

The Compatibility of Donald Trump's Reciprocal Tariff with WTO and Indonesia's National Interests

Muhammad Reza Syariffudin Zaki¹, Muhammad Qaulan Sadida²,
Muhammad Adjie Nugroho³, Christopher Michael Cason⁴

¹Business Law, Faculty of Humanities, BINUS University, Indonesia

²Business Law, Faculty of Humanities, BINUS University, Indonesia

³Business Law, Faculty of Humanities, BINUS University, Indonesia

⁴University of Washington School of Law, United States

✉ Corresponding email: muhammad.zaki@binus.ac.id

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Abstract

Donald Trump, President of the United States, implemented a reciprocal tariff international trade policy that aims to regulate commercial exchanges between countries. The reciprocal tariff policy has sparked controversy, where several countries have rejected this policy and considered it a violation of World Trade Organization (WTO) principles. Under this policy, countries deemed to have significant barriers to products originating from the United States will be subject to a minimum tariff of 10% with some countries are subject to much higher tariffs, such as Vietnam, which faces a 46%, including Indonesia which faces 32% increase in import tariffs to the United States. This study examines how Donald Trump's Reciprocal Tariff policy aligns with World Trade Organization (WTO) principles and agreements, and how the Indonesian government has responded legally to this policy. The fundamental World Trade Organization (WTO) principles are based on non-discrimination, yet the tariffs imposed vary between countries. To determine the appropriate response, Indonesia must consider a strategic lens that balances risk, utility, and long-term national interest. By thoroughly analyzing these factors, this study aims to provide insights into the potential violations of World Trade Organization (WTO) principles by the tariff policy and recommend how Indonesia should respond effectively. Employing a normative juridical research method, the study combines statutory and case approaches, supported by secondary literature, and expert interviews. The findings show that the reciprocal tariff policy violates fundamental WTO principles, especially Most-Favored Nations

principle under Article I GATT, tariff binding principle under Article II GATT, National Treatment principle under Article III GATT, and Publication and Administration of Trade Regulations provision under Article X GATT. The best legal steps that the Indonesian government can take in dealing with the reciprocal tariff policy is by initiating negotiation.

Keywords: GATT; International Trade; Reciprocal tariff; World Trade Organization (WTO); Most Favorite Nations

Introduction

On April 2, 2025, Donald Trump, President of the United States, implemented a reciprocal tariff international trade policy. A reciprocal tariff, also known as a is a policy system and an import tariff agreement between countries that aims to regulate commercial exchanges between countries. The reciprocal tariff policy enacted by Donald Trump stipulates that all countries deemed to have significant barriers to products originating from the United States will be subject to a minimum tariff of 10%. Large countries with multinational companies such as China, Canada, and Mexico will also be subject to reciprocal tariffs and are expected to relocate their production bases to the United States. This reciprocal tariff policy aims to increase employment, increase state revenue through corporate profit and labor taxes, and significantly reduce the United States' trade deficit with other countries. This 10% tariff increase is the largest increase this century. In fact, some countries are subject to much higher tariffs, such as Vietnam, which faces a 46% increase in import tariffs (PWC, 2025). Canada and Mexico, both members of the USMCA and trading partners of the United States, remain subject to separate import tariffs of 25%. Both countries receive preferential treatment if they meet the standard provisions of the revised North American Free Trade Agreement (NAFTA) (Evenett, 2025). These tariffs do not appear to have been adjusted based on the actual policy mix of their trading partners, despite rhetoric about unfair trade practices (United States Trade Representative, 2025).

The reciprocal tariff policy has sparked controversy, as it is considered to have triggered uncertainty and the potential for a global trade war. This policy also contradicts one of the WTO principles, namely Most Favored Nations, which states the principle of 'non-discrimination', but this policy only prioritizes

the balance of trade to benefit only the United States itself. This policy has the potential to trigger a cold war, because several countries affected by tariffs from this policy also have the potential to implement the same policy as a form of retaliation against the United States. An example of a country that implements a similar policy to attack the United States is China, which received a reciprocal tariff policy from the United States, so China issued a similar policy, namely a 34% tariff on the United States and applies to all American products. The reciprocal tariff policy is considered to have exceeded the tariff limit. An example is the trade relationship between the United States and Indonesia, where the value of Indonesian exports to the United States in 2023 was \$23.3 billion, while the value of United States exports to Indonesia was only \$14.9 billion. There is a 14% difference where the value of import tariffs imposed by the United States is much higher than that imposed by Indonesia. This tariff also has the highest difference compared to other countries such as Vietnam (46%), Laos (48%), and Cambodia (49%). This reciprocal tariff policy is also implemented amidst an inadequate global economic situation, particularly reflected in stagnant global economic growth and a trend of weakening purchasing power (Rahman, 2025).

The reciprocal tariff policy has been widely opposed by other countries. However, the process of countering this policy is very complicated. For example, other trade organizations such as BRICS, which consists of Brazil, Russia, India, China, and South Africa, cannot have different votes. This means that if one BRICS member objects to the reciprocal tariff policy, then there must be firm action agreed upon by all BRICS members to oppose the policy. However, if BRICS members have different views on the reciprocal tariff policy, it will be very complicated to resolve this issue, because BRICS is a political association that must make international agreements, plus each BRICS member has its own political interests. One example of a BRICS member that is not affected by this reciprocal tariff is Russia.

