Wellington Snapshot

Decoding the Trump Tariffs:
A Strategic Look at Indonesia

June 2025

Wellington Capital
Advisory

Contents

Trump Tariff	3
U.S. vs China Trade Domination	4
Change in U.S. Manufacturing Establishments	5
Timeline of Trump's Tariff-Driven Trade Strategy	6
Mapping the Impact of Trump Tariff 2.0	7
Lesson from Trump Tariff 1.0	8
Trade War 1.0 Impact	9
Reciprocal tariff Announcement and Updates	10
Plausible Global Economic Impact (Pre and Post U.S. China Truce)	11
Potential Impact Mapping to Indonesia	12
Indonesia Readiness	13
Regulatory Highlights for 2026	14
Regional Economic Partnerships	15
Indonesia's Negotiation Actions with U.S.	16


gettyimages/Chip Somodevilla

Trump Tariff

U.S. President Donald Trump has officially imposed reciprocal import tariffs on multiple countries, marking the beginning of a second wave of tariff wars, effective as of April 5, 2025.

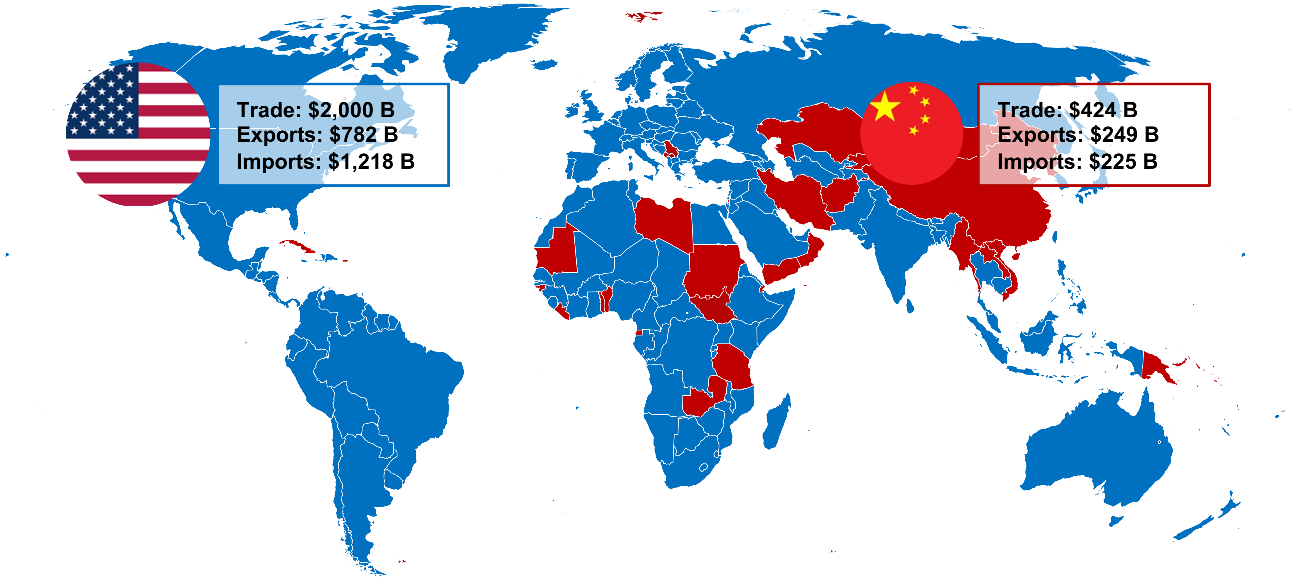
But beyond the headlines, does this signal a renewed assertion of U.S. dominance—or a reaction to the steady erosion of its manufacturing base?

