Mozambique Preferential Trade Agreement (IMPTA) signed in 2019, Indonesia-EU CEPA (IEU-CEPA) signed in 2025, and also the Indonesia-Peru CEPA (IP-CEPA) signed in 2025 (Asia Regional Integration Center, 2025; CNBC Indonesia, 2025; News, 2025). The Indonesian government is proactively increasing its efforts to seek partners that offer scale, stable rules, and complementary demand, that is why cross-regional agreements have become a practical tool to reach new markets while avoiding the constraints of narrow regional bargaining (Rahim & Sudirman, 2023). This outward shift reflects a policy preference for a diversified portfolio of partners rather than concentration in a few regional hubs (Patunru, 2023; Suryanta & Patunru, 2023). The inclusion of Canada in this network fits that direction because it adds a G7 economy with a clear regulatory system, established border procedures, and a record of using trade agreements to guide cooperation with partner countries.

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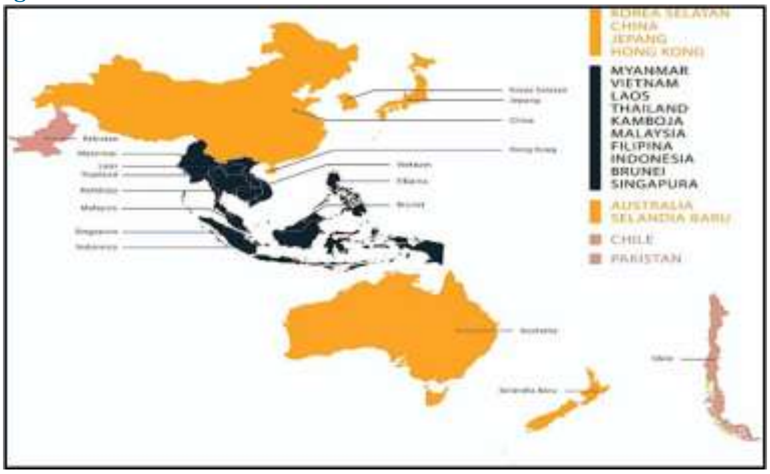

Figure 1. Indonesia and Other Asian Countries on FTA
Source: Musfiroh, 2024

The bilateral economic context supports the relevance of a deeper arrangement. Trade between Indonesia and Canada has shown steady activity, with periods of growth that point to untapped potential. Indonesia's export basket to Canada includes manufactures, processed foods, and selected resource-based products. Canada's sales to Indonesia are concentrated in inputs such as cereals, fertilizers, and wood pulp (Kompas.id, 2025). This pattern suggests commercial complementarity that a rules-based agreement can make more productive through tariff reductions, clearer rules of origin, and better customs cooperation. At the same time, Indonesia has faced most-favored-nation tariffs on several of its key products in Canada, while some competitors already enjoy preferences through earlier agreements (Global Affaris Canada, 2021, 2022). These conditions create both incentives and risks that a bilateral agreement can address.

The wider policy environment also shapes partner choice. As what Digehsara et al. (2025) noted, global trade has experienced frequent policy shifts, including tariff changes, supply chain adjustments, and evolving standards on the environment and labor, especially after the American Government's Liberation Day Tariffs. Many governments around the world have reacted by reinforcing their networks of agreements to reduce uncertainty for exporters and investors (Bahri, 2024). Indonesia is part of this trend, it is building a portfolio that includes partners in different regions, with the aim of stabilizing market access and encouraging upgrading in selected value chains (Karim, 2020; Reuters, 2024; Suryanto & Kurniati, 2022). The agreement with Canada thus sits within that broader strategy. It provides a legal channel for dialogue on regulatory issues and cooperation measures that can lower costs for firms, improve predictability at the border, and open avenues for investment and services linkages. These features matter for a large, diverse economy where firms differ in capacity and where policy coordination across agencies is essential.

