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USA-China Tariff Agreement, Prabowo's Program to Anticipate the USA-China Trade War

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ABSTRACT

The trade war between the two world economic giants, the USA and China, has an impact on Indonesia's export performance. The unilateral tariff increase policy by the US will successfully suppress other countries including Indonesia. In addition, Indonesia has also become a target for Chinese exports in the midst of the Trade War. While waiting for an agreement, China has diverted exports from the US to Indonesia and Vietnam. The trade war has hit China's exports to the USA. As a result, China has diverted exports to a number of countries, including Indonesia, so that this will have an impact, including: (1). This increase occurred in exports to Southeast Asia and the European Union. Thailand, Vietnam, and Indonesia are the highest export destination countries with a total value of 14.8%; (2). Halting the global economic recovery and continuing to endanger investment and growth and slowing global economic growth which has a negative impact on Indonesian exports. Prabowo's Program to Anticipate the US-China Trade War includes: (1). Expansion of Global Trading Partners; (2). Acceleration of Natural Resources Downstreaming; (3). Strengthening Domestic Consumption.

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INTRODUCTION

Beijing has conveyed a very clear symbolic message to Washington and the international community. Negotiations are being held in Geneva as the headquarters of the WTO. Therefore, negotiations could be tough and long before reaching a final agreement and its implementation. According to Caroline Freund and Christine (July 2016), trade negotiations with the US will take 1.5 to 3 years.

In fact, in the US agreement document with the UK, May 8, 2025, there is a clause stating that both parties agree to enforce the document not as a legally binding document. Therefore, it may not be good if Indonesia is too hasty and gives the impression of being "a good boy" to reach an agreement. (Kompas.id, 19/05/2025)

Will the unilateral tariff increase policy by the US succeed in suppressing other countries including Indonesia? The answer to this question will of course depend first on market and political sentiment in the US towards Donald Trump's policy.

For market sentiment, indicators include unemployment rates, inflation, stock prices, and bonds. If these indicators worsen, market players may respond negatively. The performance of the Trump administration's 100 days has not shown an impressive reputation.

The tension in institutional relations between Trump and Jerome Powell as Governor of the US Central Bank or The Fed also affects the quality of market sentiment. So do the views of economists. Around 1,500 US economists (including several Nobel laureates) have signed Trump's Anti-Tariff Declaration. Trump is faced with a negative narrative regarding his tariff policy.

1) The biggest enemy in terms of market sentiment is related to two things.
   (1) *First*, how effective the tariff policy will be in the next 90 days.
   (2) *Second*, how the policy can be strongly embedded in the academic community in the US. Trump's biggest enemy is time.
2) Trump's policy can also be halted if domestic political sentiment spreads. Before winning the presidential election, the idea of increasing tariffs did not gain support across a broad spectrum.
   A University of Massachusetts survey showed that only 59% of Republican voters supported a 10% tariff increase, while only 37% of independents and around 21% of Democratic voters.
3) These figures show that there is a polarization situation in US society (Peter Dombrowski, Trump Project 2025 and American Grand Strategy, in "Survival", December-January 2025).
   (1) If the narrative of economists opposing Trump becomes stronger, irrational "herding" behavior could also become stronger. Several survey reports published by several media in the US about the performance of the 100 days of the government conveyed signals that public support for Trump has indeed worsened.
   (2) If this public sentiment continues to decline, Trump's opponents will likely also take advantage of the country's checks and balances system

to control the power of a president. Through the judicial review mechanism in the Supreme Court, his opponents will likely question whether the executive branch has exceeded its constitutional authority when launching a policy.

According to the Secretary-General of the Organization for Economic Cooperation and Development (OECD) Angel Gurria, Monday (20/5/2019). The trade war between the United States (US) and China has halted global economic recovery and continues to endanger investment and growth. (cnbcindonesia.com, 20/05/2019).

The Organisation for Economic Co-operation and Development (OECD) said the protracted trade war between the United States (US) and China is the cause of the slowdown in global economic growth:

1) The OECD estimates that global trade growth will only reach 2% in 2019, the lowest level since the 2008 global financial crisis. The OECD urges its member countries to coordinate fiscal and monetary policies to overcome the slowdown in economic growth.
2) The OECD projects that global economic growth will improve to 3.4% in 2020. The economic growth of G20 member countries in 2019 is predicted to reach 3.4% while in 2020 it will reach 3.6%.

