

BEYOND ECONOMIC CALCULUS: SHARED ISLAMIC IDENTITY AS DEAL CATALYST ON INDONESIA-IRAN PREFERENTIAL TRADE AGREEMENT

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ABSTRACT

This paper examines the Indonesia-Iran Preferential Trade Agreement (II-PTA), signed in May 2023 and ratified in late 2024, as a puzzle for traditional international political economy theories. This theory asserts that a country usually signs trade agreement because of their already significant economic interdependence. But those two Muslim majority nations recorded a relatively low volume in bilateral trade. Utilizing a constructivist framework, this study argues that shared Islamic identity played a significant role in shaping the national interests of both Indonesia and Iran, and driving the agreement forward beyond purely rational economic calculations. The analysis demonstrates how this shared identity, coupled with norms of solidarity within the Ummah, provided a powerful ideational foundation that not only defined cooperation as normatively appropriate but also facilitated the negotiation process. This research foregrounding Islamic identity as a central variable for economic cooperation that deviates from conventional market logic.

Keywords: Indonesia-Iran, Preferential Trade Agreement, Islamic Identity, Constructivism.

INTRODUCTION

On May 23, 2023, within the stately confines of the Bogor Presidential Palace in Indonesia, a significant step was taken to formalize and potentially deepen the economic relationship between the Republic of Indonesia and the Islamic Republic of Iran. Indonesian Trade Minister Zulkifli Hasan and Iranian Foreign Minister Hossein Amirabdollahian signed the Indonesia-Iran Preferential Trade Agreement (II-PTA). The gravity attributed to this agreement was underscored by the presence of both heads of state, President Joko Widodo of Indonesia and President Seyyed Ebrahim Raisi of Iran, who witnessed the signing ceremony (Asian Development Bank, 2025; Indonesia Business Post, 2025).

The signing of the II-PTA did not occur in isolation but built upon a long history of diplomatic engagement. Indonesia and Iran have maintained formal diplomatic relations for over seven decades, a relationship often framed by officials from both sides through the lens of shared identity as large, influential Muslim-majority nations and common cultural or civilizational links (The Geopolitics, 2023; Ministry of Commerce Pakistan, n.d). However, number of studies indicate that economic fundamentals usually become the first and foremost consideration to sign preferential or free trade agreements.

Article History: Received 22 April 2025, Revised 30 April 2025,
Accepted 15 May 2025, Available online 30 June 2025

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Parakh and Aditya (2021), Jayathilaka and Keembiyahetti (2009), Baier and Bergstrand (2002), Facchini et al. (2017), Wardani (2016), and Furusawa and Konishi (2003) report that a country’s market size and economic mass are strong positive factors. Factor endowment differences also bolster agreement formation, while increased trade costs and greater geographic distance—as noted by Parakh and Aditya (2021), Jayathilaka and Keembiyahetti (2009), Wardani (2016), and Hassan and Islam (2001)—reduce the likelihood of signing. Additional evidence from Ratna and Huang (2016), Othman et al. (2013), and Tash et al. (2012) shows that tariff and non-tariff barriers negatively affect integration, and findings by Kemal (2004), Bhatti and Ghouse (2023), and Haq (2009) further support the role of trade liberalization and political stability in underpinning such economic decisions.

Those economic fundamentals are not reflected in the bilateral relationship between Indonesia and Iran. Examination of the economic data, in fact, reveals a striking incongruity. The volume of trade between Indonesia and Iran has remained consistently low, particularly when compared to the major trading partners of both nations. Djatmiko Bris Witjaksono, Director General of International Trade Negotiations stated that total bilateral trade amounted to a modest \$257.2 million in 2022, and \$54.1 million in the first quarter of 2023 (Antara News, 2023; Trading Economics, 2025; Ministry of Trade Indonesia, 2025). While this represented a 23% increase from 2021, the absolute figure remains small. These figures stand in stark contrast to ambitious targets, such as the \$20 billion figure mentioned by President Raisi during his visit, suggesting such goals are highly aspirational rather than grounded in current economic realities (Asian Development Bank, 2025; Indonesia Business Post, 2025).

The historical trajectory further illuminates the situation. Indonesia-Iran Bilateral trade experienced a dramatic decline following the intensification of international sanctions against Iran, plummeting from \$715.5 million in 2017 to just \$141.6 million in 2019 (Asharq, 2023; Tehran Times, 2024). The relatively marginal nature of the economic relationship becomes even clearer when compared to Indonesia's primary trade partners. As illustrated in Table 1, Indonesia's trade with existing trade partner countries like China, the United States, Japan, India, and Singapore involves figures orders of magnitude larger than its trade with Iran.