This is because trade between the US and Russia is worth \$3.5 billion (£2.7 billion) in 2024. This value consists mainly of fertilizers, nuclear fuel, and several metals, according to Trading Economics and Russian media (Shevchenko, 2025). Russia has also been sanctioned by Western countries, namely the United

States and the European Union (EU) for its invasion of Ukraine, which has not been resolved until now and other international issues faced by Russia. The sanctions imposed by the West on Russia are to reduce the reach of trade and investment from Russia to Western countries, so the reciprocal tariff policy does not have a significant impact on Russia because it already faces quite severe sanctions to face. This situation is why Russia should not need to fight against this reciprocal tariff policy. In contrast, China, as a 'superpower' and a major competitor with the United States, which strongly rejects this reciprocal tariff policy because it is very detrimental to China's economic growth. What China needs to do is negotiate and foster mutual support among BRICS members, including Russia, to mutually agree to oppose these reciprocal tariffs.

The explanation above concludes that the reciprocal tariff policy issued by the President of the United States has sparked controversy. Its application is considered to violate the fundamental WTO principle of non-discrimination. This principle, embedded in the Most-Favoured-Nation (MFN) clause, requires that all trading partners, whether foreign or domestic to be treated equally and granted the same level of market access as the most favoured nation. By invoking reciprocity, however, the U.S. administration effectively undermines GATT rules, as it demands equivalent bilateral access and imposes identical tariff levels (including the tariff equivalents of non-tariff barriers) on its trading partners. Such an approach results in discriminatory tariffs within the destination country and constitutes a clear breach of GATT obligations. The violation is further exacerbated by the fact that the U.S. miscalculated the supposed costs borne by its exporters due to foreign trade barriers, as several sources highlighted following the Rose Garden announcement.

This issues has resulted in several countries have rejected this policy and considered it a violation of WTO principles because it does not treat other countries equally (MFN). This policy has also had a negative impact on the global economy, triggering trade wars, disrupting long-term economies between countries, and causing an increase in imports for countries subject to these reciprocal tariffs. However, on the other hand, this reciprocal tariff policy is also very difficult for other countries to challenge because, based on available

information, the WTO body has not been able to officially and legally confirm that the reciprocal tariff has crossed the line.

Several studies have addressed the issue of implementing import tariffs in trade between countries. Research by Barus et.al (2022) reveals that trade disputes between superpowers such as China and the United States will affect the global economy, creating considerable uncertainty for international business actors worldwide, particularly in Asia and America, both in terms of goods consumption and investment decisions (Barus et al., 2022). Research by Malo (2021) shows that the trade war between the United States and China violates the General Agreement on Tariffs and Trade (GATT) because it is discriminatory. From an institutionalist perspective, Amelya (2024) emphasizes the role of international institutions or regimes in shaping the function of the World Trade Organization (WTO) as a regulatory body responsible for resolving international trade disputes, highlighting the dispute resolution process between China and the United States which has been ineffective due to the lack of cooperation among the states involved (Amelia, 2024). Research by Kawatra (2025) reveals that Trump's trade measures of the imposition of tariffs of up to 245% on Chinese goods reflects a broader erosion of the multilateral trading system, and violating the Most-Favored Nation (MFN) principle, as well as a departure from the WTO's rules-based framework (Kawatra, 2025). While other studies highlight the disruptive and discriminatory nature of the United States' reciprocal tariff policy, Pauwelyn (2025) argues that this policy could paradoxically serve as a catalyst for WTO reform, as the negotiations may in fact revitalize the multilateral trading system by drawing on the principle of reciprocity already embedded in GATT Article XXVIII.

Seeing these issues, a crucial lacuna exists in the current body of research: the reciprocal tariff phenomenon has not yet been comprehensively examined through a legal lens from the perspective of developing countries such as Indonesia. Most existing studies concentrate on the U.S.–China dimension or focus on the systemic implications for the WTO. This lack of analysis limits the understanding of how reciprocal tariffs affect the rights, obligations, and legal strategies available to other WTO members, especially developing economies.

Therefore, this research seeks to examine the reciprocal tariff policy specifically in relation to WTO principles and agreements, while also exploring Indonesia's potential legal responses to safeguard its trade interests. Building on previous research, this study aims to answer the following questions: (1) Does Donald Trump's Reciprocal Tariff violate WTO principles and agreements? (2) How does the Indonesian government take legal action in response to Donald Trump's Reciprocal Tariff?

Research Method

This research is a normative juridical research to explore the legal landscape of the Donald Trump's reciprocal tariff policy, focusing on its compatibility with the principles of the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT), as well as Indonesia's possible legal responses. This normative juridical research uses a statute approach by analyzing the existing international legal frameworks especially the principles and agreements of WTO to understand how phenomena are viewed regarding the law. The normative juridical approach in this study combines both a statutory approach and a case approach. The statutory approach allows systematic examination of WTO provisions, particularly General Agreement on Tariffs and Trade (GATT) and the Most-Favored Nation (MFN) principle, alongside relevant Indonesian trade regulations, to determine whether the reciprocal tariff policy exceeds legal boundaries. Meanwhile, the case approach provides comparative insights by analyzing previous trade disputes that have been brought before the WTO Dispute Settlement Body, namely China dispute settlement 638 and Kanada dispute settlement 634, to enrich the interpretation of how similar conflicts have been handled. This research relies primarily on secondary sources, including Primary legal materials such as principles of the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), Indonesian trade-related laws and regulations; secondary legal materials including journals, books, expert commentary, and media coverage related to reciprocal tariffs and international trade disputes; and tertiary materials such as encyclopedias and reference works that provide contextual support. To