Against this backdrop, the article examines what considerations most plausibly guided Indonesia's decision to conclude a CEPA with Canada and how those considerations fit together in practice. The analysis brings together official trade statistics, tariff schedules, and public policy documents to form an integrated picture of the decision space. The study focuses on factors that are visible in the data and in the legal design of agreements, and it pays attention to both market conditions and state-to-state priorities that can shape partner selection. By doing so, the article aims to provide a grounded explanation of Indonesia's choice of Canada that is useful for policymakers and industry stakeholders who must implement the agreement and plan for its early outcomes.

Furthermore, to provide a conceptual explanation of Indonesia's rationale, this study adopts Solis and Katada's (2008) lens on cross-regional trade agreements. The approach distinguishes two sets of motives. First, the economic motive. Governments seek to expand market access through preferential tariffs and clearer rules, and they seek to avoid losses that arise when competitors already enjoy preferences. Preferential access can reduce the discrimination that a country faces under most-favored-nation tariffs. Second, the political and diplomatic motive. Governments also use agreements to strengthen ties with important partners, to signal reliability, and to build a broader network that supports their international standing (Hoadley, 2007). Solis and Katada further argue that cross-regional choices can face lower political obstacles because the partners are less likely to carry historical disputes or acute rivalries.

Applied to Indonesia-Canada CEPA, this framework guides how we read the evidence. Canada is a cross-regional partner with limited political frictions with Indonesia. The potential economic gains depend on how Indonesia's export strengths match Canada's import demand and on how preferences change effective market access compared to competitors that already have agreements with Canada. The political value depends on how the agreement widens Indonesia's extra-regional network, builds durable ties with a G7 economy, and supports Indonesia's role in regional and global forums.

To make the framework operational, the analysis uses two propositions. First, Indonesia's export structure and Canada's import demand show areas of complementarity, and preferential access reduces discrimination relative to competitors that already enjoy lower tariffs. Second, A cross-regional agreement with Canada strengthens Indonesia's external network and supports its leadership claims in ASEAN and beyond. These propositions organize the empirical sections that follow.

RESEARCH METHODS

This study uses a qualitative descriptive design with a desk review method (Barbieri et al., 2025). The purpose is to explain Indonesia's decision to conclude a CEPA with Canada by organizing and interpreting publicly available evidence. The unit of analysis is the policy choice to pursue the agreement, not the later impact on trade flows. The approach follows established guidance on case study research and thematic analysis that combines document review, light descriptive statistics, and triangulation for reliability.

The time frame spans 2009 to 2025. This period captures long-run trends in Indonesia-Canada trade, Indonesia's widening network of trade agreements, and the negotiation to signing of the CEPA. It also allows comparison with exporters that already enjoy preferences in the Canadian market and provides enough pre-agreement observations to assess the context of the decision.

Documents and data come from official and reputable sources to ensure traceability. Primary materials include treaty texts and schedules when available, ministerial releases, and policy documents from Indonesia's Ministry of Trade and related agencies, and from Global Affairs Canada and the Canadian Border Services Agency. Quantitative data include bilateral trade statistics from Statistics Indonesia, Statistics Canada, and UN Comtrade. Tariff information draws on Canada's most favored nation schedule, applied preferential rates, and publicly accessible tariff finder portals. Secondary sources include WTO and ASEAN publications and peer-reviewed or policy analyses on Indonesia's trade strategy and Canada's trade policy. Searches combine terms such as Indonesia-Canada CEPA, tariff schedule, rules of origin, preferential rate, Indonesian exports to Canada, and CPTPP competitors in Canada.

The desk review follows a six-step workflow: identification, screening, eligibility, extraction, coding, and synthesis. First, all items retrieved through targeted searches are logged with source, date, and document type. Second, titles and summaries are screened to exclude items lacking policy relevance or official provenance. Third, full texts are reviewed for eligibility based

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on direct relevance to Indonesia-Canada economic relations or the CEPA, provision of verifiable data or legal content, and clarity on definitions. Fourth, eligible items are extracted into structured templates that record publication details, key variables, time coverage, and notes on measurement. Fifth, materials are thematically coded. Sixth, coded evidence is synthesized into the findings.