REUTERS/Carlos Barria

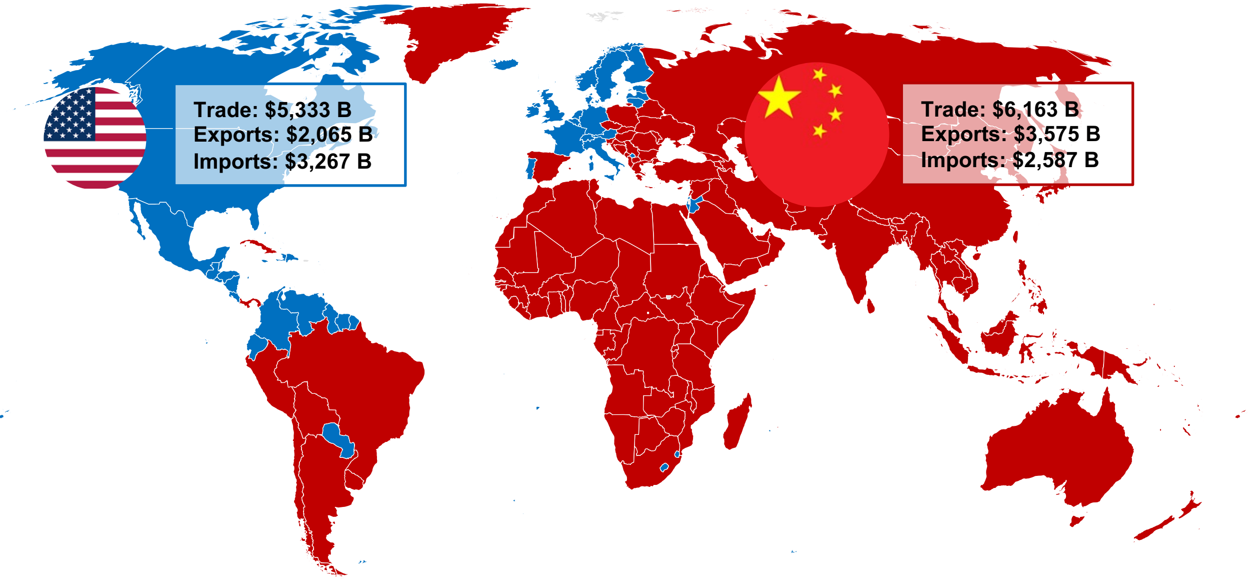
Wellington Capital
Advisory

Tariffs and Tenacity: America's Bid to Reclaim a Leading Role in Trade

Global Trade Dominance: U.S. and China (2000)



Global Trade Dominance: U.S. and China (2024)