Table 1: Comparison of Indonesia's Bilateral Trade & Existing Preferential Trade Agreement Partner (2023, Million USD)

Country Partner	Total Trade	Exports from Indonesia	Imports to Indonesia	Trade Balance (for Indonesia)	Data Source	Free / Comprehensive Trade Agreement
Iran	206,9	195,1	11,7	+183,4	Ministry of Trade Indonesia, 2025	Indonesia-Iran Preferential Trade Agreement / II-PTA, signed

						in 2023, ratified in 2024 (Ministry of Trade Indonesia, 2024)
China	133,400	64.938,7	62.880,9	+2.057,8	BPS, 2024	China-ASEAN Free Trade Agreement (ACFTA), signed 2004, ratified in 2005 (ASEAN Briefing, 2023)
Japan	37.305	20.789,6	16.516,9	+4.272,7	BPS, 2024	Indonesia-Japan Economic Partnership Agreement (IJEPA), signed in 2007, ratified in 2008, (ASEAN Briefing, 2023)
Singapore	31.016	12.607,2	18.409,6	-5.802,4	BPS, 2024	As part of ASEAN Free Trade Area (AFTA), signed in 1992, ratified in 1993, (ASEAN Briefing, 2023)
United Arab Emirates	2.420	2.078,8	4.067,1	-1.988,3	BPS, 2024; OEC, 2025	UAE and Indonesia signed a Comprehensive Economic Partnership Agreement (CEPA), signed in 2022, ratified in 2023, (Ministry of Trade Indonesia, 2023)

The table starkly demonstrates the scale difference between Indonesia’s trade with China and Iran. In 2023, Indonesia’s trade with China was over 600 times greater than with Iran. Specifically, China’s total trade with Indonesia reached \$133,400 million, while Iran’s was only \$206.9 million. In addition, Indonesia exported \$64,938.7 million

to China, but only \$195.1 million to Iran. With imports from China amounting to \$62,880.9 million compared to a mere \$11.7 million from Iran, the trade imbalance is pronounced, leading to a positive trade balance of +\$2,057.8 million with China, and +\$183.4 million with Iran. Iran's main trading partners typically include China, Iraq, the UAE, and Turkey, with much larger trade volumes than its economic relationship with Indonesia. This places Indonesia far down on Iran's list of economic priorities purely based on trade volume. In fact, Iran ranked only as Indonesia's 62nd export destination in 2023 (Trade Map, 2025).

The II-PTA, therefore, stands out as a unique agreement for both signatories. It marks the first preferential trade agreement Iran has concluded with a nation in the Asia-Pacific region (HKTDC, 2024). For Indonesia, it represents the second such agreement with a Middle Eastern country, following the Comprehensive Economic Partnership Agreement (CEPA) signed with the United Arab Emirates (UAE) in July 2022 (Antara News, 2023). Indonesia-UAE trade reached \$2,420 billion, twelve times more than a modest 206.9 million USD in trade with Iran.

This marked contrast between the low volume of existing trade and the political and strategic decision to prioritize the signing of the II-PTA constitutes an anomaly. Traditional theories like neorealism and neoliberal institutionalism in international relations and political economy—rooted in assumptions of rationality and the primacy of material interests typically predict that significant trade agreements, such as PTAs or FTAs, are contributing to substantial existing trade flows or clear projections of future economic benefits. This is explained in Brook (2006)'s explanation on why nation-states want to integrate regionally by establishing that cooperation and trade benefits may outweigh the cost, Feenstra (2015)'s explanation the role of tariffs, quotas, and other trade policies on bringing wealth of materials for state, Lal (2003)'s four stage of free trade relations on bringing economic welfare, and Irwin (1988)'s analysis on one of the oldest and most discussed trade agreement in the economic political study -- Britain's tariff reductions in the 1840s as the industrial revolution kicked in-- showed that while unilateral tariff reduction would have made Britain worse, mutual foreign tariff reductions or what we now call as free trade agreement, could easily have made Britain better off. However, the case of the Iran-Indonesia Preferential Trade Agreement is different than those studies and usual point of view in the study of trade agreement, as the economic justification based on current trade figures between the two countries appear weak.