US-China Trade War Negatively Impacts Indonesian Exports; The 2019 Mid-Year Review Book of the Institute for Development of Economic and Finance (Indef, 12/08/2019). Mentions that the trade war that is heating up between the two economic giants, the United States (US) and China, has an impact on the export performance of several countries. Indonesia is one of the countries negatively impacted by the trade war on exports, which is predicted to be minus until the end of 2019.

1) Indonesia 0.24%, (exports of European countries are predicted to be minus 0.32);
2) Japan minus 0.92%;
3) Oceania down 0.62%;
4) India down 0.08%; and
5) Africa down 0.01%.

On the other hand, the trade war has not had much impact on several countries, such as: Vietnam which is predicted to record positive export growth of 2.58%. In addition, other countries that recorded a positive impact of the trade war in terms of exports were:

1) Malaysia which increased by 0.39%;
2) Singapore by 0.53%; and
3) Thailand by 0.23%.

Indonesia Also Became A Target For Chinese Exports; In addition, Indonesia also became a target for Chinese exports amid the Trade War. While waiting for an agreement, China diverted exports from the US to Indonesia and Vietnam.

The United States and China began the latest round of trade negotiations. The trade war hit China's exports to the US. As a result, China diverted exports to a number of countries, including Indonesia, so that this will have an impact, including:

1) The trade war has had a bad impact on China. Their exports to the US fell 35% as of May 2025 compared to the same period in 2024.
2) Indeed, globally, China is still enjoying a trade surplus. China's exports increased by 4.8% and imports decreased by 3.4%.
3) This increase occurred in exports to Southeast Asia and the European Union. Thailand, Vietnam, and Indonesia are the highest export destination countries with a total value of 14.8%.

LITERATURE REVIEW

The interaction between the USA-China Tariff/Trade War dynamics and Indonesia's economic strategy under President Prabowo Subianto highlights how emerging economies navigate superpower friction.

1. USA-China Tariff Dynamics & Bilateral Deals
   1) The global trade landscape continues to be shaped by retaliatory tariffs, supply chain realignments, and bilateral tariff negotiations between Washington and Beijing.
   2) The Trade Mechanism: Broad tariffs imposed on Chinese exports force multinational corporations to pursue "China Plus One" diversification.
   3) Bilateral Bargaining: Emerging economies must secure individual concessions to maintain export competitiveness in Western markets. Under President Prabowo Subianto, Indonesia negotiated with Washington to lower reciprocal tariffs to 19%, cushioning its labor-intensive sectors like textiles, manufacturing, and electronics.
2. Theoretical Framework: Hedging & Strategic Autonomy
   From an international political economy (IPE) perspective, President Prabowo's economic strategy relies on three main frameworks:
   1) Strategic Hedging & Non-Alignment (*Bebas-Aktif*): Refusing to pick sides in the US-China rift allows Indonesia to absorb capital and technology from both powers simultaneously.
   2) New Structural Economics: Transitioning from an exporter of unprocessed raw materials to an industrialized value-addition center through state-led industrial policy.
   3) Economic Security Framework: Viewing resource control, food security, and energy independence through a national security lens.

METHODOLOGY

Based on the background above, the formulation of the problem in this paper is: "US-China Tariff Agreement, *Prabowo Program. Anticipate The Trade War*"?

The Data Collection Technique uses Online Data Search/Internet searching, browsing, surfing or downloading data, Books, magazines, Journals, Theses, Dissertations, online news, media, websites and sources from experts related to matters related to "US-China Tariff Agreement, *Prabowo Program. Anticipate The Trade War*".

RESULTS AND DISCUSSION

Beijing has sent a very clear symbolic message to Washington and the international community. The negotiations were held in Geneva as the headquarters of the WTO.