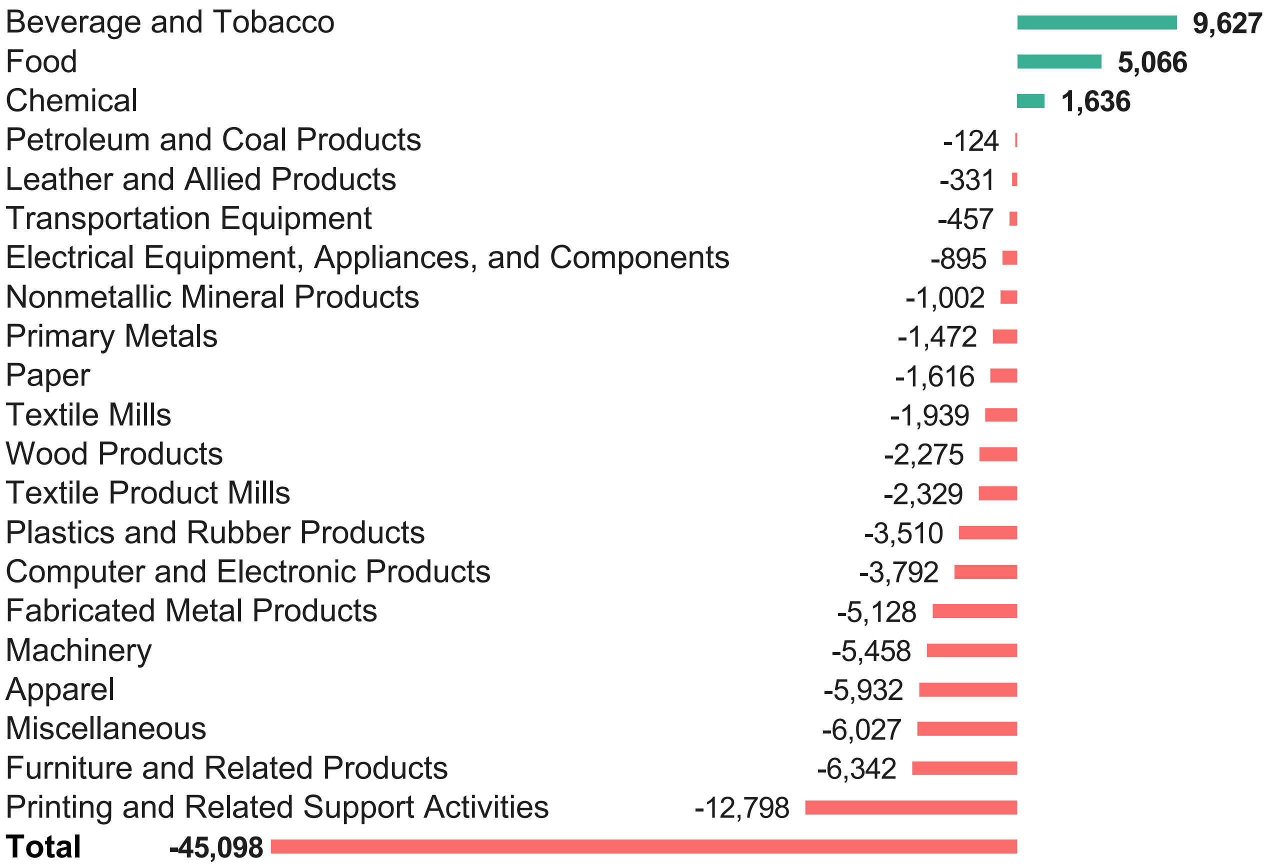
The Global Trade Power Shift: 2000–2024

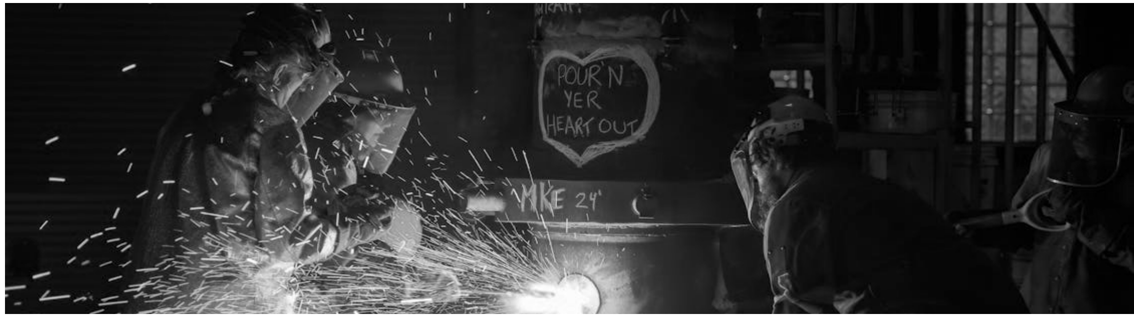
- In 2000, the United States accounted for nearly **90% of the world**, serving as the top trading partner worldwide with total trade value **$2.0 trillion**. China, by contrast, trailed far behind, with a trade volume of just **$474 billion**.
- Over the next two decades, this balance shifted dramatically. While **U.S. trade grew by 167% (CAGR 4.2%)**, China's trade skyrocketed by **1,200% (CAGR 11.3%)**, surpassing the U.S. in **2012**. By **2024**, China had become the **top trading partner for nearly 65% of the world**—a clear signal of its dominant position.
- Today, **China leads trade ties across Asia, Africa, South America, and beyond**, while the **U.S. holds ground in North America, parts of Europe, and India**. The question now is whether the U.S. can reclaim some of the influence it once held in the global trading system.

Sources: *U.S. Census Bureau*

Change in U.S. Owned Manufacturing Establishments (2000-2020)

# of manufacturing firms by 21 sectors





U.S. Manufacturing: Key Trends and Decline

- **Industry Contraction**: The number of U.S. manufacturing firms declined by **14% over the past 20 years**, with the steepest losses in **apparel, textile mills, and printing**.
- **Job Losses**: Manufacturing employment peaked in **1979 at 19.5 million**, dropping to **13 million by January 2023**—a long-term erosion of the sector's workforce.
- **Global Position Lost**: In **2010**, the U.S. ceded its title as the world's top manufacturer. By **2022**, the production gap with China widened to **$2.4 trillion**.
- **Bright Spot**: Only three manufacturing sectors showed growth—most notably **beverages and tobacco**, boosted by demand for **craft seltzers, kombuchas, and pre-mixed cocktails**.

Sources: *U.S. Census Bureau*

From 2018 to 2025: The Arc of Trump's Tariff-Driven Trade Strategy

U.S. Tariff Actions Timeline (2018 – 2025)

Trump Tariff 1.0

Jan 2018
30–50% tariffs on solar panels and washing machines (worldwide, including Indonesia).

Mar 2018
25% tariffs on steel, 10% on aluminum (worldwide, including Indonesia).

Jun-Jul 2018
25% tariffs on $50B of Chinese goods (Section 301).

Sep 2018
10% tariffs on $200B of Chinese goods, rising to 25% in 2019.

Jan 2020
Phase One deal reduces tariffs on $120B Chinese goods to 7.5%.

Biden's Administration

2021-2023
Trump-era tariffs retained; 25% steel, 10% aluminum tariffs (worldwide, including Indonesia).

Sep 2024
Tariffs on $18B Chinese goods (100% EVs, 50% solar cells, 25% batteries, steel).

Trump Tariff 2.0

Feb 2025
10% universal tariff on all imports, including Indonesia.

Mar 2025
Universal tariff raised to 20%. Followed by 25% tariffs on steel, 10% on aluminum (worldwide, including Indonesia).