Although officials often cite the untapped potential of the Iranian market and its strategic position as a gateway to Central Asia, these explanations alone seem insufficient to account for the prioritization of this agreement, especially considering its landmark status for Iran in the Asia-Pacific (Antara News, 2023; Vietnam Investment Review, 2023). The low trade volume thus serves as a critical analytical lever, suggesting that factors beyond material economic interests played a significant role. This necessitates an alternative theoretical framework to fully understand the motivations behind the II-PTA.

Based on the background and the identified anomaly, this paper seeks to answer the following central research question: Why did Indonesia and Iran decide to conclude and sign the Preferential Trade Agreement (PTA), despite the relatively low volume of bilateral trade between them? And what role did their shared Islamic identity play in facilitating the formation and finalization of this agreement?

RESEARCH METHOD

The core argument advanced in this paper is that the signing of the II-PTA cannot be comprehensively understood solely through the lens of material economic interests or rational cost-benefit calculations. Instead, drawing upon the theoretical framework of constructivism in International Relations, the analyses emphasizes the crucial role of ideas, norms, and identities in shaping state behaviour (Darmawan, 2018). This study will explore how shared Islamic identity of Indonesia and Iran, along with associated norms of solidarity (*ukhuwah islamiyah*) and the accompanying discourse of brotherhood, functioned as a significant constitutive factor in the PTA deal. These ideational elements hence can explain the perception shaping of national interests in both Jakarta and Tehran, beyond mere trade statistics but also actively facilitated the negotiation process and the eventual achievement of the agreement (Jakarta Post, 2025). This constructivist perspective also offers a more robust explanation for the 'anomaly' of pursuing a PTA amidst low trade volumes and the relative speed with which the negotiations were concluded after their recent intensification.

This research employs a qualitative, descriptive-analytical methodology grounded in a constructivist framework to investigate the socio-political factors underpinning the Indonesia-Iran Preferential Trade Agreement (II-PTA). To do that qualitative content analysis based on Ted Hopf's constructivist discourse analysis will be employed, which posits that state identities and interests are socially constructed through discourse and practice (Hopf, 1998). This involves a systematic examination of official discourse from state actors in both nations. The analysis focuses on how strategic language invoking "shared Islamic identity," "brotherhood" (*ukhuwah islamiyah*), and solidarity within the "Ummah" was used not merely to reflect a pre-existing bond but to actively construct a shared understanding that shaped national interests. The explanatory goal is to demonstrate how these discursive practices constituted the identities and interests that framed the II-PTA as an "appropriate" policy, thereby making the economically anomalous agreement possible. The research scope is focused on the period covering the agreement's negotiation, signing (May 2023), and subsequent ratification processes (2024-2025) to maintain a focused analysis of the decision-making dynamics.

Data collection for this research relies predominantly on secondary sources through extensive document analysis and literature review. Key data sources include official statements and press releases from government leaders and ministries of both Indonesia and Iran, particularly those surrounding the negotiation and signing of the II-PTA. Official documents related to the agreement, such as the initial Framework

Agreement and updates on the ratification process, were also analysed. Furthermore, bilateral trade statistics, academic literature on constructivism, Indonesian foreign policy, Iran's foreign policy, and trade diplomacy, and reports from reputable news agencies and think tanks were systematically gathered and reviewed.

RESULT AND DISCUSSION

Constructivist Approach in Analysing Indonesia-Iran Trade Agreement

To comprehend the phenomenon of the II-PTA, which appears anomalous when viewed solely through an economic prism, a theoretical framework capable of accommodating non-material factors such as ideas, norms, and identity is essential. Constructivism offers a crucial analytical lens for IR, positing that the international sphere is socially constructed through shared ideas, norms, and identities, rather than being solely dictated by material forces (Darmawan, 2018; Havcroft & Duvall 2017). This challenges materialist determinism by arguing the international structure is profoundly ideational, shaping how actors perceive the world and mutually constituting agents and structures. Alexander Wendt's influential assertion, "Anarchy is what states make of it," underscores that anarchy's meaning is determined by state practices and interactions, not inherently dictating conflict (Jackson et al., 2018; Hopf, 1998; Faraj & Othman, 2019). Norms, defined as "standards of appropriate behaviour for actors with a given identity" (Katzenstein 1996, 5), are central, encompassing both regulative and constitutive types. States frequently operate based on a "logic of appropriateness," acting in ways they believe align with their identity, rather than purely on cost-benefit calculations following a "logic of consequences" (March and Olsen 1998, 951–952; Hopf, 1998; Jackson et al., 2018; Faraj & Othman, 2019).

