# The Impact of Unilateral Trade Tariffs on Indonesia's Export Performance and Policy Responses: A Quantitative Study of the Effects of United States Tariffs

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## ABSTRACT

The imposition of unilateral tariffs by the United States on various imported products, including those from Indonesia, has significant implications for international trade performance. This protectionist policy reflects the global trend toward neo-protectionism, which is often associated with increasing domestic political pressure and global economic uncertainty. This study aims to analyze the impact of unilateral US tariffs on Indonesian exports by examining changes in export volume, commodity prices, and competitive position in the US market. The methodology used includes quantitative descriptive analysis based on data from the Central Statistics Agency (BPS), the Indonesian Ministry of Trade, and the World Trade Organization (WTO), as well as strengthening international trade theory such as the gravity model and comparative advantage theory. The analysis shows that the imposition of US tariffs has led to a decline in exports in certain sectors, particularly manufacturing-based products and low-value-added commodities, while simultaneously encouraging export market diversification and strategies to strengthen the added value of domestic products. These findings emphasize the importance of adaptive trade policies through economic diplomacy, expanding non-traditional market access, and utilizing free trade agreements (FTAs) as a mitigation strategy. The implications of this research contribute to the formulation of a more resilient Indonesian foreign trade policy against global protectionist shocks.
**Keywords:** United States Unilateral Tariffs, Indonesian exports, international trade, protectionism.

## INTRODUCTION

International trade is a key pillar of global economic growth, with trade liberalization and multilateral regimes such as the World Trade Organization (WTO) playing a central role in maintaining market openness and stable flows of goods. However, in the last decade, protectionist trends have seen a significant resurgence. The Trump administration (2017–2021) marked a significant milestone in this paradigm shift, with the implementation of the America First policy, which prioritized US domestic interests over multilateral commitments. One of the most prominent protectionist instruments was the imposition of unilateral trade tariffs on various trading partners, including Indonesia. These tariffs were imposed outside of multilateral negotiation mechanisms, in some cases reaching 32%, in addition to a universal 10% tariff, resulting in a total effective tariff burden of approximately 42% on certain products (indef.or.id, rsis.edu.sg).

Theoretically, trade tariffs have direct implications for market mechanisms. According to Krugman & Obstfeld (2018), tariffs can distort the relative prices of goods, reduce market efficiency, and weaken comparative advantage. Furthermore, Bown (2020) emphasizes that unilateral tariff policies tend to create market uncertainty and disrupt global supply chains. From an international political economy perspective, such policies not only reflect economic motives but also contain strategic political dimensions (Gilpin, 2001). For Indonesia, which has a high level of economic openness, unilateral US tariff policies have significant economic consequences. The United States is one of Indonesia's main export markets, with the value of goods trade in 2024 reaching USD 28.1 billion for exports and USD 10.2 billion for imports, resulting in a trade surplus of USD 17.9 billion (ifgprogress.id, census.gov). Products affected by high tariffs include textiles, footwear, rubber, furniture, and electronics—sectors that cumulatively employ millions of domestic workers and contribute significantly to foreign exchange earnings.

The economic impacts of these tariff policies could potentially include decreased export volume, decreased industrial profitability, reduced production capacity, and even threats to job stability. Furthermore, dependence on the US market increases Indonesia's vulnerability to policy shocks. This aligns with Rodrik's (2011) view that developing countries with narrow export market concentrations tend to be more vulnerable to fluctuations in the trade policies of their major partner countries. In addressing this situation, government policy responses play a crucial role. Adaptive public policy approaches—including trade diplomacy, fiscal incentives, facilitating market diversification, and increasing product value-added—can moderate the negative impacts of tariff policies. Policy responsiveness theory emphasizes that policy effectiveness is largely determined by the speed of implementation, the relevance of interventions to market needs, and the appropriate scale of interventions (Howlett & Ramesh, 2014).

Based on the above description, this study aims to: (1) Analyze the relationship between the unilateral tariff levels imposed by the US on Indonesia and Indonesia's export performance to the US market in the 2015–2024 period. (2) Test the role of the intensity of the Indonesian government's policy response in moderating the negative impact of tariffs on export performance. The academic contribution of this study lies in the integration of economic analysis and public policy within a quantitative framework, particularly by including moderating variables that are rarely tested in similar studies in the Indonesian context. Practically, the research findings are expected to provide input for the government in formulating evidence-based international trade policies, while strengthening national economic resilience amidst the increasingly complex dynamics of global protectionism.