Apr 2025
- 10% universal tariff on all imports; 32% tariff proposed for Indonesia.
- Additional tariffs on China reach 145%; Indonesia's proposed tariff remains 32%.
- Exemptions for smartphones, computers, semiconductors (worldwide, including Indonesia).

May 2025
90-day truce reduces tariffs on China to 30%; Indonesia's proposed 32% tariff unchanged.

Looking at the pattern, global economic shocks caused by U.S. tariff moves—**less as isolated protectionist acts and more as leverage to renegotiate terms** with major trading partners. Still, these measures carry significant ripple effects across various economic sectors.

Sources: *various sources accessed on May 21st 2025;*

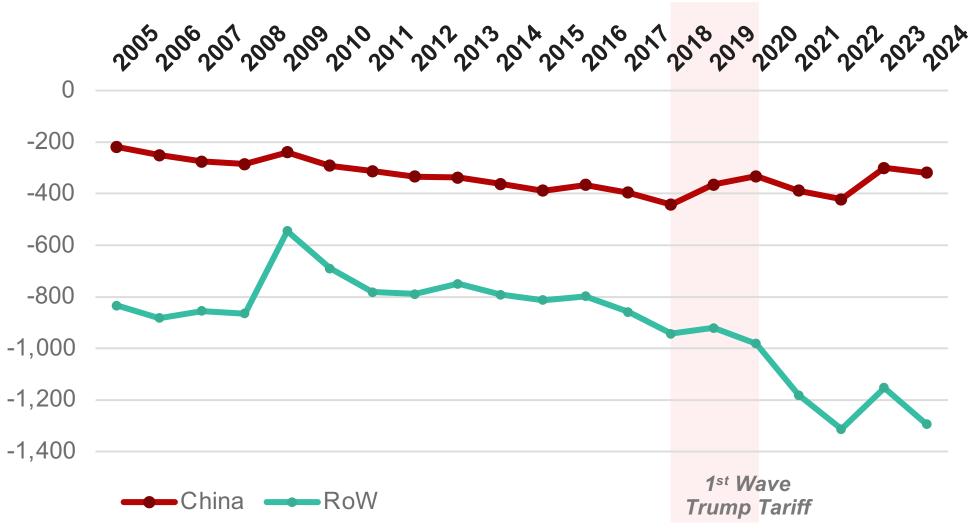
Mapping the Impact of Trump Tariff 2.0

Wellington Capital
Advisory

Lesson from Trump Tariff 1.0: Tariffs alone failed to reduce the U.S. trade deficit, but did trigger more bilateral negotiations

U.S. Trade Deficit with China and rest of the world (RoW) (2005-2024)

in Billion USD



- Tariffs **did not succeed** in reducing the U.S. trade deficit—neither with China nor with the rest of the world.
- The first wave of tariffs in Trump 1.0 (2018–2019) led to a **~2–3x increase** in U.S. bilateral trade negotiations, from ~2–3 annually (2013–2016) to ~8 significant processes
- The U.S. aimed **to replace multilateral frameworks** (e.g., NAFTA, TPP) with bilateral deals, as Trump emphasized "fair, bilateral trade deals that bring jobs and industry back" (Nov 2016 statement)

Trump Tariff 1.0 First Wave (2018–2020): The tariffs spurred at least eight notable bilateral negotiation processes

