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Indonesia's response as a developing country to the United States government's reciprocal tariff policy

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ABSTRACT

The acceleration of economic growth in Indonesia is also influenced by tariff policies that support international trade, such as the ASEAN Free Trade Agreement (AFTA). However, aggressive tariff policies can create challenges, including intense competition and adverse consequences for certain domestic sectors. The higher reciprocal tariff imposed by the United States on Indonesia, amounting to 32%, constitutes the greatest challenge to the competitiveness of Indonesian exports, particularly key commodities such as electronics, textiles, and footwear. This study aims to analyze Indonesia's response, as a developing country, to the reciprocal tariff policy adopted by the United States government. This study used a descriptive qualitative method with a literature review. The findings show that the reciprocal tariff policy imposed on Indonesian export commodities reflects the dominant power position of the United States in determining trade rules that affect developing countries such as Indonesia. The tariff policy may reduce the volume and competitiveness of Indonesian exports in the U.S. market, lower production, increase the risk of layoffs, and contribute to the depreciation of the rupiah's value. In addition, the findings indicate that Indonesia remains highly dependent on the United States market, both in terms of export volume and trade surplus value. Therefore, the Indonesian Government has taken diplomatic measures by pursuing direct negotiations with the United States, preparing proposals for bilateral economic cooperation, and strengthening regional cooperation with ASEAN countries.

Keywords: export competitiveness; Indonesia; reciprocal tariffs; United States; trade policy

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RESEARCH & PUBLISHING



1. INTRODUCTION

Globalization has reshaped the global economy and strengthened interconnections among countries worldwide. Globalization encourages economic integration, allowing countries to engage in free trade across borders. This integration has led to the creation of international markets that enable companies to sell their products beyond domestic boundaries, thereby expanding their consumer bases (Wulandari et al., 2023). International trade is not only an important component of the global economy but also plays a crucial role in driving the economic growth of developing countries, such as Indonesia. When a country increases its commodity exports to other countries, its Gross National Product (GNP) rises, thereby potentially increasing national income and improving the standard of living of its citizens (Putri & Siladjaja, 2021).

The acceleration of economic growth in Indonesia is also influenced by tariff policies that support international trade, such as the ASEAN Free Trade Agreement (AFTA). In general, tariffs, as a form of tax or charge, are often used to protect domestic industries from foreign competition while also affecting the competitiveness of domestic products in international markets. Policies that reduce tariffs in international trade can increase trade volume, open export opportunities and global market access, and improve the competitiveness of national products (Prahaski & Ibrahim, 2023). However, aggressive tariff policies can create challenges, including intense competition and adverse consequences for certain domestic sectors. The United States is an example of a country that has adopted aggressive tariff policies.

On April 2, 2025, United States President Donald Trump announced a new tariff policy known as reciprocal tariffs or a retaliatory tariff policy, aimed at U.S. trading partners. Broadly speaking, reciprocal tariffs are policies implemented by a country in response to tariffs imposed by another country that are considered unfair or discriminatory. This policy is intended to strengthen the U.S. economy while protecting domestic labor (Arisanto & Adi Wibawa, 2021). Trump stated that there was a “national emergency” caused by unfair international trade practices, so the tariff policy was presented as a response to other countries’ tariff policies that harmed the United States. Under this policy, Trump set a minimum tariff of 10% on all products imported into the United States. In addition, higher reciprocal tariffs were imposed on 60 specific countries and territories in response to tariffs imposed by several U.S. trading partners. Indonesia was included in the list of countries subject to a 32% reciprocal tariff (Mandalika & Muaja, 2025).

Data from Statistics Indonesia show that Indonesia’s non-oil and gas exports to the United States in 2024 reached US\$26.31 billion, or 10.57% of Indonesia’s total non-oil and gas exports (BPS, 2025, as cited in Kementerian Perdagangan, 2025). In addition, Indonesia’s trade balance with the United States recorded a surplus of US\$16.84 billion, and the United States was Indonesia’s second-largest export destination after China (Kementerian Perdagangan, 2025). Exports to the U.S. are dominated by electrical machinery and equipment, footwear, and apparel/accessories (Badan Pusat Statistik, 2026). These figures indicate that Indonesia remains highly dependent on the U.S. market, both in terms of export absorption and surplus generation, making it vulnerable to changes in U.S. tariff policy that may reduce the competitiveness of Indonesian products (Kementerian Perdagangan, 2025; Badan Pusat Statistik, 2026).

