Global Macro Flash

US Reciprocal Tariff Announcement | April 9th, 2025

The Ripple Effect: How Trump's Tariffs Shook the World Economy

US Reciprocal Tariff by Country

Country	Tariff Rates
Angola	32%
Botswana	37%
Brunei	24%
Cambodia	49%
Cameroon	11%
Canada	25%
China	34%
European Union	20%
India	26%
Indonesia	32%
Iraq	39%
Israel	17%
Japan	24%
Jordan	20%
Laos	48%
Libya	31%
Malaysia	24%
Mexico	25%
Myanmar (Burma)	44%
Norway	15%
Pakistan	29%
Philippines	17%
South Africa	30%
South Korea	25%
Sri Lanka	44%
Switzerland	31%
Taiwan	32%
Thailand	36%
Tunisia	28%
Venezuela	15%
Vietnam	46%

Source : WhiteHouse.gov

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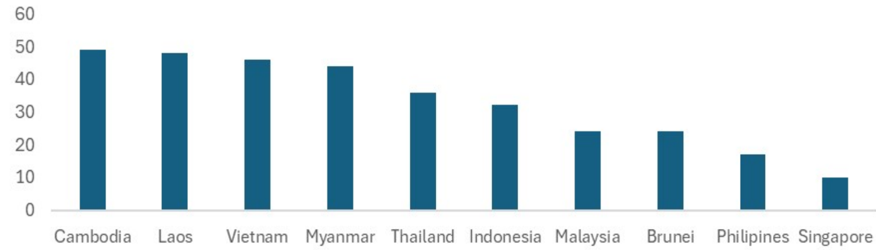
Figure 1. US Reciprocal Tariffs on South Asian Nations



Source : Phintraco Sekuritas Research | WhiteHouse.gov

The tariff policies imposed by U.S. President Donald Trump on countries like Mexico, Canada, and China have significantly impacted the global economy. These tariffs were an integral part of Trump's broader economic strategy and reflect historical patterns of protectionism in United States trade policy. Historically, the U.S. implemented strong protectionist measures from the 18th century through the late 19th century before shifting towards more open policies in the 20th century. However, under the Trump administration, there was a shift back towards protectionism with high tariffs on various imported goods.

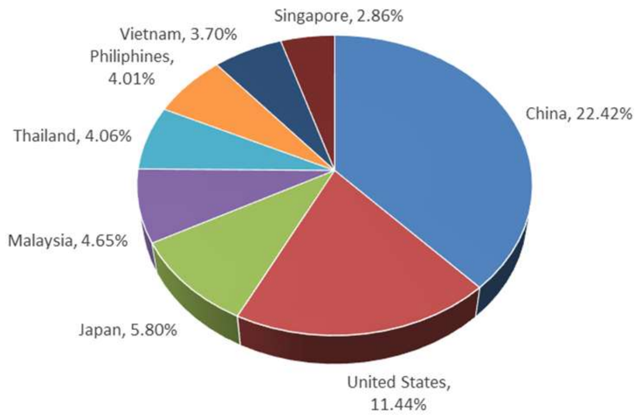
From a macroeconomic perspective, these tariffs triggered inflationary pressures. The increased cost of imported goods in the U.S. directly reduced domestic consumer purchasing power. This inflationary impact was also felt by trading partners like China, Canada, and Mexico, which experienced rising input costs for their manufacturing sectors, contributing, in turn, to a broader economic slowdown. Furthermore, the high tariffs decreased overall international trade volume, significantly slowing global economic growth, particularly for countries heavily reliant on access to the U.S. market. Efforts to reduce the U.S. trade deficit through tariffs often proved counterproductive due to retaliatory actions from affected countries.

Global financial markets were also significantly affected by the uncertainty created by the trade war. Significant exchange rate fluctuations occurred; the U.S. dollar tended to strengthen against major currencies like the Canadian dollar and the euro, while the currencies of targeted countries, such as the Indonesian Rupiah and Vietnamese Dong, experienced sharp depreciation. Stock markets worldwide exhibited volatility and index declines as investors worried about a global economic slowdown and its impact on corporate profitability. Concerns about tariff-driven inflation also fueled speculation about interest rate hikes by the Federal Reserve (The Fed), potentially further slowing economic growth. Commodity markets, including industrial metals and oil, also experienced price volatility in response to global financial instability.