## LITERATURE REVIEW

The relationship between trade tariffs and export performance has become a major focus of international economic studies, particularly in the context of increasingly integrated globalization. Classical international trade theory, as proposed by Krugman and Obstfeld (2018), states that tariffs can disrupt market efficiency by reducing trade volume and eroding the exporting country's comparative advantage. This is caused by increasing the price of exported goods in the destination market, which in turn reduces the competitiveness of those products.

Bown (2020) emphasized that unilateral trade measures—such as the imposition of additional tariffs by the United States in 2018–2019—not only impact bilateral relations but also disrupt global supply chains and create market uncertainty. This domino effect is particularly pronounced in developing countries that rely on exports to developed markets, due to their high economic dependence on external demand. Recent literature also shows that the effects of tariffs are not only purely economic but also encompass a political dimension of trade. Evenett and Fritz (2021), in their Global Trade Alert report, note that post-2018 protectionist policies have seen a significant increase, with over 60% of new trade measures discriminating against specific trading partners. This reinforces the view that modern trade wars are more strategic-political than simply protecting domestic industries.

In the context of developing countries, responding to external trade shocks requires adaptive and responsive governance. Rodrik (2011) emphasized that a country's ability to formulate targeted, timely, and evidence-based policies is crucial for effectively mitigating the impact of tariffs. This view is reinforced by Baldwin (2022), who highlights the importance of policy agility in the digital economy era, where changes in global trade policy can occur suddenly and on a large scale. However, empirical research specifically examining the relationship between unilateral tariffs and Indonesia's export performance remains relatively limited. Most studies, such as that conducted by Antras and Chor (2021) in the Annual Review of Economics, focus primarily on developed countries or other large economies. This research gap is crucial to fill, given that Indonesia is a major exporter of commodities and manufactured products in the ASEAN region, with a trade structure heavily influenced by the external policies of its major trading partners.

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This research not only quantitatively examines the impact of unilateral tariffs on Indonesia's export performance but also integrates analysis of the policy dimensions and dynamics of international trade politics. This approach is expected to provide a comprehensive picture of how developing countries can anticipate and respond more strategically to protectionist policies.

## 2.1 Research Framework and Hypotheses

This research adopts a conceptual framework that positions unilateral tariffs imposed by the United States on Indonesian exports as the independent variable (X), Indonesia's export performance to the US as the dependent variable (Y), and the intensity of government policy responses as the moderating variable (Z). International political economy and public policy theories serve as the conceptual foundation, assuming that government policies can strengthen or weaken the impact of external disturbances, including tariff policies.

Theoretically, tariffs increase the price of goods in the destination country, thereby reducing the competitiveness of exported products. However, government policy responses such as export subsidies, trade diplomacy, and industrial incentives can lower costs, improve market access, and maintain stable trade flows.

### 2.1.1 Research Framework Diagram

This research framework diagram illustrates the relationship between variables X (Unilateral Tariff), Y (Export Performance), and Z (Government Policy Response Intensity) as a moderating variable.

X (Unilateral Tariff) -----> Y (Export Performance)

↓

Z (Moderation: Policy Response Intensity)

### 2.1.2 Operationalization of Variables and Research Hypotheses

#### *2.1.2.1 Operationalization of Variables*

**Research Variables and Indicators**

| Variable | Indicator | Measurement Scale | Data Source |
|---|---|---|---|
| Unilateral Tariff (X) | Percentage of import tariffs imposed by the US on Indonesian export products | Ratio (%) | United States International Trade Commission (USITC) |
| Export Performance (Y) | Total value of Indonesia's annual exports to the US (million USD) | Nominal (USD) | BPS, UN Comtrade |
| Policy Response Intensity (Z) | Composite index based on policy frequency, scope, and scale | Index (0-1) | Ministry of Trade of the Republic of Indonesia, Ministry of Industry |

#### *2.1.2.2 Hypothesis*

H1: Unilateral tariff increases significantly reduce Indonesia's export performance to the United States.

H2: The intensity of the government's policy response moderates the relationship between tariffs and export performance, thereby reducing their negative impact.

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## 3.0 RESEARCH METHODOLOGY

This research uses an explanatory quantitative research approach, designed to empirically test causal relationships between variables. This approach is relevant because it can measure the magnitude of the influence of an independent variable on a dependent variable and test for the presence of moderating effects from other variables (Creswell & Creswell, 2018). In this context, the independent variable studied is unilateral tariffs (X), the dependent variable is export performance (Y), and the moderating variable is the intensity of government policy responses (Z).

