Indonesia-US ART: What drives lower US tariffs?

Interactive explainer based on the signed Agreement Between the United States of America and the Republic of Indonesia on Reciprocal Trade (dated Feb 19, 2026).

1) Tariff architecture in the deal

- **Schedule 2A (US side):** no additional reciprocal tariff under EO 14257.
- **Schedule 2B (US side):** reciprocal tariff rate is **0** (EO 14360 agriculture list).
- **All other Indonesian-origin goods:** additional US reciprocal tariff is capped at **no higher than 19%**.
- **Important:** these reciprocal tariffs are on top of normal US MFN tariff rates.

Agreement p.2, Art 1.1(2) | Annex I p.I-5, Sch 2 Notes 2-5

2) What Indonesia must do to preserve and deepen access

- Implement market-access and non-tariff commitments (import licensing, technical standards, SPS, IP, customs, digital, services).
- Maintain economic and security alignment commitments (export controls, sanctions cooperation, anti-circumvention).
- Avoid entering arrangements that the US deems to jeopardize essential US interests; otherwise US can terminate and reimpose EO 14257 reciprocal tariffs.
- Support purchase and investment commitments that anchor reciprocity and political durability.

Art 2 + Annex III | Art 5.1-5.3 | Art 7.3-7.4

How the tariff logic works in practice

A. PRODUCT ROUTE

- Is product in US Schedule 2A?
- Or in US Schedule 2B?

B. BASELINE OUTCOME

- 2A: no extra reciprocal tariff.
- 2B: reciprocal tariff = 0.
- Other lines: reciprocal tariff <= 19%.

C. RETENTION RISK

- Non-compliance or import-surge disputes can trigger review/action under domestic law.
- Termination can restore higher reciprocal tariff treatment.

Textiles lane: The US also commits to a mechanism allowing certain Indonesian textiles/apparel to receive a zero reciprocal tariff rate, tied to Indonesian demand for US textile inputs.

Source anchors (agreement): Art 1.1-1.2 (pp.1-2), Art 5.1-5.3 (pp.6-8), Art 6.3 (p.9), Art 7.3-7.4 (p.10), Annex I Schedule 2 General Notes 2-5 (p.I-5), Annex IV (p.IV-1).

Likely implications: economic, political, security

Use the scenario controls to test how implementation quality affects durability of lower US tariffs.

Economic

- **Upside:** schedule-covered exports face better US market access; trade can re-route toward covered HS lines.
- **Upside:** textiles zero-rate channel can support labor-intensive exports if linked US input commitments are met.
- **Cost:** compliance and domestic reform burden (customs, SPS, digital, licensing, SOE behavior).
- **Reallocation:** Annex IV purchase/import commitments can shift sourcing toward US energy, agriculture, and aerospace.

Political

- **Bilateral gain:** stronger US-Indonesia economic tie with a rules-enforcement backbone.
- **Domestic pressure:** implementation touches sensitive areas (industrial policy, market access, foreign investment terms).
- **Diplomatic tradeoff:** Indonesia may face tighter room when balancing major-power economic relationships.

Security

- **Alignment:** stronger coordination on export controls, sanctions-related behavior, and anti-evasion.
- **Tech infrastructure:** commitments on secure ICT suppliers and logistics platforms increase cyber-security standards.
- **Strategic risk:** if security alignment weakens, tariff and broader economic benefits become less stable.

Scenario controls

- [x] Indonesia fully implements core non-tariff commitments (Art 2 + Annex III).
- [x] Indonesia maintains US-focused economic and security alignment (Art 5).
- [x] No conflicting FTA/preferential agreement that triggers Art 5.3(3) concerns.
- [x] Textile mechanism operational with linked US input flow (Art 6.3).

Likely tariff lane: Stable favorable access.
Schedule 2A/2B benefits likely stay intact, other lines remain in the <=19% reciprocal lane, and textile zero-rate mechanism is most likely to be usable.

Pragmatic bottom line

- The deal gives Indonesia a clear tariff upside, but it behaves like a performance-based access regime, not a one-time concession.
- Durability of lower tariffs depends on implementation depth and continued security/policy alignment.
- For policymakers and firms, the key KPI is not only export growth but whether Indonesia stays inside the agreement's compliance and strategic alignment envelope.

Implications note: This section is an evidence-based inference from the treaty text and enforcement clauses, not a legal interpretation.