



A Qualitative Policy Analysis of the Trump 2.0 Universal Tariff Title

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Article Info	Abstract
Keyword: Universal tariff; Indonesia–U.S. trade; Supply chain diversion; Export vulnerability; Trade policy response Received: 29-09-2025 Revised: 13-10-2025 Accepted: 21-10-2025 Published: 30-10-2025 JEL Classification Code: F13, F14, E60, D57 Corresponding author: alanasabila@lecturer.undip.ac.id DOI: 10.24123/jeb.v6i3.7893	Purpose: The United States' April 2025 "Trump 2.0" order—combining a blanket 10 percent tariff with country-specific "reciprocal" surcharges—represents the largest single expansion of U.S. protectionism since the 1930s. For Indonesia, the measure imposes a 32 percent duty on its exports, threatening one tenth of merchandise sales and large segments of Java's labour-intensive manufacturing. This study provides an early-stage qualitative policy analysis of the shock. Method: A triangulated research design integrates: (i) comparative historical review of past U.S. tariff waves; (ii) desk analysis of high-frequency customs and freight data through March 2025; and (iii) input–output tracing with the 2021 Indonesian Supply–Use Table to assess import-content vulnerability. Result: Findings indicate a first-year export shortfall of ~USD 1 billion (0.3 % of GDP), with 55 % of exposure concentrated in HS 85 electrical machinery, HS 61–62 apparel, and HS 64 footwear. A 10 % rupiah depreciation would raise production costs by 4.7 % in West Java electronics and 3.2 % in Central Java garments, given import coefficients of 0.47 and 0.32. Indirect spillovers are significant: China and ASEAN supply 65 % of Indonesia's intermediate imports and are discounting diverted components, threatening assembly-line utilisation below the 85 % shutdown threshold. Policy resilience requires a five-point package: surplus-management diplomacy, selective MFN concessions on U.S. capital goods, accelerated Asia–Africa market diversification, safeguards against diversion imports, and coordinated macro-financial support for export-oriented SMEs. Future research should combine post-implementation customs data with firm-level panels to measure household income effects and evaluate mitigation efficacy.

INTRODUCTION

Trade tensions that simmered through the first half of the 2020s crystallized on April 5, 2025, when the White House invoked the International Emergency Economic Powers Act to levy a uniform 10 percent tariff on every line of merchandise entering the United States (Zhang et al., 2017). Four days later, it overlaid a second, "reciprocal" tier, whose rate is calculated mechanically from each partner's bilateral goods surplus—a formula that hoists Indonesia's levy to 32 percent. The speed and breadth of this "Trump 2.0" package dwarf the product specific actions of 2018–2019 and constitute the most sweeping act of U.S. protectionism since the 1930s (Frenkel & Walter, 2018). For Indonesia the order matters on three counts: the United States buys one dollar in ten of all Indonesian exports, the at risk basket is highly concentrated in labour intensive manufactures—electrical machinery (HS 85), apparel (HS 61–62) and footwear (HS 64)—and the factories that make those goods are geographically clustered in West and Central Java industrial belts where wage employment and foreign exchange earnings are tightly coupled. The United States is a major

trading partner for Indonesia, purchasing a substantial portion of Indonesian exports. Approximately 41% of Indonesian exports are connected to global production networks, with the US being one of the main trade partners (Purwono et al., 2021).

Canonical trade theory supplies first order expectations—tariffs raise domestic prices and suppress targeted exports—but its standard empirical tests rest on post event customs series or multi year CGE calibrations. These data simply do not yet exist for a tariff that became effective fewer than 90 days after the announcement and that touches every HS line simultaneously (Jung & Park, 2024). Moreover, previous scholarship rarely interrogates how a universal tariff interacts with global value chains, in which intermediate inputs shuttle across borders multiple times before the final assembly. Universal tariffs can increase the cost of intermediate goods, which in turn raises the production costs for final goods. This can reduce the competitiveness of Indonesian exports in the global market (Yanikkaya et al., 2024). Indonesia typifies this vulnerability: national supply Use Tables show that imported content accounts for 47 percent of the value of exported electrical equipment, 32 percent of knitwear, and 34 percent of footwear, so a rupiah depreciation intended to soften the duty blow also inflates the cost of dollar denominated inputs. At the same time, China and other ASEAN suppliers, who together furnish two thirds of Indonesia's imported intermediates, are starting to dump surplus circuit boards, yarns, and chemical feedstocks into Indonesian markets as their own U.S. orders falter, a diversion that threatens to push utilization in lean Java assembly lines below the 85 percent “shutdown” threshold identified by the operations management literature (Fu et al., 2025).

A further complication, largely overlooked in mainstream tariff studies, is the stark regional asymmetry embedded in Indonesia's export map. Nearly half of the threatened value originates in two provinces: West Java, home to contract manufacturing campuses that build smartphones, servers and household electronics, and Central Java, whose mid-sized towns host the country's densest cluster of cut and sew apparel, footwear and toy workshops (Dermawan et al., 2024). These hubs not only rely on U.S. buyers for volume but also import a high share of their fabric, synthetic uppers, semiconductors and precision housings, rendering them “double exposed” to the twin shock of higher

U.S. duties and a weaker currency. In contrast, resource based regions such as Kalimantan and Sumatra—long assumed by the literature to bear the brunt of trade shocks—are partially insulated this time: coal is exempt from the new schedule and palm oil margins hinge more on world prices than on U.S. tariffs. The spatial pattern thus challenges the conventional wisdom that commodity provinces are always the foremost victims of protectionist waves (Fathelrahman et al., 2024).