Figure 2. Desk Review Workflows
Source: Barbieri et al., 2025

Coding and analysis follow the dual-motive framework used in the theoretical section. Economic-motive codes capture Indonesia's product-level export strengths, Canada's import demand in overlapping products, Most-Favoured Nation (MFN) tariff levels on Indonesia's key lines, preferential rates granted to comparator exporters, rules of origin features that affect utilization, and customs or trade facilitation provisions that may lower fixed costs for firms. Political-motive codes capture Indonesia's cross-regional network expansion, references to leadership and external credibility in official statements, the addition of a G7 partner, institutional cooperation chapters, and links to Indonesia's broader trade and industrial policy. A complementarity matrix is built at HS two-digit and, where feasible, four-digit levels to align Indonesia's export profile with Canada's import demand. A tariff comparison table lists MFN rates for Indonesia and preferential rates for selected comparators that compete in the same product groups.

Triangulation and validation are built into each step. Quantitative series are cross-checked across at least two sources when possible. Tariff lines are validated against the official Canadian schedule and CEPA-specific schedules when available. Statements from policy documents are verified against ministerial releases or treaty text. Coding reliability is supported by iterative memoing, side-by-side checks of extracted tables, and an audit trail that records inclusion and exclusion decisions. Discrepancies in figures or definitions are resolved by prioritizing primary official sources and by documenting assumptions.

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RESULT AND DISCUSSION

The Landscape of Indonesia-Canada Trade

Bilateral flows between Indonesia and Canada have shown steady engagement over time. Total trade rose from about CAD 2.22 billion in 2009 to CAD 4.21 billion in 2019 (See Figure 3), with only a brief dip during the pandemic period. Annual snapshots report USD 2.4 billion in 2020, USD 3.1 billion in 2021, and USD 2.9 billion in 2022 (See Figure 4). For January to July 2025, total trade reached USD 2.72 billion, roughly 30 percent higher than the same period in 2024, which indicates renewed momentum. Figure 4 plots this trajectory and shows that the long-run direction is upward even when short-run shocks appear.

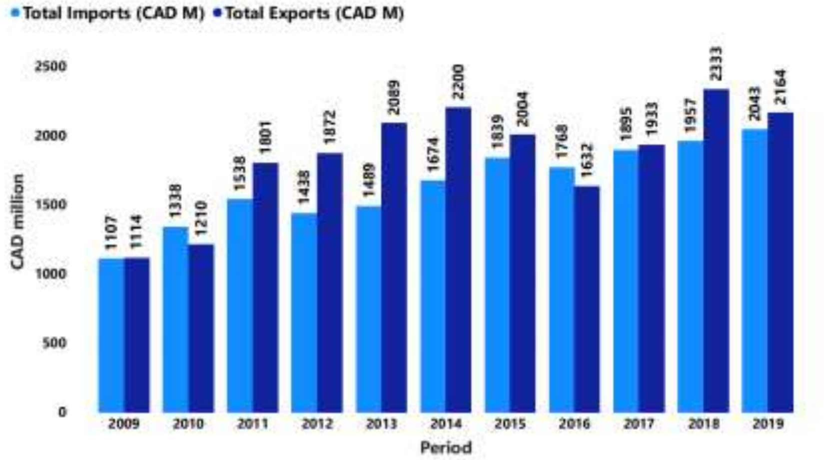

Figure 3. Exports and Imports from Canada to Indonesia (2009-2019)
Source: Global Affairs Canada, 2022, Figure Processed by Author