The imposition of this tariff is expected to negatively affect the competitiveness of Indonesian exports to the United States market, particularly major commodities such as electronics, textiles, footwear, palm oil, rubber, furniture, and marine fishery products. In the rubber sector, for example, the tariff increase raises the price of Indonesian natural rubber in the United States market, leading consumers to prefer rubber from other countries with lower tariffs. This shift may significantly reduce the volume of Indonesian rubber exports to the United States market, which, in turn, would lower the income of rubber producers and threaten the sustainability of Indonesia’s rubber industry (Syarif, 2025). Celios Executive Director Bhima Yudhistira warned that the 32% tariff imposed by the United States could trigger an economic recession in Indonesia in the fourth quarter of 2025. The tariff would also shake the automotive and electronics sectors because of lower sales in the United States, resulting in layoffs and declining domestic production. In addition, output in labor-intensive industries, such as textiles and garments, is at risk of falling because of reduced orders from U.S. brands, while the domestic market may be flooded



with products from Vietnam, China, and Cambodia. This policy also puts pressure on the rupiah exchange rate, which could weaken and may cause the Composite Stock Price Index (IHSG) to decline by approximately 2–3%. Overall, this tariff war places substantial pressure on Indonesia's economy and increases the risk of a technical recession. Therefore, it is important for Indonesia, as a developing country, to respond to reciprocal tariff increases through peaceful and strategic means.

The policy of increasing reciprocal tariffs is a concrete manifestation of the exploitative relationship between the “core” country, the United States, and the semi-peripheral country, Indonesia, as explained in Modern World-Systems (MWS) theory. In this hierarchically structured global system, core countries dominate and control the mechanisms of the world economy, whereas semi-peripheral countries remain dependent on advanced economies' protectionist policies. This policy deepens Indonesia's economic dependence and has the potential to slow its economic growth. However, through market diversification strategies, active diplomacy, and strengthening the domestic industry, Indonesia can begin to reduce these negative effects and improve its economic position within this unequal world system.

Based on the foregoing problem background, this study aims to analyze Indonesia's response, as a developing country, to the reciprocal tariff policy adopted by the United States government. In addition, this study identifies the policies and strategies adopted by Indonesia in response to changes in tariffs and evaluates the proportional impact of reciprocal tariff policies on bilateral trade relations between Indonesia and the United States.

2. RESEARCH METHOD

This study applies a descriptive qualitative approach to analyze the Indonesian Government's response to the reciprocal tariff policy imposed by President Donald Trump. Data were collected through a literature review by examining various sources, including scientific journals, academic articles, news reports, and previous studies relevant to the research topic. The data were analyzed descriptively by identifying and interpreting the content of the collected literature and then presenting the findings in the form of narrative explanations and conceptual descriptions rather than numerical or statistical outputs. This approach is intended to provide a comprehensive overview of the actions and strategies of the Indonesian Government in responding to the tariff policy through the interpretation of various available documents and written sources.

To ensure the relevance and credibility of the data, this study prioritized sources that directly discussed trade policy, international economic relations, and Indonesia's diplomatic and economic responses to external tariff measures. Government statements, official press releases, policy documents, and reports from relevant institutions were treated as primary references, whereas academic publications and credible news coverage were used to enrich the analysis and provide contextual interpretation. This source selection process helps the study capture both the formal policy stance of the Indonesian Government and the broader public and scholarly discussions surrounding the tariff issue.

The analysis was conducted in several stages. First, the collected literature was classified based on key themes, such as the nature of the reciprocal tariff policy, Indonesia's diplomatic response, economic adjustment strategies, and potential implications for trade relations. Second, the data were reduced by selecting the most relevant information connected to the research focus of this study. Third, the selected materials were critically interpreted to identify patterns, consistencies, and differences across sources. Through this process, this study seeks to explain how the Indonesian Government framed its response and what strategic considerations underpinned its actions.

This qualitative design is appropriate because the research does not aim to measure the tariff policy statistically but rather to understand its meaning, policy implications, and strategic significance from the perspective of government response. By emphasizing textual interpretation and contextual analysis, this study reveals how policy reactions are constructed within the political, economic, and diplomatic dimensions. Although this method does not produce numerical generalizations, it offers analytical depth and a nuanced understanding of Indonesia's response to changes in United States trade policy.