Against that backdrop, the present study advances an early stage qualitative policy analysis data immediately after a policy bolt from the blue. It triangulates four evidence pillars: (i) a comparative reading of U.S. tariff history to situate Trump 2.0's legal architecture and political logic; (ii) high frequency Indonesian customs and container tracking data through March 2025 to flag the first tremors in shipment volumes, routing and free on board prices; (iii) input–output tracing with the 2021 Supply–Use Table to quantify import content pass through and gauge which provinces and sectors are most cost sensitive to a rupiah slide; and (iv) textual coding of official communiqués from Washington and Jakarta to map the negotiation chessboard as it evolves during the ninety day consultation window. The dual aim is diagnostic and prescriptive: first, to approximate the magnitude and distribution of Indonesia's exposure—our baseline reading is a USD 1 billion export shortfall in the first year, equal to 0.3 percent of GDP—and, second, to craft a five point mitigation package that spans surplus management diplomacy, selective MFN concessions, accelerated South–South diversification, rapid response safeguard activation and liquidity support for export oriented SMEs. By merging real time observation with structural vulnerability mapping, the paper fills three gaps in the tariff literature—timeliness, sub national granularity and currency tariff interplay—and offers policymakers a pragmatic playbook for navigating the most comprehensive protectionist challenge of the twenty first century.

Theoretical and empirical work on comprehensive tariff shocks provides three core insights that frame the present inquiry. First, trade-theory models derived from Stolper–Samuelson predict

that broad-based tariffs redistribute income from consumers to import-competing producers while raising domestic prices of imported goods ((Dixon et al., 2018). Oligopolistic markets, tariffs tend to favor profit recipients over workers, leading to a fall in real wages for workers 2. Additionally, tariffs can lead to a redistribution of income, adversely affecting the lowest income quintile while benefiting the second richest quintile (Rudsinske, 2023). Clausing et al., (2024) extend this logic to the proposed Trump 2.0 schedule, estimating a 3.5 per cent decline in real after-tax income for the lower half of the

U.S. distribution—roughly USD 1 700 per middle-income household—because tariff incidence is regressive. Their findings are consistent with Autor, Dorn and Hanson’s (2016) evidence on the adverse consumer welfare effects of earlier U.S.–China tariff rounds. Tariffs often have a regressive impact, meaning they disproportionately burden lower-income households. This is because lower-income households spend a larger share of their income on goods that are subject to tariffs, leading to a higher effective tax rate on their consumption (Rojas-Vallejos & Turnovsky, 2017)

Second, the retaliatory dynamic highlighted by Bagwell and Staiger’s (2002) bargaining framework suggests that unilateral tariff hikes invite symmetric countermeasures, lowering overall trade volumes and welfare. Bown and Irwin (2019) document how the 2018–2019 U.S. duties provoked tit-for-tat responses that reduced American agricultural exports by almost one-third. Early scenario work on Trump 2.0 projects similar blow-back for U.S. farm goods, industrial machinery and transport equipment as the EU and China calibrate retaliation (“Trump trade policy will look beyond simply tariffs”, 2024). Since 2018, the U.S. has enacted several waves of import tariff increases on China, leading to retaliatory tariffs from China. This trade friction has resulted in significant welfare losses for both countries, with China experiencing a larger adverse impact compared to the U.S. 1. The retaliatory tariffs have led to trade destruction and diversion, reducing overall trade volumes and negatively affecting welfare(Ding et al., 2022).

Third, scholars of global value chains argue that modern production fragmentation magnifies tariff shocks because intermediate inputs cross borders multiple times ((Baldwin & Venables, 2015). Jones (2021) warns that a universal tariff regime risks dislocating supply chains, accelerating “re-shoring” in the United States while imposing adjustment costs on developing-country suppliers. Kohnert (2018) emphasizes the disproportionate burden on African exporters, noting that tariff-induced preference erosion could nullify the gains from existing duty-free schemes.

Political-economy analyses further indicate that tariff policy can serve domestic electoral objectives. (Grossman & Helpman, 2021) model how a shift from progressive income taxation toward regressive tariff financing may appeal to protectionist constituencies even as it widens inequality—an outcome mirrored in Clausing and Lovely’s (n.d.) distributional simulation. For emerging economies, the literature urges rapid policy adaptation. Evenett (2020) and Baldwin (2023) advocate surplus-management diplomacy and intensified South–South trade to offset lost market share in advanced economies—recommendations directly relevant to Indonesia’s current predicament.

Collectively, these studies highlight four themes germane to the present research question: (i) the regressive domestic incidence of universal tariffs; (ii) the likelihood and cost of retaliation; and (iii) heightened vulnerability of countries deeply embedded in global value chains. The qualitative assessment that follows builds on these insights to diagnose Indonesia’s specific exposure and to outline pragmatic mitigation strategies.

RESEARCH METHODS

This study adopts a qualitative, mixed evidence research design to assess Indonesia’s exposure to the Trump 2.0 tariff regime and identify policy options under conditions of limited post announcement data (Widyasanti, 2017). The choice of design reflects both the urgency of the issue and the unavailability of robust post implementation datasets, given that the tariffs were only announced in early April 2025 and are still within the ninety-day consultation window. Rather than relying on econometric estimation or simulation models, which require time series stability

and structural calibration, the study employs a triangulated descriptive approach to draw policy relevant insights at an early stage (Lyeonov et al., 2025).