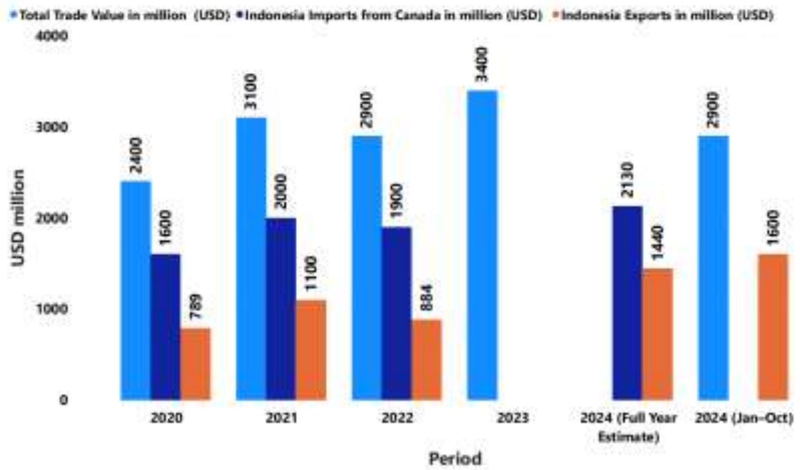

Figure 4. Exports and Imports from Indonesia to Canada (2020-2024)
Source: Bahri, 2024, Figure Processed by Author

The balance of trade has typically favored Canada. In the first seven months of 2025, Indonesia posted exports of about USD 1.01 billion and imports of about USD 1.71 billion, leaving a deficit of roughly USD 689 million. This pattern reflects the composition of Canadian sales to Indonesia, which are concentrated in a few high-value input categories and move with commodity prices. It also shows that quarterly and yearly fluctuations tend to be larger on the import side than on the export side, which is consistent with the volatility of cereals and fertilizers.

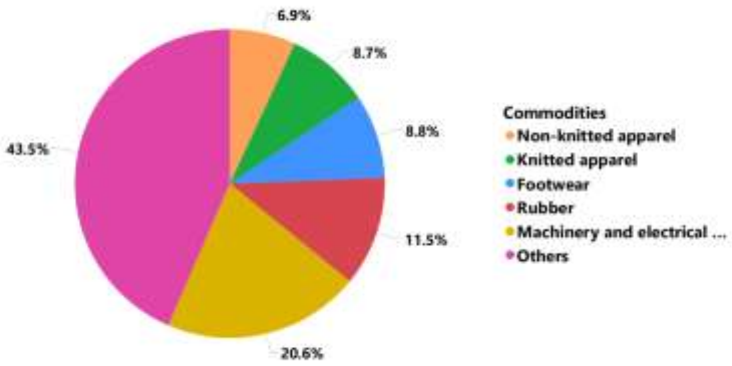

Figure 5. Indonesia's Exports to Canada (Canada's Imports)
Source: CNBC Indonesia, 2025a Figure Processed by Author

Furthermore, Indonesia's export basket to Canada is concentrated in apparel (See Figure 5). Apparel was the largest single category in 2019 at around 24,4% and more than doubled over 2009-2019. Rubber goods and electrical machinery followed, each in the low hundreds of millions of CAD by 2019. Additionally, machinery and electrical equipment represent about 20,6% of Indonesia's exports to Canada, rubber about 11,5%, with knitted and non-knitted apparel still prominent. Figure 5 displays these shares and makes clear that Indonesia sells a mix of labor-intensive and light industrial products that are sensitive to tariff preferences and rules of origin.

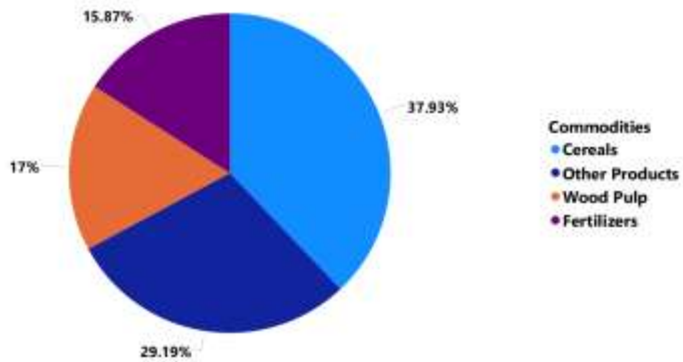

Figure 6. Canada's Exports to Indonesia (Indonesia's Imports)
Source: Global Affairs Canada, 2022, Figure Processed by Author