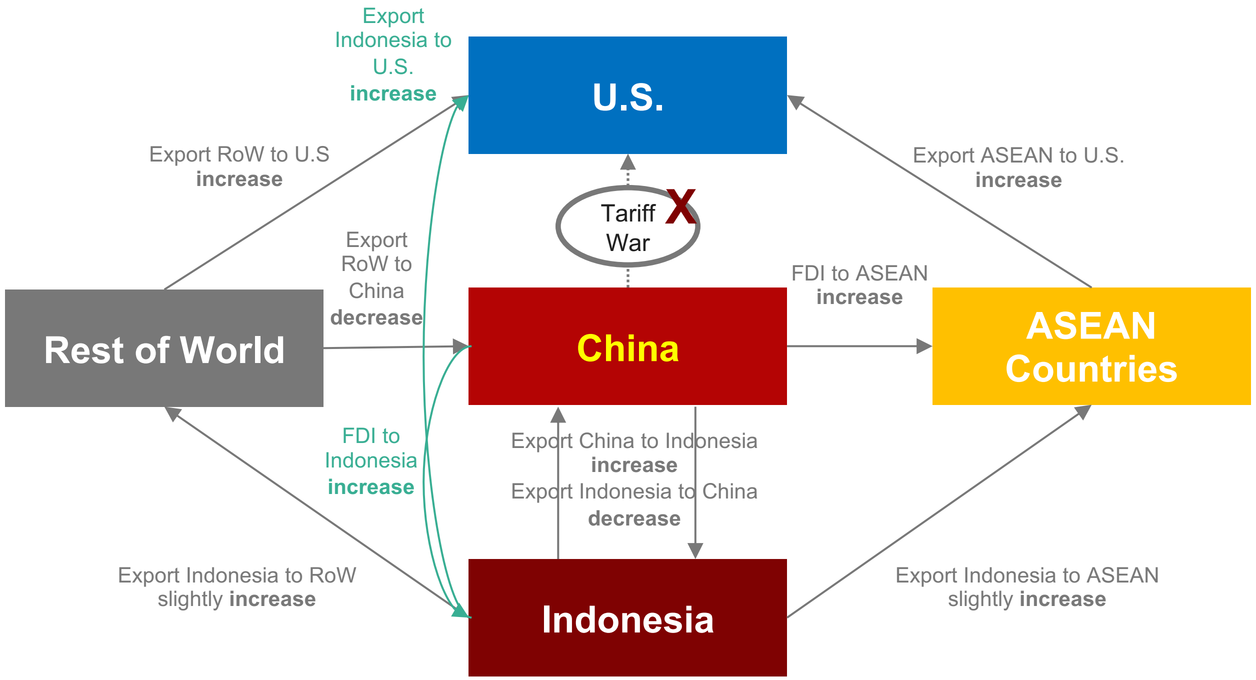
Country Pair	Date	Topic/Deals
U.S.–Canada (USMCA)	Aug 2017–Nov 2018 (Signed: Nov 30, 2018)	Renegotiation of NAFTA prompted by 25% steel and 10% aluminum tariffs (Mar 2018) and threat of auto tariffs. USMCA increased North American content requirements for autos (62.5% to 75%), expanded U.S. dairy access to Canada, and included labor/environmental provisions. Tariffs lifted May 2019 after agreement.
U.S.–Mexico (USMCA)	Aug 2017–Nov 2018 (Signed: Nov 30, 2018)	Renegotiation of NAFTA driven by 25% steel and 10% aluminum tariffs (Mar 2018). USMCA tightened auto rules of origin (75% North American content), added wage requirements ($16/hour for 40% of auto production), and improved U.S. agricultural access. Tariffs lifted May 2019.
U.S.–South Korea (KORUS FTA revision)	Jan–Mar 2018 (Revised: Mar 28, 2018)	Revision of KORUS FTA to address 25% steel tariffs (Mar 2018) and $18B U.S. trade deficit. South Korea secured steel tariff exemption, extended U.S. truck tariff phase-out to 2041, and increased U.S. auto export quotas (25,000 to 50,000 vehicles per manufacturer).
U.S.–China (Phase One deal)	May 2018–Jan 2020 (Signed: Jan 15, 2020)	Negotiations to address 25% tariffs on $50B (Jun–Jul 2018) and 10–25% on $200B (Sep 2018) of Chinese goods. Phase One deal reduced tariffs on $120B Chinese goods to 7.5%, included China's commitment to buy $200B in U.S. goods (agriculture, energy), and addressed intellectual property concerns.
U.S.–Argentina (steel tariff exemption)	Mar–May 2018 (Exemption: May 2018)	Negotiations for exemption from 25% steel and 10% aluminum tariffs (Mar 2018). Argentina agreed to steel export quotas (135% of 2015–2017 average) to secure exemption, avoiding retaliatory tariffs.
U.S.–Brazil (steel tariff exemption)	Mar–May 2018 (Exemption: May 2018)	Negotiations for exemption from 25% steel and 10% aluminum tariffs (Mar 2018). Brazil accepted steel and aluminum export quotas (100% of 2015–2017 steel average, 150,000 tons for aluminum) to secure exemption, preventing retaliation.
U.S.–Australia (steel tariff exemption)	Mar 2018 (Exemption: Mar 23, 2018)	Negotiations for exemption from 25% steel and 10% aluminum tariffs (Mar 2018). Australia secured exemption citing its $1.3B trade deficit with the U.S. and strong defense ties, with no formal quotas or concessions required.
U.S.–Indonesia (GSP-related talks, informal)	2018–Oct 2020 (Resolved: Nov 2020)	Informal talks to maintain Indonesia's GSP status amid 25% steel and 10% aluminum tariffs (Mar 2018) and U.S.–China tariff impacts ($336M indirect export loss). Indonesia offered concessions (e.g., increased U.S. soybean imports, relaxed halal certification) to retain duty-free access for textiles and agricultural products; no formal agreement signed.