3. RESULTS AND DISCUSSION

3.1. World-Systems Theory

No country is truly autonomous because the development of any country is influenced by global interdependence. The need for a New International Economic Order and the Brandt Commission Reports (1980, 1983) emphasized that an interdependent world must promote peace and development through strong international institutions. The global development process has moved rapidly and brought significant change, although it has also been marked by uncertainty due to recurring economic crises. Economic shifts are clearly visible, with some regions experiencing rapid growth and others stagnating or declining in their growth. This condition challenges theorists to continue examining world-systems theory, a development theory proposed by Wallerstein (as cited in [Benteng & Amar, 2021](#)).

Immanuel Wallerstein was an American thinker who played an important role in sociological and political literature because of his criticism of the global impact of the American economic and political system. He developed his theory within a world-systems framework adapted from dependency theory. The dependency theory he used came from neo-Marxist explanations of development in developing countries. Dependency theory highlights the exploitative relationship between the “core” and the “periphery,” which produces inequality and underdevelopment in peripheral regions, especially in areas such as Latin America. Wallerstein also argued that the relationship between the center and the periphery is exploitative, with surplus flowing from the periphery to the center. This dynamic creates a cycle of dependence and underdevelopment in peripheral countries, which are often trapped in poverty and exploitation. Wallerstein’s approach provides a comprehensive understanding of the dynamics of inequality and global interaction within the capitalist world system ([Asad, 2022](#)).

Wallerstein stated that the global economy is fundamentally driven by the capitalist system, which creates a single world market. Hierarchically, world regions can be divided into three parts: the advanced and dominant “core,” the partially advanced “semi-periphery,” and the dependent and underdeveloped “periphery” ([Wallerstein, 1974](#)). First, the core includes advanced and dominant countries that control global economic activity and serve as centers of business, finance, technology, and global trade (e.g., the United States, the United Kingdom, Japan, and Western European countries). This region controls the world economy and creates inequality by exploiting peripheral regions. Second, the semi-periphery consists of countries with moderate economic progress that possess industries and economic institutions of reasonable strength. They still depend on the core but function as buffers that reduce direct exploitation of the periphery and act as incubators of change. Third, the periphery refers to underdeveloped countries that depend on the core and semi-periphery countries. They generally serve as suppliers of raw materials and markets for products from advanced countries, while their economic, social, and political conditions are fragile.

Semi-peripheral countries have achieved a better level of development than peripheral countries. They generally have fairly developed and strong industrial sectors supported by adequate trade activity and relatively sound economic institutions. However, semi-peripheral countries have not yet been able to free themselves from their dependence on advanced countries ([Arianandar, 2022](#)). According to [Muir \(1997\)](#), the existence of semi-peripheral countries is important for creating stability and balance by preventing the excessive exploitation of peripheral countries by core countries. Semi-peripheral countries act as buffers that absorb exploitative pressure by forming alliances with peripheral countries. In this role, semi-peripheral countries occupy a strategic position in driving change by acting as incubators that trigger dynamics and transformations ([Maiwan, 2017](#)).

The author argues that Indonesia may be classified as a third-world country because it is often subject to exploitation by advanced nations. Such exploitation includes the extraction of natural resources and the use of abundant but low-cost labor, which in turn hampers development and keeps Indonesia in the status of a developing country. Indonesia is rich in natural resources, such as coal, nickel, and gold, which are required as raw materials by advanced countries. This encourages foreign investment, which creates jobs and increases local income levels. However, Indonesia still depends on imported fuel, technology, and capital, which places it in a semi-peripheral position with lower-middle economic status

and incomplete independence. In short, within the framework of world-systems theory, Indonesia is a semi-peripheral country that displays characteristics between core and peripheral countries, with a mixture of economic activity and dependence typical of the global capitalist system.

3.2. Reciprocal Tariff Policy by the United States

Since the Second World War and the Cold War, the United States has been a global superpower, particularly in the Asia-Pacific region. Its victory in the Second World War, after dropping atomic bombs on Hiroshima and Nagasaki, marked the beginning of its global dominance. Later, the United States' victory in the Cold War over Soviet ideology further strengthened its position as the most important power in the world, both militarily and economically. To maintain and expand its influence, the United States has built a network of alliances in the Asia-Pacific region, including Japan, South Korea, Thailand, and Singapore. Today, the United States functions as a global trade and economic activity center (Planifolia, 2017). Under President Donald Trump's leadership, the United States has continued trying to improve its economy and become the strongest economy in the world, as reflected in the slogan "Make America Great Again," which aims to restore the glory of American products (Bariah et al., 2020).