1) The US-China trade war has temporarily subsided. Bilateral negotiations in Geneva, Switzerland, resulted in an agreement to mutually reduce import tariffs for 90 days, effective May 14, 2025.
2) US import duties on China fell from 145% to 30%, while China's tariffs on the US fell from 125% to 10%.
3) Observing the negotiation process carried out by China with the US, Beijing has sent a very clear symbolic message to Washington and the international community. Chinese negotiators did not come to Washington like other countries did.
4) The negotiations began and were held in Geneva as the headquarters of the World Trade Organization (WTO). This at least symbolizes China's strong commitment to multilateralism.

Therefore, the negotiations could be tough and long before reaching a final agreement and its implementation. According to Caroline Freund and Christine (July 2016), trade negotiations with the US will take 1.5 to 3 years.

In fact, in the US agreement document with the UK, May 8, 2025, there is a clause stating that both parties agree to enforce the document not as a legally binding document. Therefore, it may not be good if Indonesia is too hasty and gives the impression of being "a good boy" to reach an agreement. (Kompas.id, 19/05/2025)

Narrative Battle

Will the US's unilateral tariff increase policy succeed in suppressing other countries, including Indonesia? The answer to this question first of all depends on market and political sentiment in the US towards Donald Trump's policy.

For market sentiment, indicators include unemployment rates, inflation, stock prices, and bonds. If these indicators worsen, market players may respond negatively. The Trump administration's 100-day performance has not shown an impressive reputation. Tensions in the institutional relationship between Trump and Jerome Powell as the Governor of the US Central Bank or The Fed also affected the quality of market sentiment. So did the views of economists. Around 1,500 US economists (including several Nobel laureates) have signed the Trump Anti-Tariff Declaration. Trump is faced with a negative narrative against his tariff policies.

1) The biggest enemy in terms of market sentiment is related to two things. First, how effective the tariff policy will be in the next 90 days. Second, how

the policy can be strongly embedded in the academic community in the US. Trump's biggest enemy is time.

2) Trump's policy can also be halted if domestic political sentiment spreads. Before winning the presidential election, the idea of increasing tariffs did not get support across a wide spectrum. A University of Massachusetts survey showed that only 59% of Republican voters supported a 10% tariff increase, while only 37% of independents and around 21% of Democratic voters.
3) These figures show that there is a polarization situation in US society (Peter Dombrowski, Trump Project 2025 and American Grand Strategy, in "Survival", December-January 2025).
4) If the narrative of economists opposing Trump gets stronger, irrational "herding" behavior could also get stronger. Several survey reports published by several media in the US about the performance of the 100 days of the government conveyed signals that public support for Trump has indeed worsened.

Public Sentiment

If this public sentiment continues to decline, Trump's opponents will likely also take advantage of the country's checks and balances system to control the power of a president. Through the judicial review mechanism in the Supreme Court, his opponents will likely question whether the executive branch has exceeded its constitutional authority when launching a policy.

By using the "major questions doctrine" doctrine, a legal provision issued by the executive can be challenged in the Supreme Court. Will this major questions doctrine be used to resolve Trump's tariff case? What is certain is that Gavin Newsom, Governor of California, is filing a lawsuit in the US Federal Court, questioning Trump's authority in increasing these tariffs.

Global Impact of the US-China Trade War

According to the Organization for Economic Co-operation and Development (OECD, 05/22/2019), it is projected that global economic growth in 2019 will only reach 3.2%. This figure is lower than the global economic growth in 2018 of 3.5%.

The protracted trade war between the United States (US) and China is the cause of the slowdown in global economic growth.

1) It is estimated that global trade growth will only reach 2% in 2019, the lowest level since the 2008 global financial crisis. The OECD urges its member countries to coordinate fiscal and monetary policies to overcome the slowdown in economic growth.
2) It is projected that global economic growth will improve to 3.4% in 2020. The economic growth of the G20 member countries in 2019 is predicted to reach 3.4% while in 2020 it will reach 3.6%.