Wellington Capital Advisory

Sources: *various sources accessed on May 21st 2025; ITC Trade Map; WCA Analysis*

Trade War 1.0: Impact Flow

When the U.S. imposed tariffs on Chinese goods, it triggered a chain reaction across global trade networks. The diagram shows the shifts in trade and investment patterns, including Indonesia's role, as follows:



- While the tariff war did **reshape global trade flows**, benefitting countries like Indonesia in select sectors—but also exposing them to greater competition from Chinese goods and investment dynamics.

Strategies Indonesia Used to Mitigate The 1st Wave of U.S. Tariff Impacts

Avoiding Retaliation: Indonesia avoided retaliatory tariffs against U.S. goods, preventing escalation and maintaining stable trade relations to protect its $10.5B U.S. trade surplus (2018).

Offering Concessions to Retain GSP Status: Indonesia offered concessions like increased U.S. soybean imports to retain GSP status, preserving duty-free access for $2B in exports like textiles.

Leveraging Transshipment: Indonesia boosted transshipment of Chinese goods to bypass U.S. tariffs, offsetting ~$150M–$170M of $336M in indirect export losses in textiles and electronics.

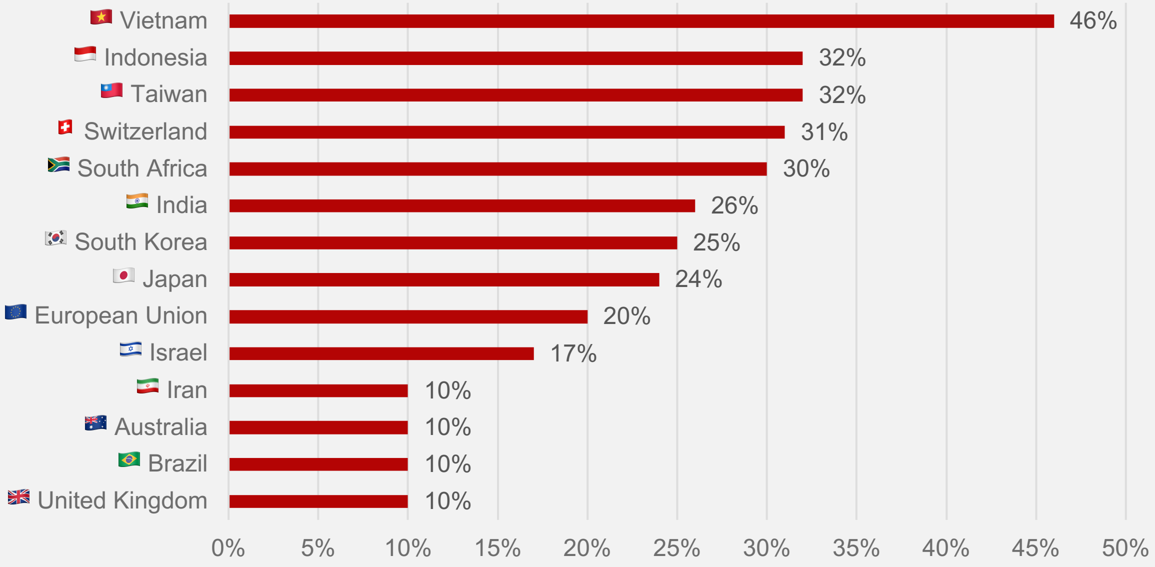
Diversifying Markets: Indonesia redirected ~$500M in exports to ASEAN and RCEP markets (signed Nov 2020), reducing reliance on the U.S. to cushion $200M steel tariff losses.

Sources: *WCA Analysis; LPEM Research;*

U.S. Learned Its Lesson: All Allies Felt The Hit

The U.S. initially proposed reciprocal tariffs targeting major trading nations, particularly those with significant trade exposure to China.

34%



**Indonesia faced a proposed 32% tariff due to its $16.8B trade surplus with the U.S. in 2024 (electronics, apparel, footwear).*

Following a U.S.–China truce, the tariff structure was adjusted to a flat 10% for all countries, with China subject to a reduced 30% rate.

30%

10%

U.S.-China Key Negotiation Issues		
	• Tariff Reductions • Non-Tariff Barriers • Increase U.S. Export	• Tech and Security Concerns • Trade Consultation • Fentanyl Precursor Controls

Current Status:
The administration placed a 90-day pause on the country-specific reciprocal tariff rates announced on April 2. Instead, effective April 10, 2025, a flat 10% tariff applies to imports from all countries. China and Hong Kong are the exception: imports from these countries are subject to a 30% tariff (10% reciprocal tariff + 20% tariff imposed in March), following a reduction from the previous 145% rate as part of a temporary trade agreement.