In recent years, tariff policies implemented by the United States have drawn global attention in international trade, especially since Donald Trump raised tariffs in 2018. On March 22, 2018, Trump officially imposed tariffs on several imports from China, totaling approximately US\$50 million. China retaliated by imposing tariffs on 120 categories of imports from the United States on March 23, 2018, effective July 1, 2018, until the end of 2020 (Ratana & Anindita, 2020). This trade war cycle lasted a long time and generated trade tensions with broad effects on the global economy.

The trade war between the two countries intensified when the U.S. President Donald Trump imposed high import tariffs on Chinese products, increasing them from 34% to 145% on April 2, 2025. This step was taken in response to increasingly competitive global trade dynamics, as the United States sought to strengthen its position in the domestic market and curb external economic dominance. Nevertheless, the new tariff policy was not imposed only on China, but also on a number of commodities from U.S. trading-partner countries. Trump believed that this policy would free the United States from unfair international trade practices that had caused the trade deficit to continue rising. Trump referred to it as "Liberation Day" when announcing the new import tariff policy in a speech at the White House's Rose Garden. The main points of the speech are as follows: First, a base tariff of 10% was universally applied to imports from all countries, except Canada and Mexico, because of the existing trade agreements. The base 10% tariff was scheduled to commence on April 5, 2025. Second, country-specific "reciprocal" tariffs were imposed on approximately 60 countries based on what the administration regarded as unfair trade practices. Several countries were affected, including China, with an additional tariff of 34%, bringing its total tariff to 54%; Vietnam at 46%; the European Union at 20%; and Indonesia at 34%. Country-specific reciprocal tariffs were scheduled to take effect on April 9, 2025.



Figure 1. Reciprocal Tariff Rates Imposed by the United States on Various Countries

As shown in Figure 1, the global economy currently follows a liberal economic system marked by a trend toward free trade. The concept of a liberal economy was introduced by the United States after its victory in the Cold War, which produced a new world order in which the economy was expected to replace geopolitics as the primary force driving international relations. However, Trump adopted protectionist policies in international trade to protect the domestic market (Isnaini et al., 2024). The protectionist policy introduced by Trump runs counter to the international context in which multilateral cooperation and free trade are widely promoted to advance the global economy. In the dictionary of economic terms, protectionism refers to a policy deliberately implemented by the government to regulate imports and exports by imposing trade barriers, such as tariffs and quotas. The policy is intended to protect domestic industries or business actors from being outcompeted by foreign products or industries (Rahmawati, 2025).

This phenomenon shows that the United States holds a dominant or hegemonic position in the global economy in trade, production, and even the global financial system. Wallerstein (1980, p. 38) explains that hegemony is more than merely a core status. A core country becomes hegemonic when its production is so efficient and competitive relative to other core countries that it becomes the main beneficiary of a free global market. To maintain this advantage, the state must prevent barriers to the flow of production and promote ideologies and cultures that support its dominance. A core state seeks to facilitate or at least minimize internal and external political barriers to the free flow of production factors (Griffiths & O’Callaghan, 2013). In this sense, the United States clearly falls into the core country category described by Wallerstein. Trump’s move to impose high import tariffs on China and other countries shows that the United States is using its productive advantage while protecting its domestic market from external competition, which is viewed as harmful to other countries. The United States is attempting to preserve its hegemonic status by controlling the flow of goods and factors of production through aggressive protectionist policies. In other words, tariff increases are not merely matters of domestic economics; they are also geopolitical strategies for maintaining U.S. hegemony in the international economy.

3.3. The Impact of the Reciprocal Policy on Indonesia as a Developing Country

Indonesia is one of the countries affected by the implementation of additional tariff policies on commodities imported from the United States. The United States imposed a high reciprocal tariff of 32% in retaliation for the 64% tariff that Indonesia was considering imposing on commodities originating from the United States. This was linked to the non-tariff issues applied by the Indonesian government. As reported by Kumparan (2025), Trump highlighted a range of policies that obstructed and limited the access of U.S. commodities to the Indonesian market, including local content requirements (TKDN) in various sectors, complex import licensing procedures, and the policy requiring exporters to keep export proceeds in the country through the Foreign Exchange from Export Proceeds (DHE) policy.

