



INDONESIA'S TRUMP TARIFF DEAL REINFORCES THE UNITED STATES' OLD IMAGE IN SOUTHEAST ASIA

Published: 04 September 2025 Reading Time: 6 mins

Klaus Heinrich Raditio
Driyarkara School of Philosophy



In Brief

Indonesian officials have celebrated the US–Indonesia Agreement on Reciprocal Trade, claiming the nation has secured a better deal than other Southeast Asian countries. But a closer consideration of the agreement reveals potential challenges to Indonesia's agricultural and mining industries, as well as opportunities for maritime corporation with the United States in the South China Sea.

On 22 July 2025, the White House issued the Joint Statement on Framework for US–Indonesia Agreement on Reciprocal Trade, which provided additional detail about a trade deal announced earlier by US President Donald Trump on his Truth Social network.

Under the agreement, Indonesia is expected to eliminate 99 per cent of tariff barriers for US goods entering the country and purchase US\$15 billion in US oil and gas, US\$4.5 billion in US cultural products and approximately US\$3.2 billion in aircraft. US imports of all goods from Indonesia will be subject to a 19 per cent tariff.

Hasan Nasbi, a spokesperson for Indonesian President Prabowo Subianto, stated that Indonesia has negotiated a better deal compared to other Asian countries, even surpassing Vietnam, which faced a 20 per cent tariff. But the headline tariff numbers do not tell the whole story.

Claiming that Indonesia secured a better deal than Vietnam is misleading, largely because it fails to consider the structural differences between the two economies, especially when it comes to the nature of their respective manufacturing sectors. In 2023, the top three categories of Vietnamese exports to the United States were electrical equipment (37 per cent), machinery, nuclear reactors and boilers (10 per cent), and furniture and prefabricated buildings (9 per cent). Indonesia's top three exports to the United States were articles of apparel (19 per cent), electrical equipment (15 per cent) and animal, vegetable fats and oils (8 per cent).

Though electrical equipment is among the top three export commodities for both Vietnam and Indonesia, the value of Vietnam electrical equipment exports to the United States is seven times greater than that of Indonesia's.

‘High-intensity’ tech products accounted for 37.9 per cent of Vietnam’s exports to the United States in 2023, while 32 per cent of Indonesia’s exports to the United States were primary products. Unlike Indonesia, Vietnam’s focus on high-value manufactured goods allows it to be more integrated into global supply chains. Vietnam’s important position in the electronic global supply chain is also evidenced by large investments in the country by suppliers like Foxconn, Pegatron and Intel.

In 2024, Vietnam outshined Malaysia and Thailand as a manufacturing powerhouse, driven by strong demand for electronics, smartphones, clothing and agricultural commodities. The United States is likely to continue purchasing from Vietnam due to its emerging role as a hub for electronic manufacturing. The Trump administration imposed a 20 per cent tariff on Vietnamese goods to encourage US companies to consider Vietnam as an alternative to China for manufacturing and trade.

A 40 per cent tariff was also imposed on goods transshipped through Vietnam, aiming to reduce US reliance on Chinese supply chains, particularly in strategic sectors such as electronics and semiconductors. This policy also seeks to reduce Vietnam’s dependence on Chinese upstream components. This strategy appears to be nascent, as Hanoi actively diversifies its electronic supply chain — for both intermediary and finished products — by welcoming significant contributions from South Korea (27 per cent), Taiwan (9 per cent) and Japan (7 per cent).

The zero-tariff status enjoyed by US goods imported to Indonesia also poses serious threats to Indonesia’s food and poultry sectors, primarily due to the country’s lack of competitiveness. The potential influx of US agricultural products into Indonesia, free of tariff barriers, will make it even harder for President Prabowo to achieve his signature policy objective of food self-sufficiency, and may also lead to increased unemployment and poverty among local farmers.

Under the tariff deal ‘framework’ announced by the White House on 22 July, Indonesia is expected to lift its bans on raw mineral exports for the United States, which could potentially undermine its high-profile policy of downstream industrial development. To date, the Indonesian government has remained firm in ruling out raw mineral exports to the United States, but it remains to be seen whether Jakarta can uphold its downstreaming agenda in the face of US pressure.

There are clear indications that Washington is attempting to link the tariff discussions with geopolitical issues. Jakarta is committed to fostering strategic cooperation with Washington and enhancing maritime border surveillance in the South China Sea (SCS). The United States also urges Indonesia to expedite ratification of the Indonesia-Vietnam Exclusive Economic Zone (EEZ) agreement.

The Trump administration appears to be pressuring Indonesia to ensure its SCS policy aligns with US interests, diminishing China’s influence in the region. Ratification of the Indonesia–Vietnam EEZ agreement would signify Jakarta’s rejection of China’s claims in the SCS and the notion of ‘overlapping claims’. The term ‘overlapping claims’ was controversially mentioned in the November 2024 Joint Statement issued during Prabowo’s visit to China, which scholars perceive as an implicit recognition of Beijing’s SCS claim. In fact, the Joint Statement is primarily a political declaration focused on bilateral cooperation which does not carry any legal consequences for either party.

Yet it is misleading to assume that Indonesia is leaning towards China based on the November 2024 Joint Statement. The Indonesian Ministry of Foreign Affairs has clarified that the country does not recognise China’s SCS claims as they violate the UN Convention on the Law of the Sea. Officials and academics in Jakarta have privately indicated that the drafting process was not a collaborative effort based on mutual understanding. In reality, the November 2024 Joint Statement does not reflect Indonesia’s longstanding position on the SCS and does not imply that Indonesia has chosen to side with China.

The Trump administration's renewed commitment to enhancing strategic cooperation with Indonesia is a positive development for the country. Jakarta welcomes both US and Chinese contributions to maintaining peace and stability in the region. Indonesia, along with other Southeast Asian nations, does not want to see any major power disengaging from the region. The ASEAN Outlook on the Indo-Pacific aims to ensure that Southeast Asia remains inclusive, open and governed by international law.

The US–Indonesia Joint Statement that expresses a preliminary agreement on the bilateral trade relationship poses significant economic risks for Indonesia, though Jakarta can take hope from Washington's renewed interest in strategic cooperation, particularly in military and maritime sectors. Overall, the Trump administration appears to project an old image of the United States as a provider of security — but less so as a provider of economic opportunity.

Klaus Heinrich Raditio is a lecturer in Chinese Politics at the Driyarkara School of Philosophy, Jakarta.

<https://doi.org/10.59425/eabc.1756980000>

EAF | Indonesia | Indonesia's Trump tariff deal reinforces the United States' old image in Southeast Asia