complement documentary research, this study also incorporates expert interviews with Putu George Matthew Simbolon, whose insights contribute to understanding Indonesia's legal capacity in responding to the reciprocal tariff policy. This use of multi-sourced data ensures a comprehensive and structured approach, thereby increasing the validity and reliability of the findings. For data analysis, this study employs a descriptive-analytical technique. The process begins by identifying and understanding the elements of the reciprocal tariff, followed by describing and explaining its relationship to WTO rules, and finally interpreting the implications for Indonesia's legal framework. Through this layered analysis, the research does not merely assess the legality of the U.S. policy but also highlights the broader consequences for global trade stability and Indonesia's economic interests. Ultimately, this normative juridical research seeks to provide a thorough legal interpretation of Donald Trump's reciprocal tariff policy, identifying whether it violates WTO principles and the General Agreement on Tariffs and Trade (GATT), as well as exploring how Indonesia can strategically and legally safeguard its trade interests within the multilateral system.

Results and Discussions

Donald Trump's Reciprocal Tariff Policy Against WTO Principles and Agreements

In an effort to address the persistent and significant trade deficit of the United States, President Donald Trump introduced the reciprocal tariff policy. This policy imposes tariffs on the exports of various countries and, in turn, raises legal concerns as it contradicts the fundamental principles of the World Trade Organization (WTO). The policy is inherently protectionist, and any tariff measures that obstruct the economic interests of other states run counter to the commitments of WTO members and the principle of free trade. Through the General Agreement on Tariffs and Trade (GATT), WTO members have agreed to uphold fundamental principles of international trade, including non-discrimination, tariff predictability, and the prohibition of unjustifiable trade

restrictions. Accordingly, any national measure that introduces tariffs or trade barriers must comply with the provisions of GATT. The provisions of the World Trade Organization (WTO) are based on the idea of nondiscrimination. To maintain stability and predictability in global trade, tariffs are agreed to remain within established limits, ensuring that WTO members treat all trading partners equally. Some exceptions apply, such as in the case of free trade agreements between countries. This means that while different import tariffs may apply to different products, in the absence of a free trade agreement, the same tariff must apply to all imports of the same product, regardless of where they are imported (the Most-Favored-Nation principle). Furthermore, tariffs are embedded in WTO law and are the result of the Uruguay Round of multilateral negotiations, with reciprocity at its core. This principle means that if one country reduces its import tariffs, other countries will seek to make similar concessions. This is referred to as the ideal of mutual adjustment in trade policy, resulting in changes in each country's import volume equal to changes in its export volume (Flach & Scheckenhofer, 2025).

Regulating imports by enacting reciprocal tariff policies to improve trade practices in response to national emergencies related to underlying conditions, including a lack of reciprocity in bilateral trade relations, disparities in tariffs and non-tariff barriers, and economic policies of U.S. trading partners that suppress wages and domestic consumption, as demonstrated by the large and persistent annual U.S. merchandise trade deficit. In exchange for lower U.S. tariffs on agricultural and textile imports, countries made key concessions in areas of strong U.S. interest, particularly intellectual property, where stronger global protections with stricter patent and copyright enforcement were negotiated that benefited U.S. industries such as pharmaceuticals. In contrast, the U.S. government's understanding of reciprocity takes a different approach. In addition to defining reciprocity beyond tariffs to include value-added taxes and other extraterritorial taxes imposed by trading partners, the current U.S. government's approach to reciprocity considers any product-level tariff gap between the United States and its trading partners as reflecting non-reciprocity (White House, 2025).

The WTO has always permitted Members to enter into agreements to further liberalize trade among themselves through customs unions and free trade agreements, but this authorization is subject to a number of conditions, such as substantially liberalizing all trade between the parties and not raising trade barriers with other countries. Respect for these conditions does not appear to be considered in the planned agreement, which has been suggested as a reciprocal tariff policy rather than a Free Trade Agreement (FTA). In this new world trade order, rules of origin will take on new importance. There is already talk of "rules of origin," where goods from a country with no agreement or high tariffs are shipped to another country with lower tariffs and then, after further processing or not, are shipped to their final destination with the benefit of significantly lower tariffs. The United States is not blind to this possibility, and it has been argued that these reciprocal trade agreements should include provisions stating that higher tariffs must be reapplied (snapback) if rules of origin washing is deemed to have occurred (Herbert Smith Freehills Kramer, 2025).