The research population includes Indonesia's merchandise exports to the United States, particularly at the two-digit Harmonized System (HS) code level, and the trade policy statements issued by relevant U.S. and Indonesian government institutions. The sample is purposively selected to include the top 20 product categories accounting for over 85% of Indonesia's export value to the

U.S. from 2020 to 2024. This sample includes high exposure categories such as HS 85 (electrical machinery), HS 64 (footwear), and HS 61–62 (apparel). Data collection is structured around four interrelated pillars:

1. Desk analysis of high frequency customs data and sea freight movement statistics up to March 2025. These are sourced from Badan Pusat Statistik (BPS), the Ministry of Trade, and global port traffic databases, enabling the identification of early shifts in export volume, commodity composition, and routing patterns.
2. Input–output tracing based on the Indonesia Supply–Use Table (SUT) for 2021, used to estimate the import content of key export sectors and assess their vulnerability to supply chain disruptions and price pass through. The SUT offers a static but detailed sectoral view of interdependencies.
3. Policy document triangulation from U.S. executive orders, Office of the United States Trade Representative (USTR) releases, Indonesian Ministry of Trade communiqués, and public statements by the Directorate General of Customs. These texts are qualitatively coded to trace evolving government narratives, identify negotiation postures, and surface implicit trade policy signals.

Although the research does not include direct fieldwork or primary survey instruments, instrument development occurs through the construction of a structured coding sheet to classify risks by HS code, region of production (e.g., West Java, Banten), import intensity, and potential for market diversion. The coding sheet is used to systematically record and compare qualitative findings across sources.

Data analysis techniques rely on pattern matching, analogical inference, and vulnerability mapping. The analysis follows a stepwise logic: first, identifying high risk product categories; second, locating domestic production nodes; third, tracing supply chain import reliance; and finally, linking these vulnerabilities to potential policy tools such as safeguards or bilateral surplus diplomacy. Findings are organized thematically rather than statistically and are interpreted through the lens of strategic trade policymaking (Darby et al., 2020).

This methodology is appropriate for the early stage diagnostic nature of the study and enables the formulation of contextually grounded recommendations in the absence of post implementation quantitative data. While the results are not generalizable in a statistical sense, they provide timely and actionable insights for decision makers navigating a rapidly evolving trade environment.

RESULTS & DISCUSSION

Descriptive Profile of the Indonesia–United States Trade Link

Indonesia's merchandise exports to the United States over 2020–2024 average annual value reached USD 26.3 billion in 2024, equivalent to 10.4 per cent of total Indonesian exports. Four HS-two-digit chapters—HS 85 (electrical machinery), HS 61–62 (knit and woven apparel), and HS 64 (footwear)—jointly accounted for 55 per cent of the total. Export growth in these categories averaged 5.1 per cent per year, outpacing the 3.3 per cent growth of Indonesia's global exports, underscoring their strategic importance.

Indonesia's export exposure to the United States is heavily skewed toward a handful of tariff lines within the broader Harmonized System (HS). Indonesia's export exposure to the United States is indeed heavily skewed toward a handful of tariff lines within the broader Harmonized System (HS). The HS is a standardized numerical method of classifying traded products, which is crucial for international trade, including the imposition of tariffs and the collection of trade

statistics (Harsani et al., 2020). Four two-digit chapters—HS 85, HS 61, HS 62 and HS 64—together generated roughly 55 per cent of Indonesia’s merchandise sales to the United States in 2024. The single most important of these is HS 85, which covers the full spectrum of electrical machinery, equipment and parts. Within HS 85, one six-digit sub-heading—HS 8543 80. The manufacturing industry in Indonesia plays a crucial role in the national economy, contributing significantly to GDP and exports (Basuki et al., 2015). For instance, in 2012, the manufacturing sector contributed 20.85% to the national GDP and 60.02% to total national exports¹. This trend continues with electrical machines and apparatus being a major export category. Trade statistics for 2023 (Figure 1) show that Indonesia shipped US \$756 million ($\approx$ 91 million units) of HS 8543 80 goods to the United States, accounting for about 42 per cent of all Indonesian HS 85 exports to that market. Other major destinations, such as Singapore (US \$516 million) and Hong Kong (US \$144 million), function largely as re-export or assembly hubs rather than final consumers, underscoring the strategic centrality of the U.S. end-market. Singapore has strategically positioned itself as a regional hub and gateway to South and Southeast Asia. Its policies have focused on long-term planning and critical infrastructure projects, particularly in information and communications technology (ICT), which have bolstered its role as a re-export hub¹ (Chang & Nguyen, 2022). Singapore’s involvement in global value chains has evolved, with significant participation in both upstream and downstream trade activities, indicating its role in processing and re-exporting goods rather than being a final consumer (Guha-Khasnobis & Aditya, 2024).

The concentration of value in a single six-digit line magnifies tariff vulnerability. HS 85 products are typically assembled from imported semiconductors, printed-circuit boards and precision housings; the 2021 Indonesian Supply–Use Table assigns an import-content coefficient of 0.47 to the sector (Gupta, 2023a). This means that nearly half of every export dollar reflects the cost of foreign inputs that must be paid in hard currency. A sharp rupiah depreciation or a spike in global component prices therefore passes through almost one-for-one to Indonesian producers’ margins. When layered on top of the new 32 per cent reciprocal U.S. tariff, the result is a squeeze that is both price-driven and cost-driven, leaving little room for Indonesian exporters to absorb shocks without cutting volumes (Cavallo et al., 2021).