On the other hand, Canada's exports to Indonesia are led by inputs for production and processing. Cereals stood at roughly 37,9%, wood pulp at about 17%, and fertilizers near 15,87%, alongside machinery and specialized equipment. Over 2009-2019, cereals and wood pulp recorded strong gains, while fertilizers grew more modestly. These categories respond to global price cycles and domestic demand in Indonesia's food and manufacturing sectors. Figure 6 summarizes the scale of Canada's exports in overlapping product groups and helps position where Indonesian exporters may face strong competition from other suppliers to Canada.

Growth and stagnation segments are identifiable on both sides. On Indonesia's side, apparel remains the most dynamic line with a long climb and a sustained presence in 2025, while electrical machinery has expanded at a moderate pace, and rubber has grown more slowly. On Canada's side, cereals and wood pulp are the main engines of growth, while fertilizers and some machinery lines show flatter paths.

These patterns have two implications for how the CEPA agreement can be used. First, the stability of Indonesia's export mix means that preference margins in apparel, footwear, furniture, and selected machinery lines can translate into measurable early gains if compliance costs are managed. Second, Canada's role as a supplier of cereals, fertilizers, wood pulp, and equipment suggests that tariff reductions and clearer procedures on the Indonesian side can support reliable sourcing for the domestic industry. Together, the figures show an active but under-scaled relationship that can grow through lower tariffs, predictable rules, and better trade facilitation.

The Economic Motive

Indonesia's export profile already fits the Canadian market. The latest composition shows machinery and electrical equipment at 20,6% of Indonesia's exports to Canada, rubber at 11,5%, footwear at 8,8%, knitted apparel at 8,7%, and non-knitted apparel at 6,9%, with the remainder spread across other manufactures (CNBC Indonesia, 2025a). Canada's purchases are sizable in these consumer and light-industrial lines. Canada's own sales to Indonesia concentrate on inputs such as cereals, wood pulp, and fertilizers, which support Indonesian production that can feed back into the Canadian market. This pattern points to clear matches in apparel, footwear, rubber products, furniture components, and selected electrical parts that link into North American value chains.

Tariff conditions before the CEPA constrained several of these products. Most favoured nation rates on wearing apparel were about 17,3%, while leather goods averaged about 16,1% (Global Affairs Canada, 2022). Footwear, furniture, and some electrical items faced mid to high single-digit rates. Many direct competitors in Canada already ship under preferential rates through the CPTPP or bilateral deals, often at zero or very low applied tariffs on consumer goods. The new agreement narrows this gap by committing to broad tariff elimination on Canada's side, including immediate zero for a defined list at entry into force, with further staging across sensitive lines. Indonesia's openings for cereals, fertilizers, wood pulp, machinery, and medical instruments lower input costs for domestic producers and support reciprocal flows.

Competitor performance in Canada underscores the role of preferences. Exporters such as Vietnam, Malaysia, Mexico, Chile, and Peru have grown steadily in overlapping product groups where Indonesian firms compete. Vietnam's overall exports to Canada were about 9.85 billion dollars in 2023, far above Indonesia's sales, and a large share of that basket benefited from preferential access (Dhofier, 2025). The difference between the MFN rate that Indonesian firms faced and the preferential rate that competitors enjoyed created a discrimination margin that tilted prices and procurement toward those competitors. With the CEPA in force, that margin will compress. In apparel, the effective price gap is expected to shrink by mid-teens percentage points after staging. In footwear and furniture, the improvement is smaller but still material. In the machinery and electrical parts, average MFN rates are lower. Still, rules of origin, exporter self-certification, and risk-based verification reduce fixed compliance costs that often keep smaller firms out of the market.