A key constructivist contribution views state identities and interests as mutually constitutive and endogenous, shaped by and evolving through social interaction, rather than being fixed or exogenously given (Hopf, 1998; Jackson et al., 2018; Wicaksana & Yakti, 2025). A state's identity its collective understanding of 'Self' versus 'Other' fundamentally shapes its perceived interests. These identities and interests are dynamic, subject to change through social learning and shifts in dominant discourses (Darmawan, 2018). Discourse, the practice of language and communication, is vital for creating meaning, articulating identities, and legitimizing actions. Consequently, the emphasis on shared Islamic identity in the Indonesia-Iran relationship, for instance, can reflect genuine shared values but also potentially serve as a strategic discourse, particularly from Iran's perspective to foster solidarity and counter international isolation, a framing Indonesia might also find useful for its own foreign policy positioning (Asharq Al-Awsat, 2023; Jakarta Post, 2025; Wicaksana & Yakti, 2025).

While no prior studies have examined the specific role of identity in Indonesia-Iran trade, as this research aims to offer a fresh perspective, reflection can be drawn from existing literatures that has shown mixed results regarding the influence of shared religious identity on trade relations. Parakh and Aditya (2021)'s analysis on determinants

of trade agreements in 163 countries, and Bhatti and Ghouse (2023)'s trade development analysis between 50 states in Organization of Islamic Countries, find that a common language and identity in general can facilitate trade negotiations. However, Hassan and Islam (2001), Amin et al. (2011), Masood et al. (2023), and Othman et al. (2013) report that religious unity or membership in organizations like the OIC carries ambiguous and insignificant influence, while Abu-Hussin (2010) and Wardani (2016) note that shared Muslim-majority status does not automatically translate into economic benefits, and evidence from Tash et al. (2012) and Jayathilaka and Keembiyahetti (2009) underscores that cultural or civilizational ties may only contribute to agreement formation when aligned with strong economic fundamentals.

The common Islamic identity between Indonesia and Iran can serve as an ideational foundation for cooperation, potentially superseding material factors. This shared identity fosters dynamics conducive to collaboration by creating shared understandings and meanings derived from common beliefs and values, facilitating communication. It cultivates intersubjective norms of solidarity (*ukhuwah islamiyah*), often explicitly invoked regarding issues concerning the wider Muslim *Ummah*, like the Palestinian cause or crises in Afghanistan, making actions aligned with these norms appropriate for states identifying as part of this community (Sukma, 2004). Furthermore, constructing the relationship in terms of "brotherhood" can enhance trust and goodwill, potentially lowering cooperation barriers (Sundberg, 2019), while the use of Islamic terminology and narratives in diplomatic discourse reinforces this shared identity and legitimizes cooperative actions like the II-PTA (Ahmad, 2023).

Therefore, shared Islamic identity can be understood as a significant ideational structure influencing the Indonesia-Iran relationship. This structure shapes mutual perceptions, fosters trust (or at least reduces distrust relative to interactions with states perceived as 'Other'), and defines certain actions, like pursuing the II-PTA, as 'appropriate' and 'valuable' irrespective of immediate, quantifiable economic returns. The logic of appropriateness, driven by this shared identity, can thus complement, or in certain circumstances even override, the logic of consequences based on material cost-benefit analysis in foreign policy decision-making.

Contextualizing the Anomaly: Bilateral Dynamics and Geopolitical Pressures

Understanding why the II-PTA presents an anomaly and how constructivism offers explanatory power requires situating the agreement within the broader context of Indonesia-Iran bilateral relations, their respective trade patterns, and the significant geopolitical pressures influencing both nations. Formal diplomatic ties between Indonesia and Iran span over seven decades, underpinned by shared membership in platforms like the Organisation of Islamic Cooperation (OIC) and the Non-Aligned Movement (NAM) where common interests are often articulated (The Geopolitics, 2025). Historically, their relationship features consistent shared stances on key issues affecting the Muslim world, such as support for Palestine and addressing the humanitarian crisis in Afghanistan, often

framed within a narrative of Islamic solidarity (Ali et.al., 2025; AP News, 2023). This enduring narrative provides a pre-existing ideational context for cooperation. Despite theological differences (Sunni majority in Indonesia, Shia majority in Iran), state-level interactions emphasize common Islamic identity and geopolitical perspectives, reinforced by reciprocal state visits (Indonesia President Jokowi in 2016, Iran President in Rouhani 2015, and Iran President Raisi in 2023) in addition to symbolic gestures like joint tree planting, signalling a mutual intent to enhance ties (Associated Press, 2023).