Regarding Donald Trump's reciprocal tariff policy, it is considered to have had a negative impact on global trade conditions due to its protectionist nature (Petros, 2025). Not only does it threaten to destabilize the global economic landscape, but it has also exposed fundamental weaknesses in the legitimacy and justification of US trade policies and practices under both international law and its own domestic legal framework. These arbitrary tariff measures constitute a systematic deviation from international law. One of the core principles of international law is *pacta sunt servanda*, meaning "agreements must be kept." Although the US has long touted its commitment to a "rules-based international order," the implementation of the reciprocal tariff policy blatantly violates that principle. Without a supranational entity to enforce international legal norms, if countries are allowed to renege on their commitments at will, the normativity and effectiveness of international law will be severely compromised, plunging the international community into chaos and disorder. Therefore, this element of the reciprocal tariff policy has failed to fulfill this principle of legal certainty. The following is an analysis of the inconsistency of the reciprocal tariff policy with the principles and provisions of GATT:

1. Article I of the General Agreement on Tariffs and Trade (GATT) concerning the MostFavoured Nation (MFN) principle

The principle of MFN is set out in Article I:1 of the GATT Agreement, which obliges member states to grant equal treatment in their export and import policies (Kurnia, 2020). MFN is a principle that emphasizes non-discriminatory treatment of fellow WTO members in all international trade transactions (Korah, 2016, 50). Furthermore, the MFN principle is also applied regardless of the socio-political and economic structure of participating countries. This principle also provides a foundation for developed and developing countries, industrial and agricultural countries, and this principle is within certain limits between free systems and guided economies (Hata, 2006). The principle of MFN is stated in Article 1.1 of the General Agreement on Tariffs and Trade (GATT) agreement which contains four obligations of each WTO member, namely obligations related to duties in any form for both exports and imports of goods; obligations related to the method of imposing customs duties and other levies; obligations related to import and import regulations; and obligations related in all aspects (Kurnia, 2020, 92). The implementation of the MFN principle applies reciprocally. In the event that a country is not yet able to implement the clauses related to the MFN principle, it can implement a deviant policy, with continuous monitoring by the Council for Trade in Services (CTS) (Najmi & Magdariza, 2023, 592).

The MFN principle is firmly established by WTO law, but there are exceptions that can bypass the conformity of the MFN principle as stated in Article XXIV General Agreement on Tariffs and Trade (GATT), namely WTO members who form a Customs Union or Free Trade Area (FTA) that meets the requirements of Article XXIV General Agreement on Tariffs and Trade (GATT) and the provision of tariff preferences by developed countries to imported products from developing countries or countries that are less fortunate in trade (least developed) through the Generalized System of Preference (GSP) facility.

The MFN principle also regulates tariff provisions applied to fellow WTO members, to ensure that the application of these tariffs is fair and does not

characterize any form of discrimination. If looking at the conditional MFN provision, a country that imposes a certain tariff on another country, then that country must impose the same tariff to its MFN partner only if they "pay" by reducing the tariff value in the reciprocal tariff policy. In the United States' reciprocal tariff policy, the amount of ad valorem tariffs imposed on countries varies. The average tariff value imposed is 10% in most countries, but there are some countries that impose tariffs above 10%, for example, Indonesia is imposed a tariff of 32%. Consequently, Indonesia had to export the natural resources in its raw form to other countries (Zaki et al., 2023, 641). This is certainly contrary to the MFN principle, which is to treat other countries in a non-discriminatory manner.

Reciprocal tariff policies violate the MFN principle. Reciprocal tariff policies may not violate the MFN principle if they are internalized in accordance with MFN procedures, which require a system in which countries do not simply offer concessions to each other on a case-by-case basis (bilateral exchanges), but instead agree to rules that promote fair treatment across the system (multilateral arrangements). For example, Country A and Country C are developed countries and trade openly under WTO rules. They extend MFN treatment (lower tariffs) to developing Country B, even though B's tariffs are higher and its access is limited. A imports agricultural goods from B and C imports raw materials, neither of which directly requires reciprocal tariffs. As B's economy grows and liberalizes under the same multilateral system, all three benefit through the widespread reciprocal tariff policy. Furthermore, by imposing discriminatory tariffs based on an absurd formula that compares trade deficits to exports, the United States subjects various countries and regions to unequal treatment, which is a violation of the MFN principle (Kong & Fan, 2025).

The reciprocal tariff policy also fails to meet the exceptions to the MFN principle. Exceptions to the MFN principle are regulated under Article XIX of GATT, which allows a country to adopt emergency measures against imported products that are deemed to threaten domestic producers. Although the policy was introduced with the stated purpose of addressing the U.S. trade deficit, if we look at the provisions of Article XIX GATT, emergency measures are only

permissible if they meet the requirement of unforeseen developments, meaning developments that occur after the negotiation of relevant tariff concessions and could not reasonably have been expected by the negotiators of the country granting the concession at the time of negotiation.

Referring to the reciprocal tariff policy, its elements clearly do not satisfy Article XIX GATT because the policy was imposed before any negotiations with the affected countries took place, and President Donald Trump explicitly required each targeted country to comply with the tariff. Although the policy nominally opened the possibility of negotiations for countries wishing to reduce the tariff level imposed on them, such negotiations did not follow the procedures set by the WTO and were essentially artificial, as they required an excessively long time for a country's recommendation to reduce the tariff to be considered, leaving no guarantee that the process could be managed properly.

De facto, tariff negotiations under this scheme would differ from those previously undertaken in one key aspect: tariffs could not only be reduced but also raised against all WTO members or only some of them. This is clearly contrary to the MFN principle, which requires that any measures taken by a country must be applied in a non-discriminatory manner toward other members.