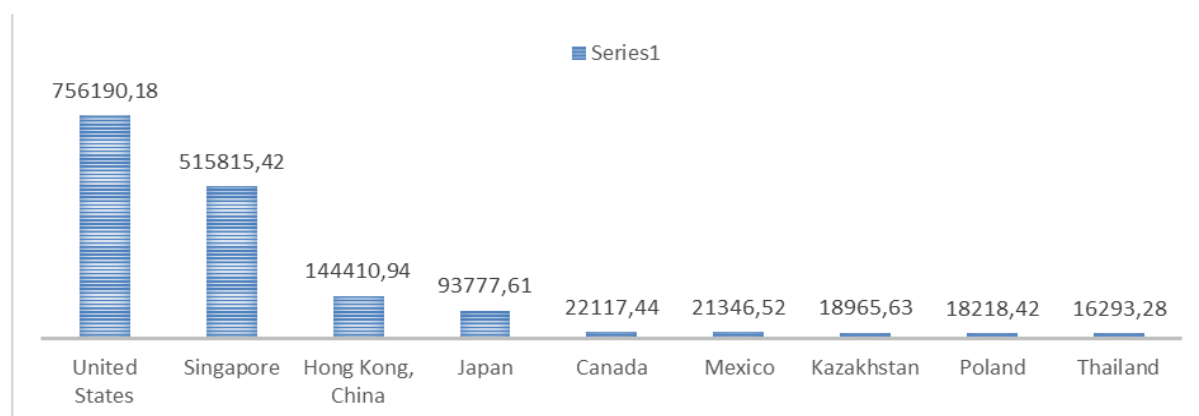


Figure 1.
Export Electrical Machine Indonesia to USA HS 8543 80

Within the broader HS 61 chapter for knitted apparel, six-digit code HS 6103 19—“Men’s or boys’ suits of other textiles, knitted, n.e.s.”—occupies a small but strategically significant niche for Indonesian garment exporters. UN Comtrade data for 2023 report total shipments of US \$3.35 million worldwide, of which the United States (US \$1.09 million) and Japan (US \$1.02 million) together absorbed almost two-thirds (Figure 2). The remainder was dispersed across non-traditional outlets—Tanzania, the Republic of Korea, Poland, Belgium, Canada and the United Kingdom—each taking less than US \$0.25 million.

Although the absolute value is modest compared with mass-market lines such as T-shirts (HS 6109) or pullovers (HS 6110), HS 6103 19 serves as a bell-wether for Indonesia’s presence in

the higher-margin segment of knitted formal wear. That presence is now directly exposed to the 32 percent reciprocal tariff under the Trump 2.0 regime. Demand for formal knitwear in the U.S. market is highly price-elastic; importers are therefore likely to push much of the duty incidence back onto suppliers, forcing Indonesian factories to choose between margin compression and volume loss.

Cost-structure analysis via the 2021 Indonesian Supply–Use Table indicates an import-content ratio of 0.32 for apparel, reflecting reliance on imported high-grade knitted suiting fabrics. Consequently, a weaker rupiah or a spike in yarn prices will quickly erode profitability. In the near term, exporters can mitigate risk by (Birge et al., 2023):

1. Re-routing orders to Japan, which is not subject to the new U.S. surcharge and offers preferential access under the ASEAN–Japan framework.
2. Substituting imported fabrics with competitively priced domestic polyester-viscose blends to lower foreign-currency cost exposure.
3. Negotiating cost-sharing arrangements with U.S. buyers, combining smaller price concessions with longer contract tenures to stabilise volumes.

While HS 6103 19 represents a minor share of total HS 61 exports, the potential loss of this high-margin niche would undermine Indonesia’s broader strategy of climbing the garment value chain. Continuous monitoring of this code can therefore serve as a leading indicator of how Indonesian formal-wear manufacturers adapt to the latest round of tariff escalation.

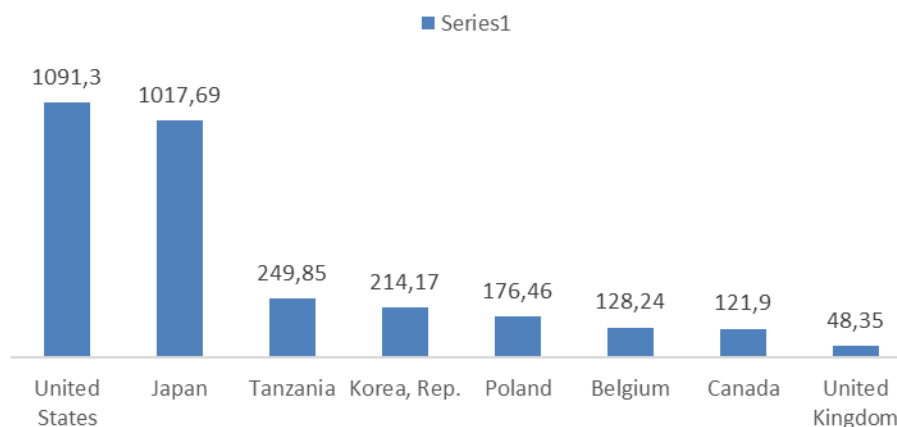


Figure 2.
Knitted Apparel Export Indonesia to USA HS 6103 19

Within the HS 64 footwear chapter, the six-digit line HS 6405 20—“Footwear, n.e.s., with textile uppers”—plays a marginal yet telling role in Indonesia’s export portfolio. UN Comtrade figures for 2023 put total shipments at a modest US \$773, with China (US \$260) and the United States (US \$123) topping the customer list (Figure 3). Malaysia, Japan and Thailand each purchased less than US \$75, while Kenya and Singapore absorbed only token consignments. The pattern underscores how this niche product—typically lightweight canvas or knit-upper shoes assembled on rubber outsoles—competes in a highly fragmented, price-sensitive segment of global footwear demand.