In stark contrast to this political closeness, the economic relationship is marked by relatively small and volatile trade volumes, dropping from \$715.5 million in 2017 to \$141.6 million in 2019 due to sanctions, recovering partially to \$257.2 million in 2022, then dipping to \$206.9 million in 2023 (Asharq Al-Awsat., 2023; Ministry of Trade Indonesia, 2025; Trading Economics, 2025). Indonesia maintains a trade surplus (\$183.4 million in 2023), exporting goods like palm oil, coffee, and manufactured items, while importing Iranian products such as mineral fuels, chemicals, and dates (Trading Economics, 2025; Indonesian Presidential Secretariat, 2023; Antara News, 2023; Indonesia Business Post, 2023). This trade volume is marginal compared to both nations' main partners (China, US, ASEAN for Indonesia; China, Iraq, UAE, Turkey for Iran) (BPS, 2024; Trade Map, 2023). The geopolitical context, particularly extensive international sanctions severely curtailing Iran's market access (Asharq Al-Awsat, 2023; Clingendael, 2025; Havercroft & Duvall, 2017; World Bank, 2025), creates a strategic imperative for Tehran to seek alternative partners (Press TV, 2023), pursuing PTAs with entities like the EAEU and Pakistan (Tehran Times, 2024; WAM, 2025), and the emergence of Look East Policy that stated in multiple occurrences by Iran's top government officials that underlines the importance of looking for new partners amid Western sanction. Concurrently, Indonesia pursues export market diversification towards non-traditional regions, viewing Iran as a potential gateway, facilitated by its independent and active (*bebas aktif*) foreign policy and practical steps like exploring local currency use (Antara News, 2023; GOV.UK, 2025; Wicaksana & Yakti, 2025; Indonesia Business Post, 2023).

Therefore, a confluence of factors, Iran's push to overcome sanctions and Indonesia's pull towards market diversification, provides a compelling geopolitical and economic context for the II-PTA. Iran needs new partners, and Indonesia seeks new markets, viewing Iran as a potential entry point to the wider Central Asian region (Antara News, 2023) However, this context alone does not fully resolve the anomaly. It explains the opportunity and the motivation for an agreement, but not necessarily the prioritization of this specific PTA, making it Iran's first in the Asia-Pacific, despite the low trade volume and inherent geopolitical risks (HKTDC, 2024; Ministry of Trade Indonesia, 2024). In addition to that, multiple researches have pinpoint the failure of Iran's looking east policy, such as: 1) Western sanction deters potential Eastern partners like China and Russia from making substantial investments (Beall, 2015; Hunter, 2024; Hufbauer & Jung, 2021); 2) the economic and political relationships with key Eastern countries are often competitive

to Iran rather than complementary, as Russia for example views Iran as a rival in the energy sector (Cohen, et.al., 2011; Hunter, 2024); and 3) Iran still holds a relatively low strategic importance for other eastern countries, including Russia and China, hence leading them to prioritize their own national interests over providing genuine support to Tehran (Jalali, 2001; Walterskrichen, et.al., 2022; Hunter, 2024).

All in all, the external pressure on Iran might have increased its willingness to conclude the deal quickly, but the decision, particularly from Indonesia's side, likely involved considerations beyond pure economic logic and immediate geopolitical gain. This underscores the need to incorporate the role of shared identity and norms, as offered by constructivism, to achieve a more complete explanation.

How Shared Islamic Identity Played its Role in II-PTA

Applying a constructivist lens allows for an interpretation of the II-PTA that moves beyond the limitations of explanations solely based on material interests or geopolitical pressures. It highlights how ideational factors, specifically shared Islamic identity and associated norms, likely played a crucial role in shaping the interests of both states and facilitating the agreement's conclusion. From a constructivist standpoint, the decision by Indonesia and Iran to pursue and sign the II-PTA is not merely an instrumental act aimed at maximizing economic gains or responding mechanistically to external pressures. Instead, the shared identity as nations with majority Muslim populations is seen as playing a constitutive role, actively shaping the very interests that led to the agreement.

This shared identity creates an intersubjective understanding where Indonesia and Iran perceive each other not just as foreign states but as constituent parts of a broader imagined community – the *Ummah* or Islamic world. This perception, continuously reproduced through diplomatic interactions and official discourse, fosters interests that extend beyond simple cost-benefit analysis. Within this ideational framework, strengthening ties with a "brother" Muslim nation becomes an intrinsically valuable goal, an action deemed appropriate and consistent with the states' constructed identities (Tahir, 2023). The shared identity, therefore, does not merely facilitate cooperation driven by pre-existing material interests; it actively helps to define what counts as a national interest in the first place. Pursuing closer relations with a fellow Muslim state becomes an end in itself, making the low trade volume a less significant obstacle than it would be if purely economic motives dominated.