For more details on the OECD's global economic growth projections, see the Indonesian language graph below:

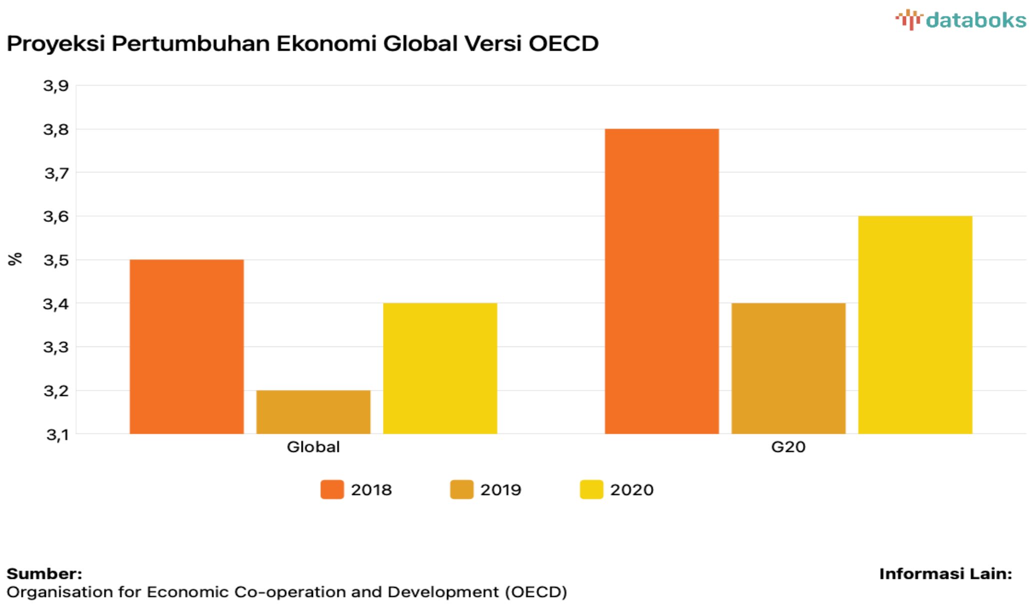

Figure 1. Details on the OECD's Global Economic Growth Projections

Impact of the US-China Trade War on Indonesian Exports

Based on the 2019 mid-year study book of the Institute for Development of Economic and Finance (Indef, 12/08/2019). Mentioning, the trade war that is heating up between the two economic giants, the United States (US) and China, has an impact on the export performance of several countries. Indonesia is one of the countries negatively impacted by the trade war on exports, which is estimated to be minus 0.24% by the end of 2019.

1) Apart from Indonesia, exports of European countries are predicted to be minus 0.32;
2) Japan minus 0.92%;
3) Oceania down 0.62%;
4) India down 0.08%; and
5) Africa down 0.01%.

On the other hand, the trade war has not had much impact on several countries, such as Vietnam which is predicted to record positive export growth of 2.58%. In addition, other countries that recorded a positive impact of the trade war in terms of exports are:

1) Malaysia which rose by 0.39%;
2) Singapore by 0.53%; and
3) Thailand by 0.23%.

For more details on the impact of the trade war on Indonesian exports, see the graph below:

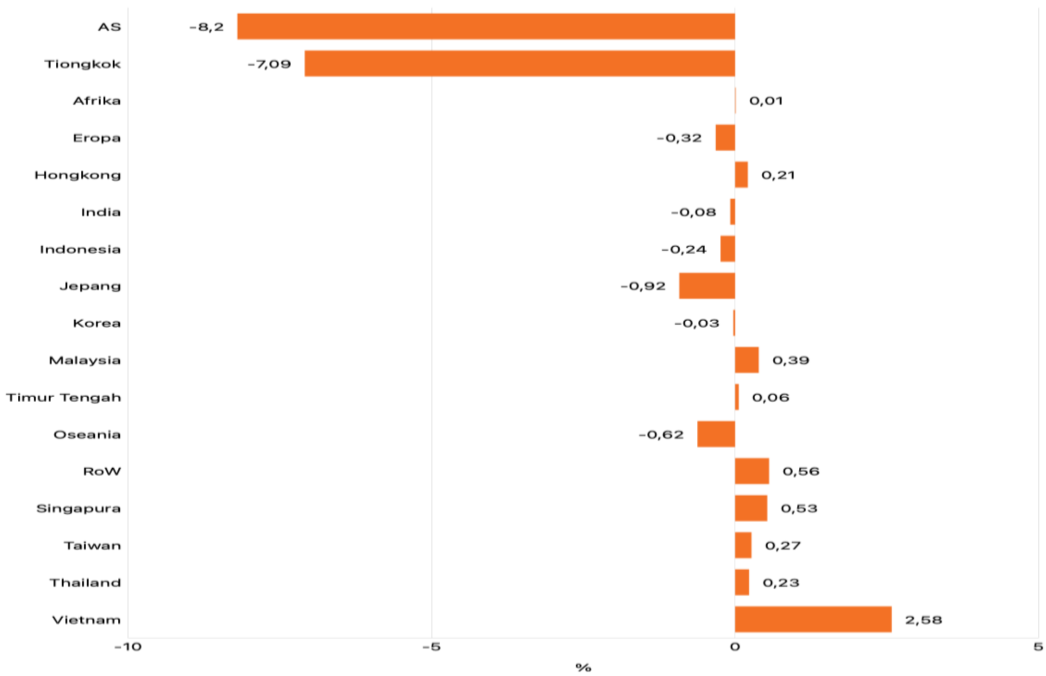

Figure 2. The impact of the trade war on Indonesia's exports
Source : INDEF

Indonesia Becomes China's Export Target Amid Trade War

US-China begins new round to ease trade war. While waiting for an agreement, China diverts exports from the US to Indonesia and Vietnam.

The United States and China begin the latest round of trade negotiations. The trade war has hit China's exports to the US. As a result, China has diverted exports to a number of countries, including Indonesia.

The next round of US-China negotiations was held starting Monday (9/6/2025) evening Indonesian time, in London, England. This provides new enthusiasm, albeit a little, for the global market which is still worried about the long-term impact of the trade war between the two countries.

The Chinese delegation was led by Vice Premier He Lifeng. Meanwhile, the US delegation was led by the trio of Trade Minister Howard Lutnick, Finance Minister Scott Bessent, and Trade Representative Jamieson Greer. The negotiations were announced last week, after Chinese President Xi Jinping called US President Donald Trump.

1) The trade war has had a negative impact on China. Their exports to the US fell 35% as of May 2025 compared to the same period in 2024.
2) Indeed, globally, China is still enjoying a trade surplus. China's exports increased by 4.8% and imports decreased by 3.4%.
3) This increase occurred in exports to Southeast Asia and the European Union. Thailand, Vietnam, and Indonesia are the highest export destinations with a total value of 14.8%. In other words, there was a spike in exports to the three countries amid the trade war. (Kompas.id, 9/6/2025).

According to Chinese economist Lu Daliang, he told the Xinhua news agency that basically, China's global trade is still strong. Indeed, the trade war with the US brings challenges, but it is not yet serious enough to shake the country's economy.

Public consumption in the US and China has also decreased. Moreover, people are still trying to manage their finances while trying to meet their living needs. Their purchasing power has not fully recovered since the Covid-19 pandemic.

1) The Organisation for Economic Co-operation and Development (OECD) estimates that the US economy will grow by only 1.6% in 2025. Previously, they had estimated that the potential growth was at least 2.2%.
2) In countries that raise tariffs, inflation will also increase and reduce people's purchasing power, the OECD said.
3) The Target, Walmart and Best Buy department store chains in the US have also issued estimates that the prices of the goods they sell will increase due to inflation. Shoe manufacturer Nike also made a similar statement. In fact, two-thirds of the US economy is driven by public spending.

For more details on what the USA sells: the main products of the USA exported to China can be seen in the Indonesian language infographic below:

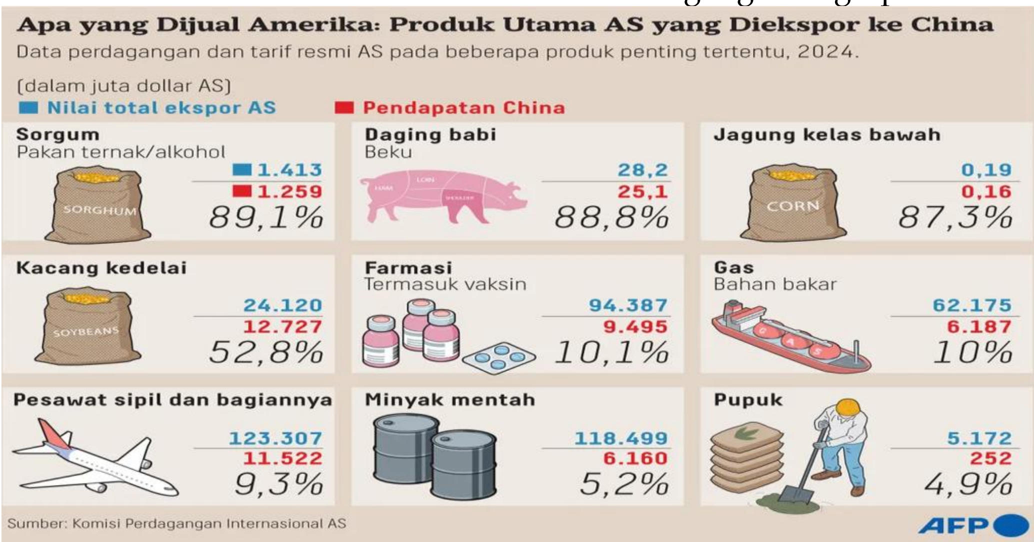

Figure 3. Details on What the USA Sells

Market Hopes

The US-China negotiation plan provides a glimmer of hope for the global market. The Nikkei, Dow Jones, and S&P 500 stock exchanges rose, albeit by less than 1%. However, the European stock exchange fell. Economists said it was too early to make estimates because the market was still anxious. They are waiting for the results of this round of negotiations before they can determine the next steps. The trade war has been going on since last April when Trump unilaterally imposed retaliatory import tariffs on all US trading partner countries. China was charged the highest tariff, namely 145%. Beijing responded to Trump's actions by imposing a 125% import tariff on US commodities. Global trade was hit because the supply chain is highly dependent on the synergy between the two countries. The Chinese and US delegations then met in Geneva, Switzerland, in May. At the meeting, they agreed to suspend the trade war for 90 days, starting from May 12, 2025.

China's Policy Pressures the Global Automotive Industry

China tightens exports of rare earth metals. Automotive manufacturers are preparing to stop production due to a shortage of raw materials. Despite the "truce," Washington and Beijing have been both vocal and have been attacking each other in diplomatic statements. Trump has banned visas for Chinese students studying in the US. In turn, China has refused to export their rare earth metals and critical minerals to the US, which has had an impact on the semiconductor, defense and automotive industries. Xi and Trump finally spoke on the phone and agreed to hold a new round of trade talks. The talks were held in London, but the British government refused to divulge the location. "China has almost a monopoly on the production of critical minerals. This is their weapon in the negotiations," Robin Xing, a China expert at Morgan Stanley, told CNN (05/12/2025). The trade war has also made China more protective of its critical minerals. Leah Fahy, an analyst at Capital Economics, said China is also tighter in its trade in critical minerals with other countries. They understand the extent of the world's dependence on these minerals. (AP/Reuters, 06/09/2025).

Prabowo's Program to Anticipate the USA-China Trade War

In https://www.tempo.co, (6/04/2025). The Indonesian government responded to the increase in import tariffs imposed by the United States under President Donald Trump's new policy with strategic steps that had been prepared well in advance. In facing global challenges, including the United States' new tariff policy, President Prabowo showed his keenness in seeing geopolitical dynamics. A deep understanding of international relations and global trade is a major strength in maintaining Indonesia's economic stability.

1) Expansion of Global Trading Partners

   The first breakthrough was to expand Indonesia's trade network with various countries. One of them was done through Indonesia's membership application in BRICS (Brazil, Russia, India, China, and South Africa), which covers around 40 percent of global trade. Indonesia is also active in various multilateral trade agreements such as RCEP which involves ASEAN countries as well as Australia, Japan, South Korea, and New Zealand. RCEP itself covers 27 percent of world trade. Indonesia also has access to organizations such as the OECD (64 percent of global trade) and other agreements such as CP-TPP, IEU-CEPA, and I-EAEU CEPA. On a bilateral scale, Indonesia has established trade cooperation with various countries such as Japan, South Korea, Australia, Pakistan, the United Arab Emirates, to Iran and Chile.