The data used is secondary data taken from official and trusted sources, both national and international, to ensure the validity and reliability of the findings (Neuman, 2014). The observation period covers 2015–2024 to capture medium- and long-term trends and accommodate the fluctuating dynamics of international trade policy.

1. Unilateral tariff rates are obtained from the Annual Reports of the United States Trade Representative (USTR) and product-specific tariff documents published by the United States International Trade Commission (USITC).

2. Indonesia's export performance to the United States is measured based on the total annual export value (in millions of USD) reported by Statistics Indonesia (BPS) and verified with UN Comtrade data for consistency.

3. Government policy responses are operationalized through content analysis techniques, which are used to code each trade-related policy action, such as export incentives, market diversification, or bilateral trade negotiations.

**The policy response intensity index is formed from a composite score based on three dimensions:**

1. Frequency – the number of policy actions implemented within a given period.

2. Coverage – the extent of sectors or products covered by the policy.

3. Strength of Implementation – the level of enforcement or effectiveness of the policy, assessed by the success of implementation and program sustainability.

This index approach is in line with the methodology used in international trade policy research (Baccini et al., 2022).

Statistical analysis was conducted using multiple linear regression to estimate the effect of unilateral tariffs on export performance. Furthermore, an interaction variable between tariffs and the intensity of the policy response was included to test the moderating role. According to Hayes (2018), this technique is effective in identifying whether moderating variables can weaken or strengthen the primary relationship between X and Y.

SPSS and STATA software were used in parallel to ensure data processing accuracy and avoid bias that might arise from using a single analysis platform. Classical assumption tests—including normality, multicollinearity, heteroscedasticity, and autocorrelation—were conducted to ensure the validity of the regression model. Based on this methodological design, the research is expected to provide robust and policy relevant empirical findings, as well as offer theoretical contributions to the study of the political economy of international trade and public administration in the context of trade policy.

## RESULTS AND DISCUSSION

The results of the multiple regression analysis show that unilateral tariffs imposed by the United States on Indonesian exports have a significant negative impact on national export performance to that country. The regression coefficient for the unilateral tariff variable ($\beta = -0.63$, $p < 0.01$) indicates that every 1% increase in import tariffs is followed, on average, by a 0.63% decrease in export performance, with a high level of significance. This finding confirms the first hypothesis (H1), which states that protectionist tariff policies from major trading partners can erode the competitiveness of Indonesian products in the global market, particularly in the United States.

**Table 1. Regression Results: Effect of Unilateral Tariffs on Export Performance**

| **Variable** | **Coefficient (β)** | **Std. Error** | **t-value** | **p-value** | **Hypothesis** |
|---|---|---|---|---|---|
| Unilateral Tariff (X) | -0.63 | 0.12 | -5.25 | <0.01 | H1: Supported |
| Constant | 4.87 | 0.98 | 4.97 | <0.01 | — |
| $R^2$ | 0.42 | | | | |
| Adj. $R^2$ | 0.40 | | | | |
| Observations (N) | 120 | | | | |

A 1% increase in unilateral tariffs reduces export performance by 0.63% on average ($p < 0.01$), confirming H1. Theoretically, these results align with the international trade theory proposed by Krugman and Obstfeld (2018), which explains that tariff barriers reduce trade volume by raising the relative price of imported goods, thereby decreasing demand. In the Indonesian context, products subject to high tariffs lose price competitiveness, which in turn impacts export volume.

Furthermore, the moderating role of government policy response also shows significant results. The interaction test between tariffs and government policy responses ($\beta = +0.28$, $p < 0.05$) demonstrates that proactive trade policies can mitigate—though not completely eliminate—the negative effects of tariffs on export performance.

**Table 2. Moderating Effect of Government Policy Response**

| **Variable** | **Coefficient (β)** | **Std. Error** | **t-value** | **p-value** | **Interpretation** |
|---|---|---|---|---|---|
| Unilateral Tariff (X) | -0.63 | 0.13 | -4.85 | <0.01 | Negative main effect |
| Government Policy (Z) | 0.21 | 0.09 | 2.33 | 0.02 | Positive direct effect |
| **Variable** | **Coefficient (β)** | **Std. Error** | **t-value** | **p-value** | **Interpretation** |
| Interaction Term (X × Z) | +0.28 | 0.11 | 2.55 | <0.05 | Significant positive moderation |
| Constant | 4.56 | 1.02 | 4.47 | <0.01 | — |
| $R^2$ | 0.51 | | | | |
| Adj. $R^2$ | 0.49 | | | | |
| Observations (N) | 120 | | | | |

Government policy responses moderate the negative impact of tariffs, with a significant positive interaction effect ($\beta = +0.28$, $p < 0.05$). However, mitigation capacity remains moderate.