Consequently, the II-PTA can be interpreted not only as a tool intended to lower tariffs and eventually boost trade (the stated objective) but also as a potent symbolic act. Signing the agreement served to reaffirm the perceived closeness of the relationship, reinforce the bonds of solidarity within the framework of the *Ummah*, and potentially signal Indonesia's implicit support for Iran amidst international pressure (Ministry of Commerce Pakistan, n.d). This symbolic dimension helps explain the high-level political investment in the agreement, as evidenced by the presence of both presidents at the signing (Indonesia Business Post, 2023).

The embedding of economic cooperation within a wider context of Islamic solidarity is further evidenced by the concurrent discussions during President Raisi's visit on issues central to the Muslim world, such as joint support for the Palestinian cause and addressing the humanitarian crisis in Afghanistan (AP News, 2023). Placing the trade agreement alongside these explicitly identity-linked political issues suggests that economic partnership was viewed as part of a broader tapestry of cooperation rooted in shared values and concerns.

Furthermore, the potential for developing cooperation specifically in sectors linked to Islamic values, such as the halal industry and the broader Islamic economy (a feature noted in Indonesia's CEPA with the UAE), represents a practical manifestation of translating shared religious identity into tangible economic collaboration. The focus on halal products transcends mere market niche identification; it signifies an effort to embed Islamic values within economic practices, further reinforcing the identity dimension of the partnership. As noted earlier, this shared identity framework appears robust enough at the state level to manage and overcome potentially divisive factors like the Sunni-Shia theological differences, prioritizing the constructed commonality in diplomatic interactions (Indonesia Business Post, 2023; Ministry of Trade, Indonesia, 2024; Jakarta Globe, 2024).

Evidence from Diplomatic Discourse and Official Statements

The significance of shared Islamic identity and values in motivating and legitimizing the II-PTA is not merely theoretical; it is empirically observable in the consistent discourse employed by leaders and officials from both countries. Analysing their public statements reveals how this identity was actively articulated and used to frame the bilateral relationship and justify enhanced cooperation. The consistent use of this specific language is not simply descriptive; it actively constructs and reinforces the shared identity and associated norms, making cooperation appear natural, appropriate, and even necessary. This discourse shapes mutual perceptions and creates expectations of solidarity, thereby helping to create the intersubjective reality of a special relationship that justifies actions like the PTA.

This analysis can be reflected starting in the 2023 signing and the ratification phase in both countries. The Iranian Parliament (Majlis) approved the agreement, with reports indicating ratification occurred between May and August 2024, followed by further review by the Guardian Council and eventual notification of the law to the President (HKTDC, 2024). On the Indonesian side, the House of Representatives (DPR) Commission VI, which oversees trade matters, gave its approval for ratification in a working meeting with the Ministry of Trade on July 8, 2024 (Ministry of Trade Indonesia, 2024). While final domestic procedures, likely involving a Presidential Regulation (Peraturan Presiden or Perpres) in Indonesia, were still pending, officials expressed optimism for the agreement's full implementation potentially starting in early 2025 (Ministry of Trade Indonesia, 2025; Christian et.al., 2024).

First evidence can be drawn from Presidential Rhetoric. Iranian President Ebrahim Raisi explicitly stated during his visit to Indonesia that a priority of his foreign policy was cooperation with "neighbouring countries, Muslim nations, and countries that are aligned with us". This framing directly positions the relationship with Indonesia within this identity-based category. He also referred to Indonesia as a "*negara sahabat dan saudara*" (a friend and brother nation), invoking familial terms common in Islamic discourse to denote closeness and solidarity. Furthermore, his assertion that "*sanctions and threats cannot stop us in any way*" from cooperating implicitly appeals to a sense of shared resilience, potentially linked to shared values.

On the Indonesian side, President Joko Widodo consistently employed Islamic greetings in his joint press statement with the Iranian President when signing II-PTA, and highlighted the agreement reached to "*continue support for the struggle of the Palestinian people and overcome the humanitarian crisis in Afghanistan*" (AP News, 2023). Placing these key issues of Islamic solidarity within the context of the same bilateral meeting that produced the trade agreement demonstrates a clear linkage between the economic and the politico-ideational dimensions of the relationship.