Table 1. Comparison of Tariff Conditions for Indonesia vs. Competitors Exporting to Canada (Pre-CEPA)

Country/Entity	Highest Dutiable Tariff Rate in Canada (Pre-CEPA)	Preferential Status / Advantage
Indonesia	17.3% (Wearing Apparel) and 16.1% (Leather Products)	MFN Rate (Most Favored Nation). Indonesia lacked a dedicated trade agreement, subjecting its key exports to Canada's highest tariffs.
Vietnam	Zero or Very Low Rates (on PTPP-eligible goods)	FTA/CPTPP Status. Vietnam is a member of the CPTPP, granting preferential access to the Canadian market on manufactured goods.
South Korea	Zero or Low Rates (on KFTA-eligible goods)	FTA Status. South Korea benefits from the Canada-Korea Free Trade Agreement (CKFTA), granting preferential access.
Mexico	Zero or Low Rates (on SMCA-eligible goods)	FTA Status. Mexico benefits from the North American trade agreement (USMCA/NAFTA), granting privileged access to the North American market.

China & Cambodia	Varies (often MFN)	Competitive Displacement Target. Although the numerical tariff rate is not specified, their existing market share demonstrates an advantage Indonesia lacked.

Source: Data processed by the Author from (Global Affairs Canada, 2022; Dyck, 2025)

The agreement also improves the business environment beyond tariffs. Customs and trade facilitation commitments should shorten clearance times and reduce uncertainty. Sanitary and Phytosanitary measures (SPS) provisions set science-based procedures to resolve product-specific issues. Technical Barriers to Trade (TBT) commitments encourage regulatory cooperation and transparency for standards. These changes matter for multi-component goods where a modest tariff preference works together with lower documentation costs to make a noticeable difference in delivered prices and reliable delivery windows. They also support supplier consolidation and predictable planning for repeat orders.

The pattern of strengths, preferences, and procedures supports Indonesia's plan to act as a commodities and processing hub in ASEAN with links into North America. Early gains are most likely in apparel and leather goods, where the largest preference margins meet established production capacity. Footwear and furniture can benefit from moderate margins and simpler documentation. Rubber products and selected electrical parts can benefit from lower border costs and clearer technical rules that improve reliability and lead times. These groups match Canada's demand profile and Indonesia's supplier base, so they can convert preferences into shipments without long lead times.

Taken together, the CEPA reduces a measurable price disadvantage, lowers fixed compliance costs, and targets the very products where Indonesia already competes at scale. In the short term, Indonesian firms can win back share from third-country suppliers that have enjoyed preferences to date. In the medium term, a combination of tariff elimination, modern rules of origin, and coordinated outreach to exporters can raise utilization rates, draw in smaller firms, and widen the set of products that qualify. If agencies keep documentation simple, provide clear guidance on origin calculations, and track take-up by the Harmonized System (HS) line, Indonesia can shift from an MFN-constrained supplier to a reliable partner in a G7 market. That shift supports export diversification, deeper participation in North American value chains, and a credible hub position in the region.

The Political Motive

Global trade has been unsettled by tariff changes, new industrial policies, and shifting standards among major economies (UNCTAD, 2025). Exporters and investors face higher planning risks when access conditions can change during an investment cycle (Chen et al., 2025). In this setting, countries seek to lock in predictable links with a wider set of partners to steady expectations and to avoid overreliance on a few markets (Ali et al., 2025). Cross-regional agreements are one way to spread risk because they connect partners with different business cycles, sector strengths, and policy calendars (Katada & Solis, 2008).

Indonesia's foreign policy reflects this logic. The government has expanded its portfolio of trade agreements beyond its immediate neighborhood to strengthen leadership credentials in ASEAN through a balanced and outward-facing network (Musfiroh, 2024). A broader portfolio also signals reliability to firms in the region that depend on predictable rules across borders. Building ties with partners in different regions supports this leadership claim because it shows that Indonesia can deliver agreements that are workable for business and compatible with regional priorities.

