

Tarif Update

UNDERSTANDING THE UPSIDE & DOWNSIDE OF THE 19% TRUMP TARIFF FOR INDONESIA

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1 Who bears the 19% tariff and what is the impact on Indonesia's product competitiveness?

The 19% tariff is imposed by the United States government on Indonesian products entering the US market and is paid by US importers, not by Indonesian exporters. However, in practice, the tariff increase will encourage importers to raise their selling prices or seek suppliers from countries with lower tariffs.

Important to note: this 19% tariff is lower than the tariffs imposed on Vietnam (20%), China (more than 50% for many categories), and India (23–25% for textiles and footwear). This means Indonesia is now in a relatively more competitive position compared to some other Asian countries in exports to the US.

This marks an improvement from the previous situation when Indonesia was "threatened" with a 32% tariff hike. With only 19% imposed, Indonesia gets some breathing room to maintain its export market share to the US amidst protectionist trends.

2 Indonesia's top export products to the US (2024–2025) and its competitors?

According to data from the Central Statistics Agency (BPS) and the Ministry of Trade of the Republic of Indonesia for 2024–Q1 2025, **Indonesia's most dominant export products to the US are:**

- Textiles and textile products (TPT)
- Footwear
- Furniture and wooden crafts
- Fishery products (shrimp and tuna)
- Rubber and its derivatives
- Processed palm oil (refined palm oil)
- Electronic components and cables

Indonesia's main competitors in these sectors are:

- Vietnam: strong in textiles, footwear, and electronics
- Malaysia: dominant in palm oil and vegetable oil products
- India and Bangladesh: competing in cheap textile products
- Thailand and the Philippines: competing in fisheries and electronics

With Indonesia's tariff now lower than that of Vietnam and India, Indonesian products have a chance to regain part of the export market share previously eroded due to high tariffs.

3 Could Indonesia lose market share if the tariff remains high?

There's still a possibility, if Indonesian products cannot compete in terms of price, quality, or logistics efficiency. Even though our current tariff is 19% and lower than some competitors, US importers will still consider total landed cost, not just tariff. Countries like Vietnam and Mexico benefit from logistics efficiency or regional trade agreements (USMCA for Mexico).

So, a lower tariff is an initial advantage, but not sufficient. It must be supported by:

- Logistics and delivery efficiency
- Product quality improvement and consistency
- Certification and compliance with US standards

4 Is the purchase of 50 Boeing planes financially sound?

This purchase is linked to bilateral trade commitments, not merely a corporate decision. Airlines such as Garuda Indonesia and Batik Air (Lion Group) are named as potential buyers. The deal is valued at around USD 10–11 billion.

The next question: Who will fund this transaction? Is it DANANTARA, which now has the authority to disburse capital to SOEs without DPR approval? Or will it again be charged to the already bleeding state budget (APBN) due to national revenues being drained into DANANTARA?

(There will be a separate report later investigating whether GIAA's traffic has recently increased or declined—and where the cost-benefit considerations lie in acquiring another 50 planes?)

Impact:

Positive:

- Fleet and international route expansion opportunities
- Boost to the MRO (Maintenance, Repair & Overhaul) sector
- Technology transfer if there is an offset agreement

Negative or risks:

- Increased financial burden for the airline, especially since Garuda's finances have not fully recovered
- Potential overcapacity if not matched by real demand
- Risk that the purchase is seen as forced for trade compensation rather than based on operational needs

CONCLUSION: corporately, it could be burdensome, but if managed through leasing and gradual delivery schedules, this purchase could be a leverage point for aviation sector expansion and its supporting industries.

5 Impact of energy and agricultural imports from the US worth nearly USD 20 billion on the trade balance and exchange rate

Indonesia's commitment to import:

- Energy from the US (LNG, coal, oil, and others) worth USD 15 billion
- Agricultural products (such as soybeans, corn, meat, wheat) worth USD 4.5 billion

Risks:

- Increases the import side and could pressure the trade balance in the short term
- Adds pressure on the rupiah exchange rate if not balanced by export flows or incoming investments

Market response: So far, the market's response has been relatively neutral to positive because Indonesia's trade balance surplus remains high; namely, US\$15.38 billion during the period January to May 2025, or an increase of US\$2.32 billion compared to the same period last year. Indonesia has also recorded a trade surplus for 61 consecutive months since May 2020.* However, the market will monitor the implementation of these imports: whether the realization is gradual, and whether it will be balanced by export increases triggered by the 19% tariff.

Additional Note: This policy could clash with the food self-sufficiency agenda if not managed carefully, especially if Indonesia becomes too dependent on food imports from the US. The government needs to balance between trade diplomacy and national food security.

One positive takeaway is that we now have clarity: the tariff has been set at 19%, even though the detailed agreement is yet to be published. Importantly, Indonesia's lobbying efforts appear to have paid off, as we secured a lower rate than Vietnam.



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