Second evidence can also be analysed throughout Ministerial level of discourse. Perhaps the most explicit articulation came from Iran's Foreign Minister Hossein Amirabdollahian. In an opinion piece published in *The Jakarta Post* coinciding with President Raisi's visit in May 2023 and the signing of II-PTA in Istana Bogor, he wrote extensively about the "*deep bonds*" forged "*centuries ago through Islam*," the "*cultural and civilizational commonalities*," and shared positions on "*regional, international, and Islamic issues*". He emphasized the "*necessity of unity among Islamic countries*," the need to promote the "*true image of Islam*," combat "*extremism and Islamophobia*," and explicitly referred to Indonesia as a "*friend and brother*" nation. His statement that the "*Islamic world... needs greater convergence*" for the "*interests of the great Islamic Ummah*" directly links the strengthening of bilateral ties to a broader agenda of Islamic solidarity. Subsequent opinion pieces by Iranian officials continued these themes (The Jakarta Post, 2025). While Indonesian Trade Minister Zulkifli Hasan understandably focused more on the economic aspects, framing the PTA as a "*historic moment*" to expand exports to the Middle East, the broader context included commentary highlighting the potential for halal products specifically because of the "*shared values [of Islam]*" between the two countries (Indonesia Business Post, 2023; Ministry of Trade Indonesia, 2024).

Third and the last but not least, analysis can also be drawn from precedent in other agreements. The practice of referencing shared identity in trade agreements with Muslim nations is not unique to the II-PTA, suggesting a pattern in Indonesia's diplomatic practice. The preamble to the Indonesia-Pakistan PTA explicitly mentions the "*longstanding friendship and common religious and cultural heritage*" shared by the two parties (Ministry of Commerce Pakistan, n.d). This indicates that incorporating such identity-based language into the formal text of economic agreements is an established diplomatic tool used by Indonesia.

These statements, summarized in Table 2, provide strong empirical support for the argument that the discourse surrounding shared Islamic identity, solidarity, and brotherhood was not peripheral but central to the framing and justification of the II-PTA, complementing and arguably elevating the importance of the agreement beyond its immediate economic scope.

Table 2: Key Official Statements Highlighting Islamic Values/Identity in the Indonesia-Iran Preferential Trade Agreement Context

Quote/Statement Summary in II-PTA	Speaker	Date/Context	Source	Analysis: Link to Identity/Values
Prioritizing ties with <i>"neighbouring countries, Muslim nations, and countries that are aligned with us."</i>	President Iran Ebrahim Raisi	May 2023, Joint Press Conference, Bogor	AP News (2023)	Explicitly categorizes Indonesia as a priority partner based on shared identity ("Muslim nations") and values ("aligned").
Referring to Indonesia as <i>"negara sahabat dan saudara"</i> (friend and brother nation).	President Iran Ebrahim Raisi	May 2023, Meeting with President Widodo	Presidenri (2025)	Uses familial Islamic discourse ("brother") to signify deep solidarity and closeness beyond typical state relations.
<i>"Sanctions and threats cannot stop us... Cooperation with... Muslim nations... is our priority."</i>	President Iran Ebrahim Raisi	May 2023, Joint Press Conference, Bogor	AP News (2023)	Links cooperation resilience to the priority placed on ties with Muslim nations, framing it as value-driven.
<i>"We agreed to continue support for the struggle of the Palestinian people and overcome the humanitarian crisis in Afghanistan..."</i>	President RI Joko Widodo	May 2023, Joint Press Conference, Bogor	AP News (2023)	Highlights agreement on core issues of Islamic solidarity (Palestine, Afghanistan) within the same context as the PTA signing, linking economic cooperation to broader <i>Ummah</i> concerns.
<i>"Deep bonds... through Islam," "cultural commonalities,"</i>	FM Iran Hossein	May 2023, Jakarta Post Op-Ed	The Jakarta	Constructs the relationship's foundation explicitly on shared Islamic history, values,

<p><i>"necessity of unity among Islamic countries," supporting "interests of Muslims worldwide," Indonesia as "friend and brother."</i></p>	<p>Amirabdollahian</p>		<p>Post (2025)</p>	<p>unity, and solidarity as essential drivers for cooperation.</p>
<p>Potential for <i>"halal products because of the similarity of our [Islamic] values."</i></p>	<p>Mohammad Faisal (CORE Analyst, commenting on PTA)</p>	<p>July 2024, Jakarta Post article</p>	<p>Ministry of Trade (2025)</p>	<p>Connects specific economic potential (halal market) directly to the shared religious identity and values of the two countries.</p>