The reciprocal tariff policy could only be considered consistent with the MFN principle if it applied the practice of internalization in line with MFN procedures. This would require a system in which countries do not merely exchange concessions on a bilateral case-by-case basis but instead agree to rules that promote fair treatment across the multilateral trading system. For instance, suppose Country A and Country C are developed countries trading openly under WTO rules. They extend MFN treatment (lower tariffs) to developing Country B, even though B maintains higher tariffs and more restricted market access. A imports B's agricultural goods, while C imports B's raw materials, without immediately demanding a reciprocal tariff policy. As B's economy grows and liberalizes under the same multilateral system, all three countries benefit through the spread of reciprocal tariff concessions.

2. Article II of the General Agreement on Tariffs and Trade (GATT) concerning the tariff binding principle

General Agreement on Tariffs and Trade (GATT) allows protective measures for domestic industries through tariffs (increasing import duty rates) and not through other non-tariff commercial measures (Zaki, 2024, 70). The purpose of the WTO is to reduce barriers to trade, both tariff and non-tariff (Zaki, 2022, 62). Article II of the General Agreement on Tariffs and Trade (GATT) regulates tariff provisions based on a schedule of concessions, whereby each WTO member must adjust trade treatment no more detrimental to other WTO members in accordance with its schedule. If a tariff line item has previously been subject to concessions, the level of "duties or other charges" recorded in the relevant Schedule shall not be higher than the level in force at the time of the first inclusion of the concession in that Schedule. Any member may object to the existence of "duties or other charges" on the grounds that such "duties or other charges" did not exist at the time of the initial binding of the line item in question, as well as to the consistency of the recorded level of any "duties or other charges" with the previously bound level, for a period of three years after the date of entry into force of the WTO Agreement or three years after the date of deposit of the instrument incorporating the Schedule in question into the General Agreement on Tariffs and Trade (GATT) 1994 with the Director-General, if that date is later.

To promote economic growth and development through liberalization, as implemented by the General Agreement on Tariffs and Trade (GATT) in the liberalization of trade in goods as well as create stable international trade, we are preparing customs binding through (tariff) negotiations (Zaki & Rasyid, 2021, 97). Tariff binding is carried out in such a way that each member country is not allowed to change the tariff on the product, making it possible to predict commercial terms (Mardun, 2023, 58). Therefore, the imposition of reciprocal tariffs has violated Article II of the General Agreement on Tariffs and Trade (GATT) concerning the tariff binding principle, where the applied tariff value has exceeded the limit (5%) set by WTO provisions written in the General Agreement on Tariffs and Trade (GATT). The reciprocal tariff policy likely

exceeds the binding level agreed to by the US in the WTO Schedule of Concessions.

3. Article III of the General Agreement on Tariffs and Trade (GATT) concerning national treatment principle

National treatment has almost the same principle as Article I of the General Agreement on Tariffs and Trade (GATT) Most Favored Nation (MFN). The principle of national treatment, together with the MFN Principle, are two pillars of non-discrimination principles that are widely seen as the foundation of the GATT/WTO multilateral trade regime (Hasanie, 2020, 342). National treatment is an international legal concept that states that if a country grants certain rights and privileges to its own citizens, that country must also grant equal rights and privileges to foreigners currently residing in that country. Based on national treatment, if a country grants certain rights, benefits, or privileges to its citizens, that country must also provide those benefits to citizens of other countries. In other words, domestic goods should not be prioritized over imported goods through measures such as domestic taxes or other regulations.

Foreign goods, services, and intellectual property rights, after passing through customs procedures (having paid legally required taxes) or being registered for protection, must be treated the same as domestic goods, services, and intellectual property rights (PK, 2006, 374). Article III aims to ensure that imported products are treated in the same manner in terms of taxation and regulatory treatment as similar domestically produced goods after the imported products pass through customs. In essence, Article III protects imports from government actions that protect domestic goods by imposing unfair competitive conditions that benefit domestic producers.

Although national treatment is a fundamental principle of the General Agreement on Tariffs and Trade (GATT), it provides certain exceptions as follows: 1) Government Procurement; 2) Domestic Subsidies; 3) Regional, Bilateral Trade Agreements, and Customs Unions; 4) Industrial Development in Developing Countries; 5) Use of Import Quotas for the Protection of Domestic Industry; 6) Exceptions to the Economic Development of Developing

Countries; 7) Other Exceptions to national treatment. The provisions of Article XX of the General Agreement on Tariffs and Trade (GATT) on general exceptions, Article XXI on security exceptions, and Article IX of the General Agreement on Tariffs and Trade (GATT) on relief also apply to the rules of national treatment (Probosambodo, 2018, 251).

The obligation of national treatment is often a source of grievance or dispute between countries. Because it refers to domestic regulations and tax measures, it is closely related to various government actions based on legitimate policy reasons that are not always designed to restrict imports. In some cases, domestic measures will go beyond the scope of the law or be designed to significantly and unnecessarily restrict imports (Jackson, 1989, 219). As an instrument of international trade, Donald Trump's reciprocal tariff policy refers to a policy in which one country imposes tariffs on goods imported from another country at the same rate as the other country imposes on its exports. Therefore, when a country adopts a reciprocal tariff policy, the goal is to equalize the tariffs it has imposed on its own exports.