This new tariff policy can certainly have negative consequences for Indonesia, particularly by placing pressure on the competitiveness of products sold in the United States market, especially in sectors vulnerable to additional tariff burdens. This dependence may disrupt export performance and national foreign exchange earnings. For instance, if Indonesia exports textiles or electronic machinery to the United States under a 32% tariff, the prices of Indonesian products would increase. As a result, U.S. consumers will prefer local or other international products that are cheaper, causing Indonesian exports to the United States to decline. This decline worsens Indonesia's trade balance by widening the deficit when imports exceed exports.

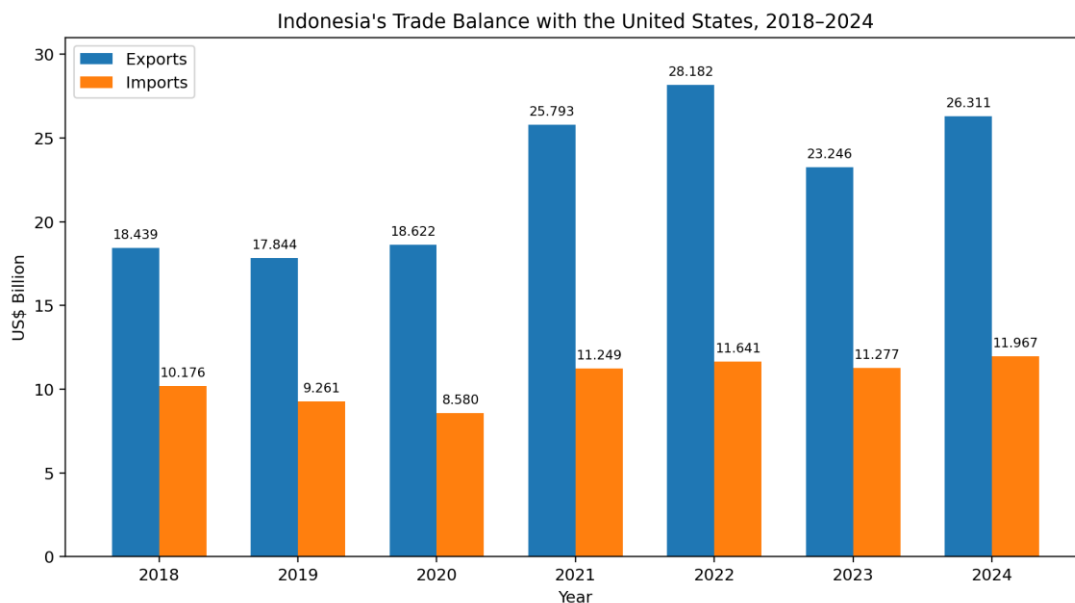


Figure 2. Indonesia's Trade Balance with the United States, 2018–2024

Source: Indonesian Ministry of Trade One Data Portal

Based on Figure 2, Indonesia's trade balance with the United States from 2018 to 2024 shows that the value of Indonesian exports consistently exceeds the value of imports, reflecting a sustained trade surplus. This indicates that the U.S. trade deficit associated with Indonesia remained relatively small, at US\$27.311 billion in 2024, far lower than the deficits recorded with other trading partners such as China, Mexico, and Vietnam. China recorded the largest trade surplus with the United States at approximately US\$270 billion, followed by Mexico at US\$157.2 billion and Vietnam at US\$113.1 billion, respectively. Although Indonesia's contribution to the U.S. trade deficit was relatively small, it was still subject to a high 32% tariff, indicating a mismatch between the tariff burden imposed and Indonesia's contribution to the U.S. trade deficit. This situation represents a major challenge for Indonesia in maintaining export competitiveness in the United States market amid high tariff pressure.

Indonesia's exports to the United States from January to March 2025 reached US\$7,304.61 million. The following figure presents Indonesia's leading export commodities to the United States based on two-digit HS (Harmonized System) codes.