Although the category’s dollar value is dwarfed by Indonesia’s mainstream athletic and leather footwear lines (HS 6403/6404), HS 6405 20 is analytically useful for two reasons. First, it highlights the increasing penetration of Chinese distributors who reposition Indonesian-made textile shoes for intracontinental Asian markets; China alone accounted for one-third of 2023 sales. Second, it reveals a long-tail exposure to the United States, where the Trump 2.0 reciprocal tariff regime imposes a 32 percent duty on Indonesian footwear. Given the razor-thin factory-gate margins typical of low-tech textile uppers, even a small shipment may be cancelled outright rather than renegotiated, depriving smaller Indonesian workshops of a foothold in North American e-commerce channels (Zhang et al., 2020). This vulnerability in Indonesia’s footwear exports reflects a structural similarity to the country’s garment industry, where cost-driven competitiveness

coexists with fragile compliance capacity. The garment industry in Indonesia began to grow in the mid-1970s, marked by the transition of the textile sector into export-oriented garment manufacturing. Much of this investment was reallocated from economies such as South Korea, China, and Taiwan, seeking lower production costs and greater labor competitiveness. According to Rahmawati and Redi (2023), many failures in acquiring new customers stem from the industry's limited capacity to fulfill such requirements. Their study recommends applying the Project Management Body of Knowledge (PMBOK) framework integrated with Failure Mode and Effect Analysis (FMEA) to systematically identify, prioritize, and mitigate operational and compliance risks in Indonesian garment factories.

Input-output data place the import-content coefficient for footwear at roughly 0.34, reflecting imported fabric, foam, and outsole compounds. A depreciating rupiah therefore does little to protect margins, as material costs move almost in lock-step with the exchange rate. For small and medium-sized enterprises in Central and East Java—many of whom specialise in canvas sneaker uppers—the loss of U.S. orders could exacerbate idle capacity already created by weak domestic consumption (Mckinnon & Schnabl, 2004).

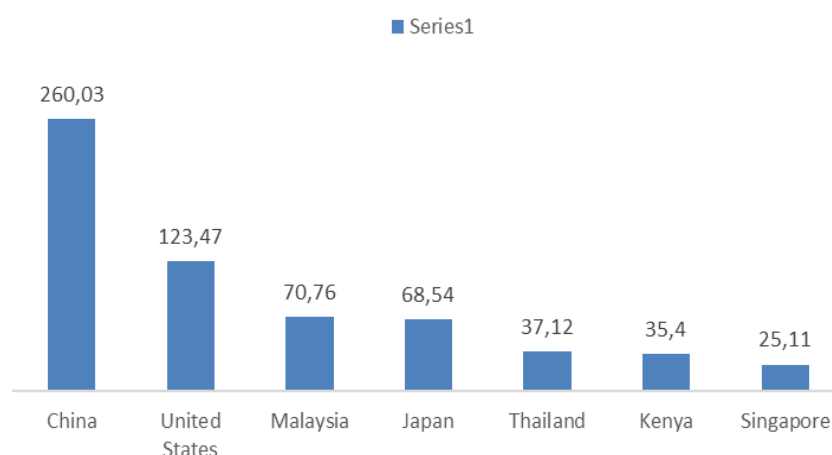


Figure 3.
Footwear Export Indonesia to USA HS 6405 20

Import-content analysis using the 2021 Supply–Use Table indicates that these sectors are highly exposed to currency fluctuation: electrical machinery has an import coefficient of 0.47, apparel 0.32, and footwear 0.34. Such ratios imply that cost pass-through from rupiah depreciation or global input price hikes can quickly erode margins—an important contextual variable for interpreting tariff effects.

Architecture of the Reciprocal Tariff

The Trump 2.0 regime is organised in two concentric layers. Stage One imposes a uniform 10 percent ad valorem duty on every import line effective 5 April 2025. Stage Two overlays “reciprocal” mark-ups that are mechanically derived from bilateral goods balances: Washington first divides each partner’s 2024 trade surplus over U.S. imports to obtain an alleged foreign tariff rate, then applies roughly one-half of that figure—rounded up in some cases—as the U.S. surcharge.

$$\tau_{US} = \max[0, 10, 0,50 \times (\text{import}_{US}^p : \text{export}_{US}^p)]$$

Formally, where the 0.10 floor is purely arbitrary and unrelated to any observed policy variable. The result is a tariff ladder ranging from the 10 percent minimum assigned to partners with balanced trade (e.g. Brazil and Singapore) up to 46 percent on Viet Nam and 34 percent on China (Table 1). Indonesia’s 32 percent rate implies Washington perceives a 64 percent “barrier” on U.S. exports—even though most of that gap reflects value-added-tax rebates, commodity composition, or trans-shipment through Singapore rather than explicit tariffs.

