



Indonesia after Trump's Tariffs: Diversifying Its Multilateral Partnerships

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SYNOPSIS

In the aftermath of US President Donald Trump's "Liberation Day" tariffs, Indonesia is negotiating in good faith with the United States to reach a resolution. At the same time, the country is working to diversify its trade and investment partnerships by accelerating its bid for membership in the Organisation for Economic Co-operation and Development and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

COMMENTARY

On 2 April 2025, US President Donald Trump announced a set of tariff increases under what he termed "[Liberation Day](#)". These tariffs include a universal 10% levy on imports from all countries worldwide, along with additional country-specific tariffs of up to 50% imposed on goods from dozens of US bilateral trade partners, including several in Southeast Asia.

Indonesia received a 32% country-specific tariff. Combined with the 10% universal tariffs, this yields a cumulative 42% tariff on all Indonesian exports to the United States.

According to the Office of the United States Trade Representative (USTR), the decision was informed by concerns over Indonesia's various non-tariff barriers. These include [an export ban](#) for critical minerals like nickel and a requirement for [debit and credit card providers](#) to establish local data centres in Indonesia.

Trump's decision [to pause the enactment](#) of the "Liberation Day" tariff measures for 90 days created an opening for negotiations. This gave American trade partners a chance to seek settlements that would reduce the tariffs imposed on their countries.

Like most other countries, Indonesia is also seizing this opportunity to negotiate with the United States.

Negotiating, not Retaliating

Immediately after Trump's tariffs were announced, Airlangga Hartarto, Coordinating Minister for Economic Affairs of Indonesia, announced that Indonesia [would not retaliate](#). Instead, the country would pursue diplomacy and negotiations "to find mutually beneficial solutions".

Shortly thereafter, Airlangga announced several measures [to relax trade restrictions](#) on US-made goods and services, which would be offered to the United States as starting points for negotiation. These include reducing import duties and Value-Added Tax on American goods, relaxing local content requirements in the information, communication, and technology sector, and [increasing imports](#) of US oil and gas, as well as agricultural commodities such as soybeans and wheat.

Indonesian analyst Iis Gandarsah [noted](#) that Indonesia's strategy to resolve Trump's tariffs is to offer "incentives to reduce trade barriers and increase import volumes, with the hopes of diffusing tensions and gaining strategic leverage".

Trade negotiations between Indonesia and the United States are still ongoing. However, whether or not Indonesia succeeds in reducing the imposed tariffs, policymakers should consider diversifying Indonesia's trade and investment partners to reduce exposure to changing geopolitical risks.

This need is driven by two key factors. Firstly, there seems to be [no coherent strategic rationale](#) behind the tariffs, which complicates the negotiation process between the United States and the countries affected. Key US officials [have issued contradictory statements](#) about whether the tariffs can only be reduced or eliminated entirely.

Secondly, Trump is not known for [his consistency or commitment](#) to not imposing further retaliatory measures, whether after reaching a deal with individual countries or while negotiations are still taking place. Recently, he has [doubled tariffs](#) on steel and aluminium products to 50%.

The Trump tariffs have caused more uncertainty in a time of ever-growing geopolitical divide between the United States and China. In response, countries that have exported largely to the US market are now [diversifying their bilateral and multilateral](#) trade partners. Under these circumstances, Indonesia must pursue new trade and investment opportunities by deepening its ties with new bilateral and multilateral partners. This would help hedge its economic relationship with the two leading great powers.

Indonesia's OECD and CPTPP Bids

Amid the tariff imposition, Indonesia is intensifying efforts to attain membership in several multilateral economic institutions. The first is the Organisation for Economic Co-operation and Development (OECD). Indonesia [confirmed its intention](#) to apply as a regular OECD member in July 2023. If admitted, Indonesia will become the third

Asian nation to join the intergovernmental organisation. Membership requires adherence to open trade and investment rules as well as good governance practices.

For its OECD membership application to be endorsed, Indonesia must declare its intention to harmonise its laws and regulations with the organisation's [239 legal instruments](#). These instruments are [common rules](#) for OECD member nations to promote reforms in their trade, taxation, and investment policies; good governance measures; effective environment and biodiversity regulations; and digitalisation, among others. To kickstart the process, Indonesia [has formally requested](#) to join the OECD Anti-Bribery Convention, an integral part of the OECD accession process.

It will take some time for Indonesia to institutionalise these legal instruments into its national laws. Fully implementing these legal instruments would end numerous regulations, tax concessions, and [other non-tariff measures](#) that benefited many domestic business constituencies. Airlangga estimates that [Indonesia could complete its accession within four years](#), one year ahead of the average timeline for new OECD members.



On 3 June 2025, Indonesia's Coordinating Minister for Economic Affairs, Airlangga Hartarto, officially submitted the Initial Memorandum to OECD Secretary-General Mathias Cormann. This marks a significant milestone in Indonesia's OECD accession process.

Image source: [Coordinating Ministry for Economic Affairs of the Republic of Indonesia](#).

The second multilateral organisation Indonesia seeks to join is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The organisation succeeded the defunct Trans-Pacific Partnership (TPP), which was abandoned by the United States in 2017. TPP's remaining members agreed to reconstitute the organisation as CPTPP, [and it was formally ratified](#) in December 2018.

Indonesia [formally applied](#) to join CPTPP in September 2024. Airlangga [stated in May](#) that the current association members will meet later this year to review Indonesia's application. He expects a decision to be made during this meeting.

CPTPP's 12 member countries account for 15% of global gross domestic product (GDP). In addition to Indonesia, [the European Union](#) and [South Korea](#) are also exploring CPTPP membership. If both become full members, the body would represent 30% of global GDP, making CPTPP one of the largest multilateral trade institutions in the world.

Concluding Thoughts

In the face of Trump's tariffs, Indonesia should negotiate in good faith to avoid being adversely affected by the high effective US tariffs. These tariffs would make it difficult for Indonesia to export its products to the American market.

Nonetheless, Indonesia should follow the lead of other countries affected by the tariffs by diversifying its trade and investment partners. This would reduce the risk of being caught in a geopolitical crossfire between major powers. Indonesia's plan to join OECD and CPTPP is part of its strategy to build new partnerships that expand market access for its products and promote an economic "win-win" for all parties involved.

While Indonesia's applications to join both multilateral organisations were made before Trump's tariffs were announced, the tariffs' imposition appears to have motivated Indonesian trade negotiators to fast-track the applications for full OECD and CPTPP membership in recent months.

Indonesia's renewed multilateralism aligns with Indonesia's long-standing "free and active" foreign policy. While the country does not join any formal security and economic alliances with major powers, Indonesia welcomes multilateral partnerships that mutually benefit both its national interests and broader global goals.

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