The choice of Canada advances that approach. Canada adds a direct link to a G7 economy and provides a platform for cooperation on standards, sustainability, small and medium enterprise participation, and disciplines for state-owned enterprises and transparency (Dyck, 2025). These areas matter for credibility because they are visible to investors and regulators, and they affect how firms experience the agreement in day-to-day operations. Practical cooperation on technical barriers, sanitary and phytosanitary measures, and customs procedures can make access more reliable and can support firm-level upgrading in Indonesia. SME provisions help spread benefits beyond large exporters by lowering information and compliance costs.

The agreement also carries diplomatic weight. A formal partnership with Canada deepens ties with a country that has influence in North American forums and supply chains. It gives Indonesia a structured channel to engage on issues such as critical minerals, clean technology inputs, and responsible business practices that are increasingly linked to market access. The result is a relationship that extends beyond tariff preferences to include regular dialogue on rules and implementation, which is important for long-term trust between administrations.

Taken together, the political gains support the economic case rather than substitute for it. A G7 link strengthens Indonesia's standing in ASEAN by showing that regional leadership is backed by concrete external partnerships. Cooperation chapters improve the quality of market access by reducing uncertainty and by aligning procedures with international practice. These features make it easier for Indonesian firms to use the tariff preferences that the agreement provides. In this way, the political and diplomatic motives reinforce the economic motive by anchoring a more predictable and credible presence for Indonesia in North America.

Furthermore, the political motives that underlie the CEPA cannot be separated from Indonesia's shift in foreign policy style. Under President Prabowo, external engagement is tied more tightly to a domestic mandate for rapid growth. The administration has set an ambitious target of around 8% growth (Kompas.id, 2024a). That target creates a need to secure larger and more predictable markets, reduce price disadvantages faced by exporters, attract investment, and lock in access to inputs and technology. In this context, a comprehensive agreement with Canada is not only a diplomatic gesture. It is a practical instrument to turn policy promises into measurable outcomes at the firm level.

At the same time, the CEPA fits Indonesia's *bebas-aktif* doctrine. The policy seeks broad cooperation without exclusive alignments. President Prabowo has emphasized a thousand friends and no enemies as a guiding principle (Kompas.id, 2024b). The Canada deal is consistent with that approach because it widens Indonesia's network into North America while maintaining active engagement in other forums. The administration has kept doors open to BRICS, the OECD process, and the Indo-Pacific Economic Framework, treating each platform as a different path to the same goals of market access, financing, and influence (Putra, 2025). A bilateral agreement with a G7 partner complements that mix by adding a stable, rules-based link that businesses can use immediately.

The CEPA also carries diplomatic meaning that supports Indonesia's regional role. It shows the capacity to conclude a high-standard agreement that covers tariffs, procedures, and cooperation chapters that matter for firms. It signals reliability to partners and investors, and it strengthens Indonesia's position in ASEAN by pairing regional leadership with credible ties beyond the region. For the current administration, this is the kind of political milestone that aligns foreign policy with domestic priorities. It uses cooperation to deliver growth, expands Indonesia's options in a fluid global environment, and raises the country's profile through practical results rather than rhetoric.

Future Outlook of Indonesia-Canada CEPA

To enhance the benefits taken from the Indonesia-Canada CEPA, there are several measures that need to be acknowledged. The first priority is orderly implementation. Agencies should publish a clear timetable for tariff phase-outs by HS line and keep a public tracker of staging so firms can plan contracts. Rules of origin need a simple workflow that uses exporter self-certification with risk-based post-import verification. Customs cooperation should focus on advance rulings, pre-arrival processing, and data exchange to shorten clearance times. Joint bodies created by the agreement can meet on a fixed calendar to review staging progress, resolve operational issues in SPS and TBT, and issue guidance notes when interpretations differ across agencies.