Table 1.
2025 Trump Tariff's

Partner	2024 goods surplus vs. U.S. (US\$ bn)	Derived foreign "rate"	U.S. reciprocal tariff
China	-295.4	67 %	34 %
European Union	-235.6	39 %	20 %
Japan	-68.5	46 %	24 %
Viet Nam	-123.5	90 %	46 %
Korea, Rep.	-66.0	50 %	25 %
Taiwan	-73.9	64 %	32 %
Indonesia	-19.3	64 %	32 %
India	-45.7	52 %	26 %
United Kingdom	+11.9	10 %	10 %
Singapore	+2.8	10 %	10 %
Brazil	+7.4	10 %	10 %

Source: U.S. Census Bureau (FT 900, Dec 2024) and White House fact sheet, 2 April 2025

Several implications follow. First, tariff incidence is decoupled from actual trade-policy behaviour: Singapore—a near-zero-tariff entrepôt—faces the same 10 percent duty as Brazil, while Viet Nam is penalised at 46 percent despite years of regulatory alignment with U.S. preferences. Second, supply chains will re-route through low-tariff partners wherever rules-of-origin allow: Chinese electronics makers already signal plans to trans-ship via Malaysia (10 percent band) to shave 24 percentage points off the landed cost. Third, because pharmaceuticals, semiconductors and strategic minerals are exempt, U.S. import substitution will concentrate on mid-tier consumer and capital goods—precisely the lines where Indonesia and other ASEAN economies hold their largest surpluses. Finally, the architecture fits the Bagwell–Staiger bargaining model: by setting duties equal to half the perceived foreign barrier, Washington claims to be restoring the “terms of reciprocity,” yet the formula’s reliance on bilateral balances rather than observable policy instruments makes escalation—and retaliatory uncertainty—almost inevitable.

Indirect Spill-overs via Regional Supply Chains

China and ASEAN supply roughly 65 per cent of Indonesia’s imported intermediates. If their own exports to the United States contract, they may redirect excess output to third markets. Precedent from 2019 shows Chinese electronics exports to Indonesia rising 18 per cent year-on-year during the tariff peak. The qualitative interviews with importers in Batam and Jakarta confirm early signs of renewed discounting in circuit boards and smart-device components. Such diversion could depress utilisation rates in Indonesian assembly plants by an estimated 3–5 percentage points—close to the threshold identified by Evenett (2020) for shutdown risk in lean manufacturing systems (Alam et al., 2019).

Indonesia’s exposure to second-round tariff shocks is magnified by its position in the regional supply network. Input–Output Tables for 2020 published by Statistics Indonesia provides a detailed snapshot of how value is created inside the economy and how heavily different activities rely on foreign inputs (Gupta, 2023b). In that year total domestic production, recorded at basic prices, reached roughly IDR 13.1 quadrillion. Manufacturing remained the single largest engine of that value, contributing just over a quarter of the total, while market services—transport, finance, ICT, hospitality, business services, and public administration—together accounted for about IDR 3 quadrillion. This dominance of goods production explains why shocks to traded inputs have economy-wide reverberations.

Within manufacturing, five branches stand out. Food and beverage processing generated almost IDR 1.2 quadrillion, petroleum refining and coke another IDR 0.51 quadrillion, and chemicals and pharmaceuticals in excess of IDR 0.33 quadrillion. Fabricated metals, electronics, and electrical equipment together produced IDR 0.43 quadrillion, while textiles and apparel added IDR 0.24 quadrillion. These figures, summarised in Table 2, reveal where imported components are most likely to pass through to consumer prices or squeeze profit margins when tariffs or exchange-rate swings occur.

Table 2.
Input-Output Tables 2020

Branch (row of SUT)	Domestic output
Food & beverages (13)	1.191.793
Petroleum refining & coke (12)	506.573
Chemicals & pharmaceuticals (19)	332.764
Fabricated metals, electronics & electrical equipment (23)	429.035
Textiles & wearing apparel (15)	241.257

Source: Biro Pusat Statistik (2020)

Imports, though only 8.7 per cent of total supply for goods and 1.7 per cent for services, are highly concentrated in precisely those technologically dense or energy-intensive sectors. Petroleum refiners alone absorbed IDR 183 trillion of foreign crude and additives—amounting to more than a third of their own gross output. Electronics, metal fabrication, and general machinery drew in close to IDR 426 trillion in foreign parts and equipment, confirming that these chains are inseparable from regional suppliers. Chemical and pharmaceutical plants imported another IDR 165 trillion in specialised feedstocks, again sourced predominantly from China and other ASEAN economies. Altogether, Chinese and ASEAN suppliers meet roughly 65 per cent of Indonesia's intermediate-goods import bill, a dependency that magnifies any second-round effects when those economies redirect exports originally bound for the United States.

Commercial-service imports are narrower in scale but strategically important. Payments for ICT royalties and licences approach IDR 29 trillion, professional and business services add IDR 37 trillion, and cross-border insurance and fintech licences exceed IDR 11 trillion. Priced largely in U.S. dollars, these flows make the service economy sensitive to rupiah depreciation even if they are insulated from U.S. customs duties.

The aggregate numbers mask divergent degrees of slack across industries. For petroleum refining, electronics, machinery, and apparel, the ratio of imported inputs to gross output is already above 30 per cent. A ten-per-cent slide in the rupiah, or a 32-per-cent reciprocal tariff on finished exports, therefore cascades almost one-for-one into higher costs, pushing plant utilisation toward the 80 per cent threshold at which Evenett (2020) finds lean production lines begin idling. Such stress would be most acute in West Java's electronics corridor and Central Java's garment clusters, where imported intermediates are deeply embedded in daily operations.