Empirically, this pattern was evident during 2018–2020, when the United States imposed higher tariffs on strategic commodities such as textiles, rubber, and electronics. The Indonesian government, through the Ministry of Trade and the Ministry of Foreign Affairs, initiated bilateral negotiations, strengthened participation in multilateral forums such as the WTO, and accelerated free trade agreements (FTAs) with other countries. These actions opened new markets in East Asia, the Middle East, and Africa, thereby reducing dependence on the US market.

This finding resonates with Baldwin's (2020) notion of *shock absorbers* in international trade, which emphasizes that timely and targeted policy responses can absorb external shocks, maintaining domestic economic stability. Yet, the relatively moderate interaction coefficient (+0.28) suggests limitations in policy effectiveness, possibly due to structural issues such as dependence on commodities with high demand elasticity, underdeveloped logistics, and lack of diversification in high-value-added products.

From a policy implication perspective, these results highlight that the Indonesian government cannot merely react to protectionist measures but must adopt preemptive strategies. These include aggressive trade diplomacy, strengthening overseas trade representatives, and accelerating trade deals with non-traditional partners. Such measures function not only as reactive tools but also as preventive mechanisms against future tariff shocks.

In conclusion, the findings confirm that while protectionist policies from partner countries significantly suppress export performance, the intensity and quality of government responses play a critical role in mitigating these impacts. A balanced combination of responsive short-term actions and long-term structural reforms will be key to sustaining Indonesia's export competitiveness amidst volatile global trade dynamics.

## CONCLUSIONS AND POLICY IMPLICATIONS

The results of this study empirically demonstrate that the United States' unilateral tariff imposition on Indonesian export products has a significant negative impact on Indonesia's foreign trade performance, particularly in the export sector. This finding aligns with classical and contemporary international trade theory, which emphasizes that tariff barriers reduce price competitiveness, decrease trade volume, and hinder export growth (Krugman & Obstfeld, 2018).

The regression coefficient showing a negative relationship between tariffs and export value indicates that protectionist policies of trading partner countries, if not properly anticipated, can pose a direct threat to the stability and sustainability of the trade sector. However, this study also shows that appropriate, adaptive, and coordinated government policy responses can mitigate some of these negative impacts. The positive moderating effect generated by the interaction variable between tariffs and policy responses underscores the importance of government capacity in managing external shocks through measured policies.

The policy implications of these findings are strategic. First, the Indonesian government needs to strengthen its international trade policy framework by establishing a rapid response mechanism that enables early detection of potentially detrimental partner countries' trade policies and the design of swift and effective mitigation measures. This approach can be integrated with an information technology-based trade monitoring system to identify protectionist trends in real time. Second, trade diplomacy capacity must be enhanced. This includes the ability of Indonesian trade negotiators to utilize multilateral forums such as the WTO, ASEAN, and the G20, as well as bilateral forums, to advance national interests. Proactive trade diplomacy allows Indonesia not only to respond to protectionist policies but also to play a role in shaping fairer and more inclusive global trade norms.

Third, coordination across ministries and institutions needs to be optimized. External trade barriers are not solely a Ministry of Trade issue, but require synergy with the Ministry of Industry, Ministry of Finance, Ministry of Foreign Affairs, and other relevant institutions. This coordination must be directed toward developing a whole-of-government policy approach to ensure robust implementation. Fourth, in the long term, diversifying export markets is a top priority. Excessive dependence on specific markets increases vulnerability to protectionist policies. Therefore, strategies need to be directed toward opening new market access in South Asia, Africa, the Middle East, and Latin America, supported by preferential trade agreements or free trade agreements. Fifth, strengthening economic resilience through technological innovation and increasing the added value of export products is a crucial agenda. Investment in research and development (R&D), modernization of production processes, and certification to international standards will structurally enhance the competitiveness of Indonesian products, thereby minimizing the impact of tariff policies in partner countries.

By combining responsive short-term policies with long-term policies focused on structural competitiveness, Indonesia has a significant opportunity to maintain sustainable export growth despite pressures from unilateral trade policies. This will also strengthen Indonesia's position in global supply chains while supporting the

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inclusive and sustainable economic development agenda as outlined in the National Long-Term Development Plan (RPJPN) and the Sustainable Development Goals (SDGs)

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