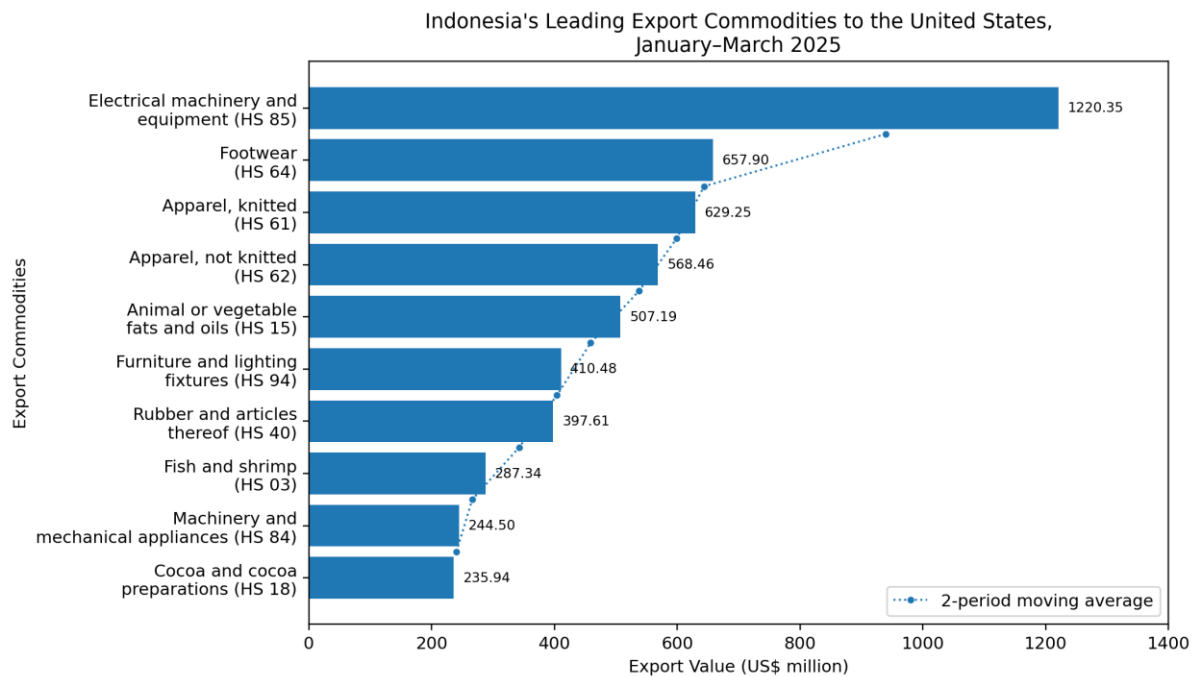


Figure 3. Indonesia's Leading Export Commodities to the United States, January–March 2025

Based on Figure 3, Indonesia's leading export commodities to the United States in the first quarter of 2025 were dominated by electrical machinery and equipment, with exports reaching US\$1,220.35 million or 16.7% of total exports to the United States, followed by footwear (HS 64) valued at US\$657.9 million (9.01%), knitted apparel and accessories (HS 61) at US\$629.2 million (8.61%), and non-knitted apparel and accessories (HS 62) at US\$568.5 million (7.78%). These leading products depend on competitive pricing in the U.S. market. The 32% tariff imposed by the United States on imported goods from Indonesia raises the selling prices of these products and reduces their competitiveness in the US market. As a result, buyers will tend to shift to goods from other countries at lower prices, potentially triggering mass layoffs in the domestic market. This is in line with the (ASEAN Briefing, 2025), which stated that the new tariff policy on Indonesian products not only has a negative effect on the trade balance but also threatens employment because most export manufacturing industries in Indonesia are labor-intensive.

Indonesia, which adheres to an open economic system, relies on international trade to promote economic growth. The high tariff policy applied by the United States to foreign export products causes particular concern for Indonesia as a developing country. The United States is one of the largest and most strategic markets for Indonesian exporters. In the January–March 2025 period alone, the United States was recorded as the second-largest export destination after China, with a value reaching US\$7,304.61 million of total national non-oil and gas exports. This indicates Indonesia's dependence, as a developing country, on the United States as an advanced country in international trade.