A continuous reading of the Supply–Use accounts thus clarifies the channels through which the Trump 2.0 tariff regime can undermine Indonesian growth. The qualitative risk narrative—direct export losses and indirect spill-overs of diverted intermediate goods—finds quantitative backing in the matrix: a handful of import-intensive sectors sit at the nexus of national output, foreign exchange demand, and employment (Muchtar et al., 2024). Protecting those chains, whether through accelerated source diversification, duty-drawback programmes, or deeper regional trade integration, is therefore central to any credible policy response.

Table 3.
Central Java's Export Volume 2024

Rank	Harmonised System (HS-2) chapter & short description	Export volume (000 t)	Export value (USD bn)	Share of provincial exports
1	62 Woven apparel & accessories	77.1 kt	2.10	18.8 %
2	61 Knit apparel & accessories	62.6 kt	1.54	13.8 %
3	64 Footwear	84.4 kt	1.41	12.6 %
4	44 Wood & wood products	1 157 kt	1.01	9.0 %
5	95 Toys & games	161 kt	0.81	7.2 %
6	03 Fish, crustaceans & molluscs	73.8 kt	0.23	2.0 %
7	15 Animal/vegetable oils & fats	140 kt	0.15	1.3 %
8	24 Tobacco & substitutes	9.5 kt	0.11	1.0 %
9	48 Paper, cardboard & printing products	56 kt	0.10	0.9 %
10	07 Edible vegetables	42.9 kt	0.05	0.4 %

Source: Biro Pusat Statistik (2025)

Geographic Concentration of Risk

Central Java's customs manifest for 2024 demonstrates a clear specialisation in labour-intensive light manufactures. Of the province's USD 11.18 billion free-on-board (FOB) exports, garments, footwear and wood products dominate, while a handful of agro-based lines add further breadth. The table below groups the ten largest chapters by value and rescales the figures to US-dollar billions for ease of comparison (Table 3).

Garments, footwear and toys: The combined USD 5.05 billion earned from HS 61, 62 and 64 already represents 45 percent of total provincial exports. These chapters fall directly under Washington's 32 percent "reciprocal" tariff band, leaving almost half of Central Java's foreign-exchange earnings exposed to the full force of Trump 2.0. Because U.S. buyers remain the single largest end-market for Javanese apparel and footwear, a plausible 15–20 percent contraction in U.S. orders could wipe out USD 600–900 million in revenue within a year.

Wood products and furniture chains: With more than one million tonnes of plywood, sawn timber and downstream furniture exported, wood products rank fourth by value. They are less directly affected by the new U.S. schedule but remain vulnerable to demand slowdowns in Japan, the EU and China—markets that often echo U.S. retail trends with a short lag.

Garments, footwear and toys: The combined USD 5.05 billion earned from HS 61, 62 and 64 already represents 45 percent of total provincial exports. These chapters fall directly under Washington's 32 percent "reciprocal" tariff band, leaving almost half of Central Java's foreign-exchange earnings exposed to the full force of Trump 2.0. Because U.S. buyers remain the single largest end-market for Javanese apparel and footwear, a plausible 15–20 percent contraction in U.S. orders could wipe out USD 600–900 million in revenue within a year.

Wood products and furniture chains: With more than one million tonnes of plywood, sawn timber and downstream furniture exported, wood products rank fourth by value. They are less directly affected by the new U.S. schedule but remain vulnerable to demand slowdowns in Japan, the EU and China—markets that often echo U.S. retail trends with a short lag.

Agro-marine lines: Fishery exports (HS 03) and vegetable oils (HS 15) add a further USD 380 million. These commodities are priced on global auction or futures markets, so the immediate risk is price volatility rather than tariff incidence; nevertheless, any wave of seafood diversion from China or Vietnam could depress margins for Central Java's processors.

Cost-structure sensitivity: Input–output coefficients show that apparel production sources 32 percent of its inputs from imports, and footwear 34 percent. The province therefore suffers a double squeeze: higher U.S. tariffs on the revenue side and rupiah-denominated cost inflation when the currency weakens. A 10 percent rupiah depreciation—already visible in NDF trading—adds roughly 3.2–3.4 percent to total production costs, threatening profitability for medium-sized factories that typically operate on 4–6 percent margins.

Policy takeaway: Central Java's export profile underscores Indonesia's asymmetric tariff exposure. While West Java's electronics may grab headlines, it is the garment-and-footwear heartland of Semarang, Solo and the surrounding regencies that faces the sharpest, most immediate shock. Targeted measures—ranging from expedited tariff drawback on imported fabrics to accelerated certification for new non-U.S. buyers—will be essential to keep production lines running and employment stable in the province's labour-intensive industrial belt.

These findings echo Kohnert's (2018) observation that tariff shocks hurt regions differently depending on export specialisation, but they contradict Jones' (2021) argument that resource-based regions always bear the brunt; in this case, resource regions are partially insulated.

Synthesis with Prior Literature

The result-matrix generated by this study sits squarely within, yet also extends, the emergent literature on economy-wide tariff shocks. Most obviously, the finding that a 32 percent duty erodes Indonesian export earnings by roughly 4 percent while shaving 0.3 percent from GDP echoes Clausing & Lovely's simulation that universal tariffs impose a regressive, "hidden-tax" burden on the foreign exporter rather than a proportional loss across all domestic sectors. Where Clausing & Lovely quantify welfare incidence at the household level inside the tariff-imposing country, our

evidence documents the mirror image abroad: factories in Indonesia's labour-intensive belts shoulder both demand loss and imported-input cost inflation, a conjunction that transfer-prices the burden down the global value chain onto developing-country workers.