Domestic readiness will determine how quickly preferences turn into shipments. Standards agencies and SPS authorities should map priority products and confirm which testing, inspection, and certification capacities are available in Indonesia and which must be recognized in Canada. A single window update can integrate origin certification, tariff staging lookups, and the status of advance rulings. Exporter outreach should include sector-specific clinics for apparel, footwear, rubber products, furniture, and selected electrical parts, with short guides on origin calculations, supplier declarations, and record-keeping. A small-firm helpdesk can provide hotline support, model documents, and a cost calculator that shows tariff savings and estimated compliance costs per shipment.

Opportunities are strongest where pre-agreement MFN barriers were high and production capacity already exists. Apparel and leather goods should register early gains once staging reduces the effective price gap. Footwear and furniture can benefit from moderate margins combined with simpler documentation and predictable border procedures. Rubber goods and selected electrical parts can benefit from clearer technical rules and more reliable delivery times. On the Canadian side, lower Indonesian tariffs on cereals, fertilizers, wood pulp, machinery, and medical instruments can support stable sourcing for industry. Cooperation chapters on SPS, TBT, SMEs, and transparency can also build services linkages and encourage investment in logistics, warehousing, and component manufacturing that support two-way trade.

SME participation will be a key test of breadth. The agreement's SME provisions can be translated into practical tools such as bilingual step-by-step checklists, short video walkthroughs for origin self-certification, and a directory of accredited labs and certifiers. Sector programs can target supplier upgrading in apparel and furniture, vendor management for rubber parts, and basic compliance training for electrical components. E-commerce and digital documentation pilots can help smaller exporters meet record-keeping rules while lowering fixed costs.

Two risks need early safeguards. First, preference under-utilization is likely if compliance steps remain complex or if firms are unsure about origin rules. This can be addressed through simplified documentation templates, clear cumulation guidance, and quick turnaround on origin questions and advance rulings. Second, overlap with other agreements can draw trade toward partners that already enjoy preferences, creating diversion from third markets. Agencies can mitigate this by giving firms comparative guidance on market options, by promoting supply chain investments that rely on Indonesian inputs, and by using SPS and TBT committees to prevent non-tariff barriers from eroding the value of tariff cuts.

CONCLUSION

Indonesia's decision to conclude a CEPA with Canada reflects the interaction of economic and political motives. On the economic side, Indonesia's export structure matches Canadian demand in manufacturing and the light industry. At the same time, past MFN tariffs created a price gap in key lines such as apparel and leather goods. Preferential access under the agreement narrows that gap and, together with clearer rules and modern border procedures, raises the likelihood that orders translate into shipments. On the political side, the choice of a cross-regional partner widens Indonesia's network, adds a direct link to a G7 economy, and signals reliability to firms and regulators. These elements reinforce each other: commercial complementarity makes the partnership viable, and diplomatic alignment increases the chance that firms can actually use the preferences.

Turning these gains into outcomes calls for targeted exporter support and practical simplification. Agencies should focus first on products with the largest preference margins and existing capacity, providing short guides on origin calculations, supplier declaration templates, and an SME helpdesk that answers compliance questions quickly. Rules of origin should be applied through clear examples, routine use of exporter self-certification, and advance rulings with fast turnaround. Regulatory cooperation should prioritize problem-solving in SPS and TBT, work toward recognition of testing and certification where possible, and implement customs measures such as pre-arrival processing, data exchange, and predictable risk management.

Strong coordination is needed to track utilization and resolve bottlenecks. A lead ministry can chair an interagency team with customs, standards bodies, and sector ministries, supported by a public dashboard that reports preference use by HS line, clearance times, and the number of firms using the agreement. Regular reviews with industry and Canadian counterparts should address issues early and adjust outreach and procedures. With this approach, legal commitments become operational gains that reach both large exporters and smaller firms, while Indonesia strengthens its regional standing through a credible, well-used link to North America.

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