2) Accelerating Downstream Natural Resources

   The second breakthrough is to accelerate the downstreaming of natural resources to increase the added value of Indonesian exports. For example, Noudhy mentioned the surge in the export value of nickel and its derivatives from US$ 3.7 billion in 2014 to US$ 34.3 billion in 2022. President Prabowo also launched the Danantara Investment Management Agency (BPI) on February 24, 2025, which is designed to fund and manage downstream projects in strategic sectors such as minerals, coal, oil and gas, plantations, fisheries, and forestry.

"With this step, Indonesia will not only increase export competitiveness, but also reduce dependence on foreign investment and create new jobs,".

3) Strengthening Domestic Consumption

The third breakthrough is to strengthen the resilience of domestic consumption. The government is targeting to increase people's purchasing power through programs such as Free Nutritious Meals (MBG), which is projected to reach 82 million beneficiaries by the end of 2025. In addition, President Prabowo also initiated the formation of 80,000 Red and White Village Cooperatives (KDMP) to strengthen the village economy, open millions of new jobs, and accelerate economic turnover in the regions. Strengthening household consumption which contributes around 54 percent to Indonesia's Gross Domestic Product (GDP) will be the mainstay of national economic growth.

"By strengthening international trade relations, optimizing the potential of natural resources, and increasing domestic consumption, President Prabowo has proven that Indonesia can continue to grow even in the midst of a global situation full of uncertainty". (Tempo, 6/04/2025).

CONCLUSIONS AND RECOMMENDATIONS

The trade war that is heating up between the two economic giants, the United States (US) and China, has had an impact on the export performance of several countries. Indonesia is one of the countries negatively impacted by the trade war on Indonesian exports minus 0.24%. In addition, Indonesia has also become a target for Chinese exports amid the Trade War. While waiting for an agreement, China diverted exports from the US to Indonesia and Vietnam.

The United States and China have begun the latest round of trade negotiations. The trade war has hit China's exports to the US. As a result, China has diverted exports to several countries, including Indonesia, so that this will have an impact, including: (i) The trade war has had a bad impact on China. Their exports to the US fell 35% as of May 2025 compared to the same period in 2024; (ii) Indeed, globally, China is still enjoying a trade surplus. China's exports increased by 4.8% and imports decreased by 3.4%; (iii) This increase occurred in exports to Southeast Asia and the European Union. Thailand, Vietnam, and Indonesia are the highest export destinations with a total value of 14.8%. In other words, there has been a spike in exports to the three countries amid the trade war. The unilateral tariff increase policy by the US will succeed in suppressing other countries, including Indonesia. This depends on market and political sentiment in the US towards Donald Trump's policy. Therefore, it may not be good if Indonesia is too hasty and gives the impression of being "a good boy" to reach an agreement. For market sentiment, indicators include unemployment rates, inflation, stock prices, and bonds. This means that Trump's policy could also be halted if domestic political sentiment spreads. Before winning the presidential election, the idea of increasing tariffs did not get support across a broad spectrum. The US-China trade war has halted the global economic recovery and continues to endanger investment and growth. The Organisation for Economic Co-operation and Development (OECD) said the protracted trade war between the United States (US) and China is the cause of the slowdown in global economic growth: (i) The OECD estimates that global trade growth will only reach 2% in 2019, the lowest level since the 2008 global financial crisis; (ii) The OECD projects that global economic growth will improve to 3.4% in 2020. The economic growth of G20 member countries in 2019 is predicted to reach 3.4% while in 2020 it will reach 3.6%; (iii) The US-China Trade War Has a Negative Impact on Indonesian Exports

Prabowo's Program to Anticipate the US-China Trade War includes: (i) Expansion of Global Trading Partners; The first breakthrough is to expand Indonesia's trade network with various countries. One of them is done through Indonesia's membership application in BRICS (Brazil, Russia, India, China, and South Africa), which covers around 40 percent of global trade. (ii) Acceleration of Natural Resources Downstreaming; The second breakthrough is to accelerate the downstreaming of natural resources to increase the added value of Indonesian exports. For example, Noudhy mentioned the surge in the export value of nickel and its derivatives from US$ 3.7 billion in 2014 to US$ 34.3 billion in 2022. (iii) Strengthening Domestic Consumption; The third breakthrough is to strengthen domestic consumption resilience. The government is targeting to increase people's purchasing power through programs such as Free Nutritious Meals (MBG), which is projected to reach 82 million beneficiaries by the end of 2025.

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