Sources: *The White House; BBC News;*

After the Storm: What the U.S.–China Tariff Truce Means for Global Trade

Period	Plausible Impact on Nations
U.S. - China Pre-Truce (Feb–Apr 2025)	• **Economic Strain**: U.S. tariffs on Chinese goods (145% by Apr 10, 2025) and China's retaliatory tariffs (125%) disrupted $600B in two-way trade, impacting nations like Japan, South Korea, Vietnam, and the EU reliant on U.S.-China supply chains; global stock markets fell (e.g., Nikkei down 2% YTD, Apr 2025). • **Supply Chain Disruptions**: ASEAN countries (e.g., Thailand, Malaysia) and Mexico faced increased transshipment costs as Chinese goods rerouted to avoid U.S. tariffs, raising shipping costs by 10–15%; semiconductor shortages hit South Korea and Taiwan due to U.S. national security probes (Apr 14, 2025). • **Strategic Shifts**: Nations like India and Japan negotiated with the U.S. for tariff exemptions (e.g., Japan offered increased soybean/rice imports), while ASEAN economies deepened RCEP ties to offset U.S. market losses; U.S. pressure to curb China trade strained EU and Canada relations. • **Inflationary Pressure**: Retail prices rose 5–7% in the U.S. and EU due to higher import costs from disrupted Chinese supply chains.
U.S. – China Post-Truce (May 12, 2025–Aug, 12, 2025)	• **Economic Relief**: Reduced tariffs (U.S. to 30%, China to 10%) spurred a global stock market rally (S&P 500 up 3.26%, Nasdaq up 4.35%, May 13, 2025); ASEAN, Japan, and South Korea saw export recovery as Chinese goods regained U.S. market access. • **Supply Chain Stabilization**: Lower tariffs eased transshipment pressures, reducing shipping costs by ~5% for Vietnam and Malaysia; China's lifted export controls on rare earths benefited South Korea and Taiwan's tech sectors. • **Strategic Realignment**: Nations like India and the EU resumed U.S. trade talks, with Canada and Mexico leveraging USMCA to secure stable access; Japan's currency hedging surged to lock in favorable terms. • **Lingering Risks**: Uncertainty persists due to the temporary 90-day truce (expires Aug 12, 2025); potential U.S. tech restrictions (e.g., Huawei AI chip ban, May 2025) threaten South Korea and Taiwan; nations remain cautious about over-relying on U.S.-China trade recovery.

Sources: *The White House; WCA Analysis;*

Potential Impact Mapping to Indonesia: Trump Tariff 2.0

Dimension	Potential Impact	Explanation
Trade Balance	Risk to Indonesia’s U.S. trade surplus	With flat 10% tariff still could erode Indonesia’s ~$14B trade surplus, particularly in vulnerable sectors (textiles, electronics, footwear).
Export Performance	Potential $2B in export disruption	Tariff-sensitive industries may face order cancellations or price competitiveness loss; key sectors include apparel, electronics, footwear.
Investment Sentiment	Stock market and investor anxiety	Pre-truce jitters caused a 1.5% YTD fall in Jakarta index; uncertainty could return if tariff risk resurfaces post-August.
Macroeconomy	Growth drag of 0.3–0.5% on GDP	Ministry of Finance estimates potential slowdown if tariffs are enacted, with broader impact on exports, FDI, and supply chain confidence.
Geopolitical Strategy	Shift toward trade diversification	Accelerated engagement with RCEP, EU, and bilateral partners; aiming to reduce U.S. reliance and mitigate external shocks.
Policy Response	Tactical concessions & import deals	Indonesia proposing up to $19B in U.S. imports (wheat, soybeans, LPG) and reducing local content rules to incentivize U.S. cooperation and ease trade pressure.
Supply Chain Realignment	Short-term gains from U.S. reshoring difficulties	Indonesia may temporarily benefit as a substitute exporter due to U.S. difficulty replacing Chinese suppliers quickly.
Risk of Retaliation	Possible anti-circumvention actions	Rising Chinese transshipments via Indonesia could trigger U.S. scrutiny or sanctions, impacting logistics and credibility.