Donald Trump's reciprocal tariff policy threat can also be used as a negotiating tactic to encourage other parties to negotiate and discuss tariff reductions. Thus, if referring to the Principle of National Treatment, it has been determined that imported goods in an economy should not be treated lower than domestically produced goods, thus creating equality between the two. Thus, Donald Trump's reciprocal tariff policy has violated the substance of Article III General Agreement on Tariffs and Trade (GATT) national treatment, because the import tariff value applied to Donald Trump's reciprocal tariff policy is not rational and does not pay attention to the standard provisions of Article III General Agreement on Tariffs and Trade (GATT), where the application of the import value of products in Donald Trump's reciprocal tariff policy does not equalize several countries.

4. Article X General Agreement on Tariffs and Trade (GATT) concerning Publication and Administration of Trade Regulations

It requires every WTO member to ensure transparency, openness, and good governance in the publication and administration of trade regulations. In addition to regulating openness, Article X (3) also requires member countries to have an institution that will review administrative decisions and appeals (Shumba, 2025, 141). If we look at the elements of the reciprocal tariff policy, the implementation of the tariff policy in each country can be said to be inconsistent, because Donald Trump's reciprocal tariff policy does not take into account the procedures for determining tariff values determined by the WTO, so that countries that receive the policy are not commensurate or uniform in accordance with the principles of article X: 3 (a) General Agreement on Tariffs and Trade (GATT). The reciprocal tariff policy has violated the provisions of article General Agreement on Tariffs and Trade (GATT) X: 3 (a), because the United States has failed to implement its laws, regulations, decisions and rulings related to the actions concerned in a uniform, impartial and reasonable manner.

Based on the analysis, it is evident that the United States' reciprocal tariff policy under President Donald Trump is inconsistent with the fundamental principles and provisions of the General Agreement on Tariffs and Trade (GATT). First, it violates Article I on the Most-Favoured Nation (MFN) principle, since the tariffs imposed discriminate among WTO members and fail to ensure equal treatment. Second, it contravenes Article II on tariff bindings, as the tariff rates applied under the reciprocal tariff policy exceed the binding commitments stipulated in the U.S. Schedule of Concessions. Third, it is inconsistent with Article III on national treatment, because the policy results in imported goods being treated less favorably than domestically produced goods, thereby distorting fair competition. Finally, the policy disregards Article X on transparency and administration of trade regulations, as it lacks uniformity, impartiality, and compliance with WTO procedures. Taken together, these violations demonstrate that the reciprocal tariff policy represents a clear departure from the multilateral trading rules established under GATT/WTO. Instead of promoting fair, predictable, and non-discriminatory trade, the policy embodies unilateral protectionism, undermining both the credibility of the U.S. within the WTO system and the stability of international trade governance.

In the theory of legal certainty, legal positivism seeks to create an objective or written law made by the state to create order for its people (Julyano, 2019). When related to the problems in this study, the object of "Legal Positivism" is the WTO provisions because they are certain and are in the top position, while the object of "Legal Certainty" is Donald Trump's reciprocal tariff policy, with a focus on the elements of the reciprocal tariff policy whether they comply with or violate WTO provisions according to the direction of the theory of legal certainty.

The Trump administration's tariff measures clearly violate the United States' binding commitments under the WTO. This unilateral and punitive reciprocal tariff policy undermines the integrity of the multilateral trading system. Given the current legal situation, a quick agreement with the United States should be avoided. Instead, the WTO dispute settlement procedure should be initiated by a broad alliance of like-minded WTO members (Amelya, 2024, 15-20). The Federal Act on Foreign Trade Measures should be amended to introduce compensatory measures. Temporary national assistance programs should be introduced to mitigate the economic impact of excessive US tariffs and to redirect strategic investment, potentially even to regions like the US Midwest, to maintain economic engagement under the new conditions (Cottier, 2025).

There are two countries that have challenged Donald Trump's reciprocal tariff policy through the WTO, namely China and Canada with the following details:

1. China (Dispute Settlement 638)

The United States' actions at issue appear to be inconsistent with the United States' obligations under the following provisions of General Agreement on Tariffs and Trade (GATT) 1994, the Customs Valuation Agreement, and the SCM Agreement, including:

- a. Article I:1 of the GATT 1994, because the measure in question failed to immediately and unconditionally grant to products originating in China "the advantages, favors, privileges, or immunities" granted by the United States "with respect to any customs duties and charges imposed on or in connection with"

imports of products originating in the territory of another Member.

- b. Article II:1(a) and (b) of the General Agreement on Tariffs and Trade (GATT) 1994, because the United States imposed additional tariffs on all imported products originating in China as identified in the above actions that exceeded the United States' bound tariffs in its Schedule of Concessions and Commitments attached to the General Agreement on Tariffs and Trade (GATT) 1994, and therefore failed to provide products originating in China and imported into the United States with treatment no less favorable than that set forth in the United States' Schedule of Concessions and Commitments attached to the General Agreement on Tariffs and Trade (GATT) 1994.
- c. Article X:3(a) General Agreement on Tariffs and Trade (GATT) 1994, because the United States did not implement the measures in question in a uniform, impartial, and reasonable manner.
- d. Articles 1.1 and 8 of the Customs Valuation Agreement, and the relevant interpretative Notes in Annex I thereto, as well as paragraphs 1 and 2 of the General Preliminary Commentary of the Customs Valuation Agreement, and articles VII:1, VII:2(a), (b) and (c) of General Agreement on Tariffs and Trade (GATT) 1994, because the United States, by excluding the value of the "U.S. content" of imported products from the application of additional tariffs, failed to use the transaction value, that is, the price actually paid or payable for the goods, as the basis for the customs value, and applied an adjustment or valuation method that was not justified for customs purposes.
- e. Articles 3.1 and 3.2 of the SCM Agreement, because the United States, by exempting the value of the "US content" of imported products from the application of additional tariffs, provides a subsidy, within the meaning of Article 1 of the SCM Agreement, contingent, whether in law or fact, on export performance and the use of domestic goods rather than imported goods. The available evidence is the documents listed in the steps at issue above.

