

THE UNITED STATES' 2025 TARIFF

HIKE MARKS A PIVOTAL SHIFT IN GLOBAL TRADE

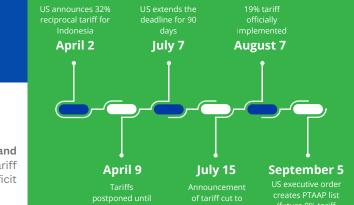
THE OVERVIEW

In 2025, the landscape of global trade and investment has entered a new phase of adjustment. The United States' reciprocal tariff policy has accelerated a worldwide reconfiguration of supply chains. As companies adapt to higher trade costs, they are seeking reliable, resource-secure, and policy-stable partners for long-term investment.

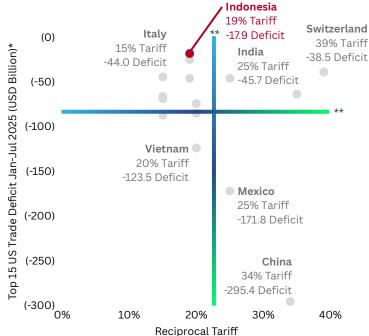
Indonesia stands out as a natural extension of that strategy. With abundant reserves of critical minerals, an expanding digital economy, and a reform-driven government, Indonesia offers investors both diversification and resilience. Its evolving industrial policies and open investment regime create opportunities in energy transition, infrastructure, and high-value manufacturing where expertise and technology from the Americas can lead transformative growth.

The Indonesian government's efforts to harmonize regulatory frameworks, expand trade access, and provide fiscal incentives make the country a compelling destination for foreign capital. Combined with a moderate 19% reciprocal tariff that preserves trade continuity, Indonesia's investment story is shifting from being a low-cost production base to becoming a strategic partner for sustainable, innovation-led growth in the Indo-Pacific.

TIMELINE



INDONESIA'S COMPETITIVENESS



*Trade deficit is import minus export, negative means more import into the US.

** Data source: <u>United States Census Bureau (Top Trading Partners 2024)</u>

<u>Reed Smith Trump 2.0 Tariff Tracker (Updated 14 October 2025)</u>

Indonesia faces a **19% reciprocal tariff** with the U.S. and maintains a relatively **moderate trade deficit of –USD 17.9 billion**, smaller than many other U.S. partners such as China, Mexico or even Vietnam. This position highlights that despite tariff pressures, U.S. demand for Indonesian goods remains resilient, creating a strategic opening for Indonesia to **shift the relationship from trade to investment-led engagement**. By positioning itself as a production hub, Indonesia can attract companies seeking to reduce tariff exposure and diversify supply chains. In turn, this **transforms tariffs from a short-term challenge into a long-term opportunity** to deepen bilateral economic ties through foreign direct investment.



EASING INVESTMENT IN INDONESIA

With sweeping reforms that cut red tape, open full ownership, and offer world-class incentives, Indonesia is positioning itself as Southeast Asia's most investor-friendly hub.

Policy Reform	Description	Investor Benefit
Omnibus Law (Job Creation Law)	Comprehensive reform harmonizing 70+ laws to streamline business rules and improve ease of doing business.	Cuts red tape, simplifies hiring, and reduces compliance burden.
New Investment List (Pres. Reg. 10/2021)	Replaced the restrictive Negative Investment List; almost all sectors now open, except those reserved for UMKM (MSMEs) or deemed strategic.	Allows up to 100% foreign ownership in most sectors.
OSS (Online Single Submission)	Centralized digital licensing system covering permits, approvals, and compliance reporting.	Faster, transparent, and integrated licensing process.
Tax Holidays & Incentives	Corporate income tax exemption (5–20 years) for investments in priority sectors (manufacturing, renewable energy, digital, etc.).	Significant reduction in tax burden; higher ROI.
Special Economic Zones (SEZs)	Designated investment hubs with fiscal and non-fiscal incentives (customs, VAT exemptions, simplified labor rules).	Access to world-class infrastructure, tax perks, and easier labor/immigration rules.
Corporate Tax Reduction	Gradual reduction of corporate income tax rate (22% → 20%).	Competitive tax regime in ASEAN.
Customs & Import Duty Facilities	Exemptions/reductions for machinery, raw materials, and capital goods for new/expanding projects.	Lower startup and operational costs.

