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Client Alert

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Indonesia: Trade shift with the US — Tariffs In, Duties Out

In brief

On 15 July, President Trump announced via social media a new trade deal between the United States and Indonesia. This marks the third such deal since the introduction of the "Liberation Day" tariffs. Under the new deal, Indonesian exports to the US will be subject to a 19% import duty, while US goods will benefit from duty-free access to the Indonesian market — potentially accompanied by the removal of certain non-tariff barriers. The agreement also includes a commitment from Indonesia to purchase designated American products. While the announcement signals a significant shift in trade relations, many key details still need to be confirmed.

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Key Takeaways

Although certain specifics of the deal still need to be finalized, the following key terms included in Trump's official announcement are worth noting:

- **Tariffs**: As indicated above, Indonesian exports to the US will be subject to a 19% import duty, while US goods entering Indonesia will enjoy duty-free access. This marks a significant shift in bilateral trade dynamics and may impact pricing, competitiveness and supply chain strategies.
- **Non-tariff barrier:** US exports to Indonesia are expected to benefit from a non-tariff barrier-free arrangement, though implementation details remain unclear. In late June, Indonesia's Ministry of Trade issued a new import policy framework aimed at deregulating and streamlining licensing for certain commodities. While the regulation is set to take effect on 29 August, it remains uncertain whether further updates will follow in light of this recent announcement.
- **Investment commitments**: Indonesia has pledged to purchase USD 15 billion of US energy products and USD 4.5 billion of agricultural goods, and to purchase 50 Boeing jets. These commitments may influence domestic procurement priorities and sectoral investment flows.
- **Transshipments**: The announcement states, "If there is any Transshipment from a higher Tariff Country, then that Tariff will be added on to the Tariff that Indonesia is paying." Accordingly, goods routed through Indonesia from higher-tariff countries may be subject to additional duties.

Recommendations for Indonesian Businesses

While the full scope of the Indonesia–US trade agreement is still unfolding, the announcement raises concerns about domestic industry competitiveness and potential erosion of customs revenue. To navigate these changes effectively, we recommend the following:

For Local Producers and Importers

- **Prepare for Increased Competition**: Sectors such as agriculture, consumer electronics and textiles may face heightened competition from duty-free US imports. Local producers should consider implementing resilience strategies such as applying innovation and investing in improvements or technology upgrades to strengthen competitiveness and adaptability.

- **Monitor Regulatory Updates**: Importers and local producers should stay informed on the implementation of Indonesia's new import policy framework and any US-specific adjustments that may follow in response to the bilateral agreement.

For Exporters

- **Ensure Documentation Compliance**: Exporters should maintain clear and complete documentation, including proof of origin, to demonstrate that goods qualify as Indonesian products. This will be critical for tariff classification and to avoid transshipment penalties.
- **Consider Value-Added Processing**: Where feasible, exporters should incorporate additional processing steps to strengthen the claim of Indonesian origin and reduce the risk of origin disputes.
- **Reevaluate Supply Chain Routes**: Exporters should review logistics and routing strategies to avoid exposure to additional duties on goods transshipped through Indonesia from higher-tariff countries.

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