2. *Canada (Dispute Settlement 634)*

Reciprocal tariff policy measures appear to be inconsistent with the United States' obligations under the following provisions:

- a. Article I:1 of the General Agreement on Tariffs and Trade (GATT) 1994, because the measures in question failed to immediately and unconditionally grant Canadian products the "advantages, privileges, or immunities" granted by the United States "with respect to any customs duties and charges imposed on or in connection with" imports of like products originating in the territory of another WTO Member.
- b. Article II:1(a) of the General Agreement on Tariffs and Trade (GATT) 1994, because the measures in question failed to provide treatment no less favorable to Canadian trade than that set out in the United States Schedule of Concessions attached to the General Agreement on Tariffs and Trade (GATT) 1994.
- c. Article II:1(b) of the General Agreement on Tariffs and Trade (GATT) 1994, because the measure in question imposes ordinary customs duties in excess of the fixed tariff rates established and set out in the United States Schedule of Concessions annexed to the General Agreement on Tariffs and Trade (GATT) 1994.
- d. Article V:3 General Agreement on Tariffs and Trade (GATT) 1994, because the action in question applies customs duties to goods in transit.
- e. Article 7.8.2(d) TFA, because the action in question fails to provide, to the extent possible, a de minimis value of the shipment or the amount subject to customs duties and taxes that will not be levied.

Although the reciprocal tariff policy was introduced with the aim of stabilizing the U.S. economy and addressing its trade deficit, the elements of this policy are clearly violate WTO principles. By imposing unequal tariff rates on several countries, the policy is inherently discriminatory, thereby violating the MFN principle under GATT and amounting to protectionism. Instead of adopting such unilateral and unlawful measures, the United States should pursue alternative policies that are legally permitted under WTO rules. While these

alternatives may not be fully effective in resolving the U.S. trade deficit, they would allow the country to safeguard its economic interests without undermining the predictability and fairness of the multilateral trading system. Based on the results of the interview, there are three replacement policies for reciprocal tariffs that the United States can implement, namely (Matthew, 2025):

1. Anti-dumping

Dumping practice is a form of international price discrimination carried out by a company or exporting country, which sells its goods at a lower price in foreign markets than in its own domestic market, with the aim of gaining profit from the exported product (Gerungan, 2014). Article VI.1 General Agreement on Tariffs and Trade (GATT) defines dumping as an act in which a country's product is introduced into the trade of another country at a price below the normal value of the product. Dumping practice is not specifically prohibited in General Agreement on Tariffs and Trade (GATT), where article VI.1 only prohibits "if" the practice "causes or threatens" material injury to an established industry in the territory of the contracting party or materially hinders the establishment of a domestic industry.

In the United States, the International Trade Commission (ITC), an independent government agency, is tasked with imposing anti-dumping duties. Their actions are based on recommendations received from the United States Department of Commerce and investigations by the ITC and/or the Department of Commerce. In some cases, the duties imposed on these goods exceed the value of the goods. Anti-dumping duties are typically imposed when foreign companies sell goods significantly below their production costs (Joseph, 2019). Furthermore, the WTO does not intervene in the activities of companies involved in dumping. Instead, the WTO focuses on how governments can or cannot react to dumping practices. In general, WTO agreements permit governments to take action against dumping "if the dumping causes or threatens to cause material injury to an existing industry in the territory of the contracting party or materially impedes the establishment of a domestic industry."

General Agreement on Tariffs and Trade (GATT) requires member countries to notify and report regulations, actions, and competent authorities

regarding anti-dumping policies implemented within their territories. In implementing anti-dumping policies, there is a calculation method that must be followed by the United States. This means that anti-dumping policies must be able to compare the normal value (the fair value originating from the exporting country's domestic) with its export sales, and the difference is then the dumping margin, and the anti-dumping import duty must be applied no higher than the dumping margin. Likewise with subsidies, the difference in benefits must first be determined, for example, how much the price would be if subsidized by the government or not, and divided by the total turnover of the exporter's sales, exporters from the country being used as a subsidy (Matthew, 2025).

2. Countervailing Duties (CVD)

Countervailing Duties (CVDs) are tariffs imposed on imported goods to offset subsidies provided to producers of those goods in the exporting country. CVDs are intended to balance competition between domestic producers of a product and foreign producers of the same product, who are able to sell it at lower prices due to government subsidies. The General Agreement on Tariffs and Trade (GATT) regulates when and how export subsidies can be used and the actions member countries can take to offset the effects of those subsidies.