In Southeast Asia, Indonesia faced tariffs of 32%, the third highest among the six largest Southeast Asian economies after Vietnam and Thailand **(Figure 1).** This potentially threatened Indonesia's trade surplus, which had persisted for several years. This situation could end the surplus, as the U.S. is Indonesia's second-largest export destination. Furthermore, it was projected that other Indonesian trading partners like China, Japan, and Vietnam could not compensate for the decline in export value to the U.S. **(Figure 2).** Total exports to the U.S., valued at US$26.4 billion, included items such as palm oil and its derivatives, footwear, and electronic machinery **(Figure 3).** The Indonesian government devised tactical steps to address these tariff hikes. These included negotiations involving the deregulation of Non-Tariff Measures (NTMs) through relaxing Local Content Requirements (Tingkat Komponen Dalam Negeri - TKDN), evaluating import and export restrictions (known locally as lartas), and increasing agricultural imports like soybeans via state budget reallocation. Strategies also involved boosting investment from the U.S. and preparing fiscal and non-fiscal incentives, such as reductions in import duties and import income tax (PPh Impor).

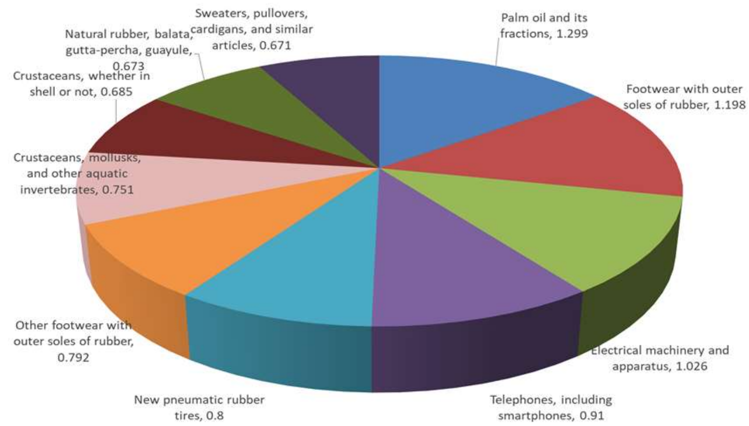
ASEAN-6 countries, including Vietnam, Thailand, Indonesia, and Malaysia, were among the hardest hit by reciprocal U.S. tariffs **(Figure 4),** facing potential average U.S. tariff increases of 27.5%. This situation made it likely that governments in the ASEAN region would initiate bilateral discussions and seek renegotiations with the U.S. government.

Figure 2. Indonesian Shared Export by Country Destination in January 2025



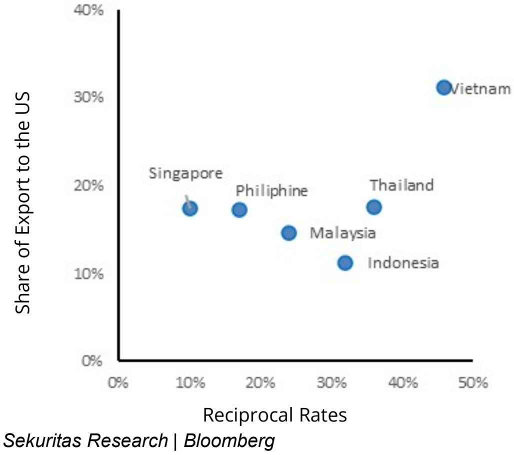
Source : Phintraco Sekuritas Research | BPS

Figure 3. 10 Top Goods Export to US Market (US$ billion) in 2024



Source : Phintraco Sekuritas Research | BPS

Figure 4. Vulnerabilities Tariff Impact



Source : Phintraco Sekuritas Research | Bloomberg