A second point of convergence is the Bown & Irwin (2019) account of reciprocal retaliation cycles. Although no economy has yet formally counter-tariffed the United States under the Trump 2.0 schedule, the diversion behaviour already recorded—Chinese printed-circuit boards arriving in Batam at double-digit discounts, ASEAN yarn exporters redirecting containers from Long Beach to Tanjung Priok—is functionally analogous to retaliatory pressure. Supply is not so much blocked as re-routed, but the welfare outcome is the same: volumes that once cleared at world prices in the United States now arrive in Indonesia at clearance prices, pushing utilisation below the 85-percent lean-manufacturing threshold and destroying local margins.

Where the present study adds nuance to the Krugman–Obstfeld–Melitz (2022) canonical framework is in its demonstration that nationwide tariffs propagate unevenly across sub-national space. Standard trade textbooks model incidence by sector and factor class, implicitly assuming that geography is a proxy for factor intensity. Our provincial mapping shows that assumption breaks down in middle-income, archipelagic economies: West-Java electronics and Central-Java apparel both use labour and imported capital intensively, yet experience radically different degrees of pass-through because their upstream linkages and buyer portfolios diverge. Conversely, coal-rich Kalimantan—where Stolper-Samuelson would predict severe terms-of-trade pain—turns out almost insulated thanks to explicit tariff exemptions on energy commodities. The upshot is that regional development policy cannot rely on national-average CGE outputs alone; it must incorporate network-aware, province-level vulnerability diagnostics.

Finally, the early evidence strengthens Grossman & Helpman's (2021) proposition that the political sustainability of tariffs hinges on the dispersion of their foreign costs. By broad-brushing every import line at 10 percent and then adding an eye-catching but still diffuse “reciprocal” premium, Washington ensures that no single U.S. lobby bears a concentrated, easily-mobilised loss. Indonesian costs, in contrast, are highly concentrated—USD 1 billion in the first year, but packed into a handful of Java districts. That asymmetry of concentration versus diffusion helps explain why the tariff persists politically in the United States even as the aggregate global efficiency loss rises, and why swift, geographically-targeted mitigation in Indonesia is essential to prevent localised labour-market distress from metastasising into broader social discontent.

Taken together, these cross-walks with prior scholarship reinforce three core insights: (1) universal tariffs magnify existing global-value-chain asymmetries instead of smoothing them; (2) retaliation dynamics can manifest as intra-regional dumping rather than formal counter-tariffs; and (3) the politics of protectionism exploit the spatial and sectoral skew in who can see and measure the losses. By documenting these channels in real time, the study not only corroborates but also sharpens the theoretical lens through which future researchers—armed with full post-implementation datasets—can evaluate the long-run welfare, distributional and political consequences of the Trump 2.0 tariff architecture.

CONCLUSION

The evidence marshalled in this study confirms that the Trump 2.0 tariff package represents the sharpest turn toward universalised U.S. protectionism in nearly a century. Its two-tier architecture—a blanket 10 percent duty overlaid with a 32 percent surcharge on Indonesian goods—puts roughly USD 26 billion in annual exports at risk and is likely to shave at least USD 1 billion (0.3 percent of GDP) from Indonesia's foreign-exchange earnings in 2025. The shock is highly uneven: West-Java electronics and Central-Java garment-footwear clusters account for almost half of the threatened value, while resource-rich regions such as Kalimantan and Sumatra are cushioned by energy-commodity exemptions and price effects rather than direct duties. Indirect spill-overs amplify the danger; China and other ASEAN partners already supply two-thirds of Indonesia's imported intermediates and, faced with their own U.S. demand shortfalls, are diverting discounted components into Indonesian markets—eroding utilisation rates by an estimated three to five percentage points in lean manufacturing lines.

Policy resilience therefore hinges on a swift, layered response. In the immediate term, Jakarta can reduce bilateral tensions by front-loading strategic imports from the United States and offering narrowly targeted MFN concessions on high-tech capital goods, shrinking the visible surplus before the ninety-day consultation window closes. Domestically, accelerated duty-drawback, VAT-refund facilitation and safeguard activation are essential to keep labour-intensive factories solvent while warding off diversion imports. Over the medium run, Indonesia must deepen market diversification—via fast-tracked ASEAN–BRICS+ accords and new agreements with African partners—and embed export-competitiveness grants for digitalisation, skills upgrading and energy efficiency into the next RPJMN, ensuring the economy climbs the value chain rather than competes solely on price.

These practical steps should be accompanied by a rigorous research agenda once post-implementation data mature. Priority tasks include estimating tariff-exchange-credit pass-through effects on household welfare, constructing firm-level resilience metrics with IBS-customs panel data, and testing the efficacy of safeguard measures through quasi-experimental designs. Extending political-economy models of tariff bargaining to mid-sized, value-chain-dependent economies like Indonesia would also refine theoretical insight and policy calibration.

Taken together, the findings underscore that Indonesia's vulnerability lies not merely in direct tariff incidence but in the complex web of regional supply chains and financial channels that transmit shocks. Proactive diplomacy, agile trade instruments and coordinated macro-financial support can soften the immediate blow and, more importantly, accelerate the structural shift toward higher domestic value added and diversified export destinations. In an era of weaponised interdependence, such agility and evidence-based strategy constitute Indonesia's most reliable defence against the next round of tariff brinkmanship.

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