Facilitating Agreement: Identity, Trust, and the Negotiation Process

Beyond shaping interests and providing justification, the shared Islamic identity likely played a facilitative role in the negotiation process itself, contributing to the relative speed with which the II-PTA was concluded once talks were seriously re-engaged. While the foundation was laid with the 2005 Framework Agreement and initial rounds occurred in 2010 and 2015, the process stalled before being revitalized. The final push involved the 6th round in late 2022 and the concluding 7th round in May 2023, reportedly supplemented by numerous intersessional meetings (Kemendag, 2023). Completing the substantive negotiations within this intensified period, especially given the complexities introduced by sanctions, can be considered relatively efficient compared to some other complex trade negotiations Indonesia is involved in (e.g., the long-running IEU-CEPA talks).

A constructivist perspective suggests that the shared identity and the associated discourse of brotherhood and solidarity may have acted as a form of 'social lubricant' during the negotiations (Faraj, 2019; The Jakarta Post, 2025). This could manifest in several ways. First, reduced mistrust. The perception of dealing with a 'brother' nation sharing fundamental values could mitigate the inherent suspicion and security dilemmas that often complicate international negotiations, fostering a more cooperative atmosphere.

Secondly, enhanced flexibility and compromise: A belief in a higher shared purpose—strengthening ties within the *Ummah*—might increase the willingness of both sides to make concessions and find mutually agreeable solutions on technical points, moving beyond purely maximizing individual tariff advantages. The reported flexibility

shown by both parties during the 6th round supports this possibility (IDN Financials., 2022)

Third, improved communication. Shared cultural and religious reference points might facilitate smoother communication and understanding between negotiating teams, reducing misunderstandings. Fourth, Domestic Legitimation. Framing the agreement as cooperation between fellow Muslim nations could make it easier for leaders in both countries to garner domestic support and political acceptance for the deal.

Undoubtedly, other factors contributed significantly to the pace of the final negotiations. Iran's pressing need to secure alternative trade partnerships due to intensifying sanctions likely increased its flexibility and urgency to finalize the deal (Clingendael, 2025). Simultaneously, the strong political push from the Indonesian administration to diversify export markets and conclude agreements with non-traditional partners provided momentum from Jakarta's side (Antara News, 2023). The commitment shown by both negotiating teams, even amidst challenges like the COVID-19 pandemic which had previously caused delays, was also crucial.

However, the interplay between these material/geopolitical drivers and the ideational factor of shared identity appears critical. The shared identity likely acted as a catalyst or facilitator, allowing the push (sanctions) and pull (diversification) factors to translate into a finalized agreement more effectively. It provided an additional layer of justification for prioritizing this specific partnership and helped to smooth the path toward overcoming the technical and political hurdles inherent in any trade negotiation. In essence, the ideational framework created by the shared identity likely amplified the effect of other motivating factors, contributing to the successful conclusion of the II-PTA.

CONCLUSION

This research embarked on addressing the puzzle surrounding the Indonesia-Iran Preferential Trade Agreement (II-PTA) of May 2023: why was this agreement pursued despite the conspicuously low levels of bilateral trade, a fact seemingly contradicting conventional economic logic? The argument posits that a comprehensive explanation requires moving beyond purely materialist or rationalist frameworks. By employing the lens of constructivism, the analysis demonstrates the significant role played by shared Islamic identity between Indonesia and Iran. The shared identity, actively invoked and reproduced through diplomatic discourse, shaped a mutual understanding and fostered norms of solidarity (*ukhuwah islamiyah*) and fraternity. This ideational context influenced the definition of national interests for both Jakarta and Tehran, extending them beyond immediate economic maximization.

Strengthening ties with a fellow Muslim nation was constructed as a normatively appropriate and symbolically valuable action. This ideational framework helps to explain the political will to pursue the PTA despite weak economic indicators, thus resolving the central anomaly. Leaders from both nations consistently framed the relationship and the PTA itself using language emphasizing shared Islamic values, brotherhood, solidarity,

and common concerns regarding the wider *Ummah*, such as the Palestinian cause. Furthermore, the constructivist perspective offers insights into the negotiation dynamics, suggesting that the trust and shared understanding fostered by this common identity likely acted as a 'social lubricant,' facilitating compromise and contributing to the relatively swift conclusion of the agreement once talks were intensified, complementing the push and pull factors of sanctions and market diversification.

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