According to world-systems theory, the economic relationship between advanced and semi-peripheral countries is characterized by dependence, shaped by globalization, and influenced by international law. Although semi-peripheral countries have made significant progress, they still depend on core countries (Mahfuzah et al., 2024). In the context of international trade, although Indonesia has leading commodities exported to the United States, such as electrical machinery and equipment, footwear, and textiles, the increase in tariff policy imposed by the United States demonstrates an imbalance of economic power and policy influence in favor of advanced countries. The 32% reciprocal tariff imposed by the

United States on Indonesia may reduce the competitiveness of Indonesian export products in the U.S. market and shrink the trade surplus that has so far benefited Indonesia. This is understandable because the United States raised tariffs on imported products, while Indonesia also applies tariffs to U.S. commodities entering the Indonesian market. This situation shows how advanced countries such as the United States possess greater influence in determining trade rules that affect developing countries such as Indonesia.

In addition, this tariff policy caused the rupiah to weaken against the U.S. dollar. On April 7, 2025, the rupiah depreciated to Rp17,217 per US\$. This was the worst depreciation since the 1998 monetary crisis. The depreciation of the rupiah increased the foreign debt burden of companies to more than 50%. Based on the discussion above, it is evident that the 32% tariff policy implemented by Donald Trump has had a negative effect on Indonesia's exports and the stability of its economic condition. Therefore, to address this, the Indonesian Government has responded by taking various strategic measures across several dimensions, including negotiations, trade, and industry, and efforts to maintain macroeconomic stability. Responsiveness can be understood as the ability of a government or organization, as a service provider, to identify and respond to the needs and expectations of society in relation to problems occurring within it (Syeftiani & Saadah, 2023).

3.4. Indonesia's Response to the Reciprocal Policy as a Developing Country

The U.S. reciprocal tariff took effect on 9 April 2025 for 60 countries, including Indonesia. Through the Ministry of Foreign Affairs of the Republic of Indonesia, Indonesia officially responded to the reciprocal tariff policy announced by United States President Donald Trump. Quoting [Detikcom \(2025\)](#), the Indonesian Government issued nine official statements related to the policy On April 4, 2025: (1) On April 2, 2025, the United States officially imposed a 32% reciprocal tariff on Indonesian products, effective from April 9, 2025, (2) this tariff has a significant impact on the competitiveness of Indonesian exports, especially on leading commodities such as palm oil, (3) The Indonesian Government is calculating the tariff's impact on related sectors and the national economy as a whole, while preparing strategic measures to reduce its negative effects, (4) The Government, together with Bank Indonesia, is committed to maintaining the stability of government securities (SBN), the rupiah exchange rate, and foreign-exchange liquidity to support business actors and economic stability amid market turbulence caused by the tariff, (5) Since the beginning of 2025, the Government has prepared a strategy to face this reciprocal tariff and has conducted intensive negotiations with the United States Government through an interministerial team, representatives from the United States, and domestic business actors, (6) Communication with the U.S. The government has continued, including dispatching a high-level delegation to Washington, D.C. for direct negotiations, (7) The Indonesian Government is also preparing steps to address the issues raised by the United States in the 2025 National Trade Estimate (NTE) report, which became the basis for the tariff imposition, (8) President Prabowo instructed the Red and White Cabinet to take strategic steps and undertake deregulation to simplify obstructive regulations, especially those related to non-tariff barriers, to increase competitiveness, maintain market confidence, and attract investment for economic growth and job creation, and (9) Indonesia has coordinated with Malaysia as the ASEAN Chair to take joint steps because all 10 ASEAN countries were affected by the U.S. tariff policy, especially labor-intensive sectors such as textiles and footwear that employ millions of workers and may experience waves of layoffs and slower national economic growth.

Coordinating Minister for Economic Affairs Airlangga Hartarto stated that Indonesia had until April 9 to respond to the U.S. reciprocal tariff policy. In a high-level coordination meeting held virtually on April 6, 2024, Airlangga Hartarto explained that Indonesia would not take retaliatory measures in response to the reciprocal tariff policy but would pursue a diplomatic path. The Indonesian Government would conduct direct negotiations with the United States by sending a high-level delegation to Washington, D.C. to negotiate directly with the U.S. Government. This negotiation strategy was adopted in consideration of the long-term importance of bilateral trade relations with the United States and the need to maintain stability and the national economic investment climate. Negotiation efforts were undertaken by Indonesia and other ASEAN countries, which agreed to seek a joint solution through peaceful and strategic channels.