Sources: *WCA Analysis:*

Indonesia Readiness

Wellington Capital
Advisory

Robust Outlook for Indonesia's 2026 Economy: Stability & Resilience

Key Economy Assumptions for 2026

	2026	2025
GDP Growth (%)	5.2-5.8	5.2
Inflation (%)	1.5-3.5	2.5
Rupiah/US$	16,500-16,900	16,000
Budget deficit as pct of GDP	2.48-2.53	2.53
10-yr bond yield (%)	6.6-7.2	7
Indonesia crude price (US$/barrel)	60-80	82
Oil lifting (bpd)	600,000-605,000	605,000
Gas lifting (boepd)	953-1.017 mln	1.005 ml

"We will reach the target in 2026 by maintaining **people's purchasing power... development of natural resources downstream industry and improving the investment climate**, as well as human resources…"

REUTERS/Willy Kurniawan

Key Regulatory Highlights

- **2026 GDP growth forecast**: 5.2%–5.8% (vs. 5.2% target in 2025)
- **Fiscal discipline maintained**: Budget deficit to range between **2.48% and 2.53% of GDP**
- **Priority on social spending**: Higher allocations planned for **public welfare programs**

Sources: *Reuters;*

Leveraging regional trade partnerships is key to cushioning the impact of global trade tensions

Indonesia's Participation in Regional Economic Partnerships

Organization	Members	Purpose
BRICS	Brazil, Russia, India, China, South Africa, Indonesia, Iran, Egypt, Ethiopia, United Arab Emirates	Promote economic cooperation among major developing economies and advocate for reforms in global governance institutions.
MIKTA	Mexico, Indonesia, South Korea, Turkey, Australia	An informal partnership of middle powers aiming to support effective global governance and multilateralism.
ASEAN	Indonesia, Malaysia, Singapore, Thailand, the Philippines, Vietnam, Laos, Myanmar, Cambodia, Brunei	Regional political and economic cooperation, trade liberalization, and integration.
APEC	21 Pacific Rim countries, including Indonesia, the U.S., China, Japan, Australia, and others	Promote free trade and economic cooperation throughout the Asia-Pacific region.
G20	19 countries plus the European Union; includes Indonesia, the U.S., China, India, and others	International forum for governments and central bank governors from major economies.
RCEP	ASEAN countries plus Australia, China, Japan, South Korea, New Zealand	The world's largest free trade agreement, aiming to reduce tariffs and trade barriers.
IORA	Coastal states bordering the Indian Ocean, including Indonesia, India, South Africa, Australia	Promote regional cooperation, particularly in maritime trade, security, and the blue economy.
D-8	Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey	Economic cooperation among major Muslim-majority developing countries.

Indonesia plays an active role in strengthening regional trade integration through key frameworks such as **ASEAN, RCEP**, and ongoing **EU–Indonesia CEPA** negotiations. These partnerships aim to:

- **Diversify trade routes and reduce dependency** on major economies like the U.S. and China
- **Boost market access** for Indonesian exports across Asia, Europe, and Oceania
- **Attract investment** through deeper economic cooperation and supply chain integration
- **Enhance resilience** against global trade disruptions and geopolitical tensions

Indonesia's strategic positioning within these frameworks supports long-term economic stability and sustainable growth.

Sources: *WCA Analysis;*

Indonesia has intensified direct bilateral negotiations with the United States to secure fair trade terms and safeguard key export sectors.

Indonesia’s Negotiation Actions Table with U.S.

Negotiation Action	Details
Increased U.S. Imports Proposal	Indonesia offered to increase U.S. imports by up to $19B, including $10B in energy (LPG, LNG, crude oil), soybeans, wheat, and corn to reduce the U.S. trade deficit ($17.9B in 2024).
Lowered Import Duties on U.S. Goods	Proposed reducing import duties on U.S. electronics and steel from 5–10% to 0–5% under Most Favored Nation status to benefit U.S. firms like Apple, GE, and Microsoft.
Eased Non-Tariff Barriers	Offered to relax local content requirements (TKDN) in ICT sectors from 40% to 25% and address U.S. concerns about the QRIS payment system, facilitating market access for Visa and Mastercard.
High-Level Delegation Talks	A delegation led by Coordinating Minister Airlangga Hartarto, Finance Minister Sri Mulyani, and Foreign Ministry officials began negotiations in Washington on April 17, 2025, targeting conclusion by June 16, 2025, with U.S. Commerce, Treasury, USTR, and firms like Google, Amazon, Microsoft, Boeing.
State Investments in U.S. Sectors	Proposed investments in U.S. oil, gas, and IT sectors to strengthen bilateral ties and reduce the likelihood of the 32% tariff being implemented.

Indonesia, prioritizing economic stability, opted for diplomacy over retaliation to maintain its U.S. trade surplus and avoid tariff escalation.

Sources: *Reuters; Detik Finance;*

Stay connected with us
for more updates!

About

Wellington Capital Advisory

Wellington is an independent advisory firm, staffed by senior executives with decades of cross-sector operational experience in Indonesia.

We assist both investors and company owners to address complex strategic and operational issues within their early-stage enterprises.

10+
years
in-country operations

50+
years
combined-partner experience

$1.5+
billion
total capital advised

30+
satisfied clients