FTA

EXPANDING MARKET ACCESS

Indonesia's extensive free trade agreement (FTA) network includes RCEP, AANZFTA, IA-CEPA (Australia), IK-CEPA (South Korea), IJEPA (Japan), EFTA-Indonesia CEPA, and bilateral pacts with Chile and Canada (soon to be effective). This offers companies a strong platform to expand into wider markets. By investing in Indonesia, foreign firms can use the country as a strategic hub to access preferential tariffs, streamlined supply chains, and improved market entry across Asia-Pacific and beyond.

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ATIGA	ASEAN Members
AC-FTA	ASEAN, China
AK-FTA	ASEAN, Korea
AJ-CEP	ASEAN, Japan
IJ-EPA	Indonesia, Japan
AANZ-FTA	ASEA, Australia, New Zealand
AI-FTA	ASEAN, India
PTA-G8	Indonesia, Bangladesh, Iran, Malaysia, Egypt, Nigeria, Pakistan and Turkey
IP-PTA	Indonesia, Pakistan
AHK-FTA	ASEAN, Hong Kong
IC-CEPA	Indonesia, Chile
IE-CEPA	Indonesia, EFTA (Iceland, Liechenstein, Norway, and Switzerland)
IA-CEPA	Indonesia, Australia
ICA-CEPA	Indonesia, Canada (Signed Setpember 2025, to be implemented in 2026)

Partners

INVESTMENT OPPORTUNITY

In identifying the sectors most critical to the U.S. there are several factors we need to take into account:

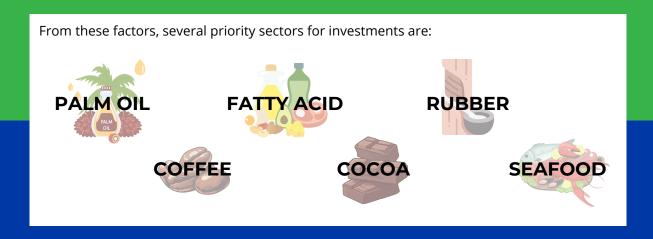
Absolute
Dependency on
Imports

Domestic Products
Gaps in the Americas

Labor-Intensive Industries

Integration in Global
Value Chains

Consumer
Preferences in the
Americas



READY TO OFFER PROJECTS

UPSTREAM CRUDE PALM OIL Riau

KBLI: No Data
Investment: IDR 227.7 B / USD 14.23 M
Year: 2020
IRR: 27.66%
NPV: IDR 9,600 B / USD 600 M
Payback Period: 4 Years

INTEGRATED SHRIMP FARMING East Kalimantan

KBLI: 03252, 03254, 10293, 46206 Investment: IDR 952.2 B / USD 57.82 M Year: 2023 IRR: 16.73% NPV: IDR 697.3 B / USD 7.11 M Payback Period: 7.11 Years

FATTY ACID INDUSTRY East Kalimantan

FATTY AMINE INDUSTRY East Kalimantan

KBLI: 20115, 20118 Investment: IDR 1,900 B / USD 118.75 M Year: 2023 IRR: 16.28% NPV: IDR 743 B / 46.44 M Payback Period: 8 Years

NATURAL RUBBER-BASED AIRCRAFT TIRE West Java

KBLI: 22111, 22112 Investment: IDR 2,730 B / USD 170.6 M Year: 2022 IRR: 12.75% NPV: IDR 113.6 B / USD 7.1 M

Payback Period: 9.75 Years

COCOA BUTTER AND POWDER Central Sulawesi

KBLI: 10731
Investment: IDR 956 B / USD 59.75 M
Year: 2021
IRR: 17.2%
NPV: IDR 481.8 B / USD 11.44 M
Payback Period: 7.42 Years

More projects can be found on www.iipcnewyork.org/projects



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