When the 32% reciprocal tariff officially came into force, the Indonesian Government, through Coordinating Minister for Economic Affairs Airlangga Hartarto, engaged in trade diplomacy with the United States Ambassador to discuss the best solutions and strengthen economic cooperation between the two countries. The Government viewed negotiations through the revitalization of the Indonesia–U.S. Trade and Investment Framework Agreement (TIFA), which has been in force since 1996, as an important channel. In this process, the government intended to update TIFA by incorporating new policies that correspond to current and future trade dynamics. First, the deregulation of Non-Tariff Measures (NTMs) through the relaxation of domestic component level requirements (TKDN) in the information and communication technology (ICT) sector for U.S. companies such as GE, Apple, Oracle, and Microsoft. Second, the evaluation of prohibition and/or restriction policies. Third, the halal certification process should be accelerated. Fourth, preparation of fiscal and non-fiscal incentives for products from the United States. Fifth, reform tax administration to improve efficiency and reduce cost burdens by up to 2%, along with adjustments to the tax policy on crude palm oil (CPO) exports to maintain export competitiveness. All of these actions were responses to various points raised in the 2025 National Trade Estimate Report issued by the U.S. Trade Representative.

As reported by *Ekonomi Bisnis.com*, on 18 April 2025 the Indonesian Government, represented by Coordinating Minister for Economic Affairs Airlangga Hartarto, Deputy Minister of Finance Thomas Djiwandono, and Vice Chair of the National Economic Council Mari Elka Pangestu, met with the U.S. Trade Representative, and the U.S. Secretary of Commerce to discuss U.S. import tariffs on several Indonesian commodities, especially textiles and electrical machinery. Through this meeting, the two countries agreed to formulate a negotiation framework for the following 60 days, although no official agreement had been reached. Indonesia offered several concessions to the United States, including increased imports of energy (LPG, crude oil, and gas), food products (wheat and soybeans), and capital goods from the United States. In addition, Indonesia was prepared to facilitate investment and licensing for U.S. companies by removing domestic component level (TKDN) requirements in the electronics and telecommunications sectors and strengthening cooperation in human resources and financial services. Meanwhile, the United States asked Indonesia to adjust tariffs to make trade more balanced and highlighted non-tariff barriers that still needed further discussion. Indonesia hoped that tariffs on 20 leading commodities would not exceed those applied to competing countries.

Indonesia also committed to ensuring that the diversion of food imports from the United States would not disrupt the national food self-sufficiency program because some of the imported products are not adequately produced domestically. In addition, as an anticipatory measure, Indonesia should accelerate export-market diversification to other regions, such as the European Union, Russia, and Australia, and encourage participation in the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP). These measures are intended to maintain national export stability, protect employment, and improve competitiveness amid global uncertainty.

4. CONCLUSION

This phenomenon shows that the United States holds a dominant or hegemonic position in the global economy in trade, production, and even the global financial system. The 32% reciprocal tariff policy imposed by the United States on Indonesian commodities challenges the competitiveness of Indonesia's leading export commodities, such as electrical machinery and equipment, footwear, and textiles, in the U.S. market because their prices become higher. Beyond exports, this tariff policy can also cause mass layoffs, declining production, and even depreciation of the rupiah. Tensions in international trade also affect monetary stability, prompting the Indonesian Government to respond quickly and strategically.

The Indonesian Government will not take retaliatory action in response to the reciprocal tariff policy but will instead pursue diplomacy. The Government will conduct direct negotiations with the United States by sending a high-level delegation to Washington, D.C. to negotiate directly with the U.S. Government. This negotiation strategy is based on long-term considerations regarding bilateral trade relations with the United States and the need to maintain stability and the national economic investment climate. The

Indonesian Government is also seeking to preserve monetary stability and provide fiscal incentives to ensure that Indonesia's economy remains resilient in the long term. These measures show that Indonesia is serious and responsive in addressing the impact of the U.S. tariff policy while striving to sustain inclusive and sustainable economic development.

Ethical Approval

Not Applicable

Informed Consent Statement

Not Applicable

Authors' Contributions

Not Applicable

Disclosure Statement

The author declares no potential conflict of interest.

Data Availability Statement

The data presented in this study are available upon request from the corresponding author.

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Notes on Contributors

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Winda Yulia Sari is affiliated with Padang State University, Sumatra.

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