

Indonesia seeking to appease Washington in tariff negotiations

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The Indonesian government of President Prabowo Subianto is in the process of negotiating a reduction in the so-called “reciprocal” tariff placed on the country by the Trump regime in the United States. Indonesia is one of a handful of nations Washington has given priority to in trade talks.

Indonesian Coordinating Minister for Economic Affairs Airlangga Hartarto has led a delegation to the US to meet with Trade Representative Jamieson Greer and representatives of the Department of Commerce and Department of the Treasury since April 20. The two parties agreed to a period of negotiations over sixty days, with US officials such as Secretary of Commerce Howard Lutnick signalling approval of Indonesia’s conciliatory approach as Jakarta attempts to appease the Trump regime.

Countries in Southeast Asia were particularly hard-hit by the tariffs announced on April 2, with Indonesia facing a 32 percent tariff on its exports to the US. Negotiations began after the Trump regime on April 9 put a 90-day pause on the tariffs in the face of financial turmoil.

The US is Indonesia’s second-largest export market after China, reaching \$US28.1 billion last year. This included approximately \$US4.8 billion in electrical and electronic equipment, \$US4.4 billion in clothing and textiles, and \$US2.6 billion in footwear. On the other hand, Indonesia’s imports from the US in 2024 totalled approximately \$US10.2 billion, with mineral fuels and associated products taking the largest proportion.

Agricultural products also formed a large percentage of imports from the US, reaching nearly \$US3 billion, with soybeans alone totalling \$US1.25 billion in 2024. Over 90 percent of Indonesia’s growing demand for soybeans is served by US imports. The imports of soybeans and wheat have both increased over the last

decade, by 62 percent and 41 percent respectively.

Jakarta has pledged to increase its imports from the US by as much as \$US19 billion, nearly tripling the current value of US goods coming into the country. Indonesia will increase imports of fuel and agricultural products including soybeans and wheat. The Indonesian government has also pledged to reduce constraints on businesses in the country.

Previously, state ministries and institutions were required to purchase products with at least 40 percent of their components from domestic sources. At the end of April, President Prabowo signed a regulation that reduces this quota to 25 percent, making US imports more accessible for companies operating in Indonesia.

Energy and Mineral Resources Minister Bahlil Lahadalia has stated that Indonesia also plans to increase its imports of US crude oil by ten-fold, and is reducing imports of refined oil from Singapore to favour the US. Oil imports from Singapore are reportedly being suspended for six months.

The US tariffs represent an intensification of the US-led war drive against China amid the breakdown of global capitalism. Washington is seeking to pressure countries in the region to align with it against Beijing. This is no doubt why it has given priority to talks with Indonesia, which has attempted to balance between Washington and Beijing.

China has been Trump’s main target, having initially had tariffs as high as 145 percent placed on its exports to the US. Beijing responded by imposing a 125 percent barrier on US imports. The tariffs effectively threatened to stop trade between the two largest economies in the world.

Talks between the US and China, held in Switzerland over the weekend of May 10, resulted in a reduction in the tariffs for 90 days, but the issue has not been

resolved as it is driven by Washington's attempt to maintain its global hegemony.

Tariffs on Indonesian exports to the US would have a significant impact on workers, as manufacturers would be compelled to cut costs to compensate for the expected loss of business. This could result in layoffs and redundancies for workers across Indonesia's large manufacturing industries, worsening the already severe unemployment and cost-of-living crisis.

Indonesian workers, like their fellow workers internationally, already face rising living expenses that outstrip their meagre wages. The Consumer Price Index in Indonesia, a measure of average household expenses, showed an increase in average home expenses of almost 70 percent from 2010 to 2023. The country's official unemployment rate was 4.76 percent as of February, which totals 7.28 million people out of work.

However, this figure hides the true nature of the unemployment conditions that workers face. Statistics Indonesia (BPS), which compiled the unemployment data, classifies anyone who works at least one hour a week, but less than 35 hours as either employed part-time or "half unemployed." As such, the real unemployment rate is certainly higher.

At the eve of the new year, the Manpower Ministry predicted severe job cuts in 2025, possibly up to 280,000, with 60 companies reportedly planning to conduct waves of redundancies.

Said Iqbal of the Confederation of Indonesian Trade Unions (KSPI) estimated that 60,000 layoffs had taken place during January and February alone. Said stated in March, "Over 60,000 people have lost their jobs, and this number is expected to reach hundreds of thousands in the coming months. This layoff crisis is very serious." In contrast, the Manpower Ministry claimed that only 24,036 people had been sacked through the first four months of the year.

Indonesia's attempts to mollify the US or diversify to different markets will not protect the Indonesian working class from the impact of the trade war. The economy is already slowing, recording a 4.87 percent year-on-year growth rate in the first quarter of 2025. It is the slowest the economy has grown in more than three years, and a far cry from the 8 percent rate Prabowo pledged when he was elected last year.

These conditions are already fuelling mass discontent. Protests, dubbed "Dark Indonesia," erupted

against Prabowo's austerity measures in February when the government announced that it was slashing \$US44 billion from the state budget in a Trump-styled attack on services like education and public works.

The government also established a sovereign wealth fund, called Danantara. Funded by the budget cuts, the president essentially took personal control of a large portion of the state budget, generating more dissatisfaction. Declining conditions caused by US tariffs will only add to public anger.



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