Under this model, the optimal tariff imposed on imports includes the profit-shifting import tariff plus the retaliatory CVD. The CVD is lower than the level of foreign export subsidies. When faced with an optimal import tariff imposed by the domestic government, the optimal foreign export subsidy is zero. The CVD policy is presented as part of the import tariff. However, in reality, the CVD and import tariff are set differently and for different purposes. An optimal CVD greater than 100% occurs when existing import tariffs are forced down to very low levels, such as those required by the General Agreement on Tariffs and Trade (GATT). Second, the optimal CVD can prevent export subsidies provided by foreign governments when existing import tariffs are sufficiently low. Third, the optimal import tariff is so high that the optimal CVD is zero, thus creating a foreign export subsidy (Wang, 2004, 159).

3. Safeguard

A safeguard is a temporary import restriction (e.g., a quota or tariff increase) that a country may impose on a product if imports of that product increase to the extent that they cause, or threaten to cause, serious injury to domestic industries producing similar or directly competitive products.

Under the WTO Agreement on Safeguards, WTO member countries must conduct an investigation before they can apply safeguard measures, and they must make a formal determination that imports of the product significantly damage or threaten to damage a domestic industry. Countries are also required to provide public notice to all interested parties of their intention to apply safeguard measures and provide exporters with sufficient opportunity to express their views.

All U.S. companies conducting international business can benefit from this Agreement, which establishes strict ground rules for the implementation of safeguard measures. The Agreement's notification requirements help ensure that U.S. exporters receive complete information about the nature of the safeguard measures, the products covered, and the duration of the measures. Under the Agreement, exporters can express their views, present evidence, and respond to submissions from other parties during the investigation required before implementing safeguard measures.

Article XIX of the General Agreement on Tariffs and Trade (GATT) 1947 stipulates that one of the requirements for safeguard measures by any WTO member is to protect domestic industries and be non-discriminatory. This indicates that safeguard measures through import restrictions are implemented because there has been an increase in imported products, resulting in serious injury to the domestic market (importing country). Therefore, exporting countries must have limited access to the importing country's market. Furthermore, another requirement is that the country facing the importing country must be compensated. Furthermore, it is also stipulated that the remedy imposed in safeguard measures is tariffs, although quantitative restrictions are also permitted.

Safeguard measures can be implemented if a domestic industry faces difficulties due to a flood of imported products. However, developing countries

are granted special, lenient treatment. This principle applies in the agreement, as it presents a special and differential treatment (S&D) issue that must be resolved. This includes the issue of safeguard timing, which also requires a political resolution, as well as the increasing number of countries joining free trade areas and customs unions (Indaswari, 2013, 6).

The Safeguards Agreement incorporates into WTO rules many of the concepts contained in the United States' safeguards law (Section 201 of the Trade Act of 1974, as amended). Among its key provisions, the Safeguards Agreement:

- a. Requires a transparent and public process for making serious injury determinations;
- b. Establish a clearer definition of the criteria for determining serious injury;
- c. Requires that safeguard measures be liberalized gradually over its timeframe;
- d. Setting a maximum period for safeguard measures;
- e. Requires a review no later than mid-term of any action whose duration exceeds three years;
- f. Allows safeguard measures to be implemented for three years, without the requirement for compensation or the possibility of retaliation; and
- g. Prohibits so-called "grey area" actions, such as voluntary restraint agreements and orderly marketing agreements.

Legal measures of the Indonesian Government Needs to Take in Facing Donald Trump's Reciprocal Tariff Policy

A country needs to implement trade policies to protect its domestic economy from the negative impacts of trade competition in the international market. Import tariffs are a trade policy that imposes taxes on imported goods. For developing countries, including Indonesia, import tariffs aim to raise revenue for the state to finance government expenditures. Meanwhile, import tariffs in developed countries like the United States aim to protect domestic producers from low product prices resulting from import competition with their trading partners (Adhikari, 2019).

Indonesia's market openness continues to come to the forefront and remains a demand in international trade (Zaki, 2022, 173). Indonesia's active

participation in WTO and various trade agreements enhances its capacity to engage in international trade (Putra, 2024, 140). According to Indonesia's Schedule of Concessions at the WTO, its average bound tariff ceiling is far higher than its applied rate, and this has been a source of U.S. criticism in reciprocal tariff negotiations. The U.S. measure imposes up to 32% tariffs on selected Indonesian products, particularly in HS chapters 40 (rubber), 61–62 (textiles and apparel), 64 (footwear), 44 (furniture), and 03 (fisheries). Therefore, the reciprocal tariff policy could significantly reduce the competitiveness of Indonesian exports, potentially reducing demand. Furthermore, the United States is Indonesia's second-largest trading partner after China.

In the long term, reciprocal tariffs could lead to broader market disruptions. If domestic industries cannot remain competitive, reduced demand could lead to decreased production and employment. Furthermore, foreign investors in Indonesia, particularly those targeting the United States market, may consider relocating operations to countries that have negotiated more favorable tariff arrangements with the US.

Although some speculate that Chinese investors may shift production to Indonesia due to high tariffs on Chinese goods, Indonesia still has to compete with other Southeast Asian countries to attract manufacturing investment. Factors such as labor costs, infrastructure, ease of doing business, and final tariffs on exports to the United States will be determining factors for potential investors. A more solid prediction of the impact of reciprocal US tariffs will only be possible after their implementation. Currently, Indonesia, along with other affected countries, is engaged in negotiations with the United States government to seek concessions.

As one of the targets of this reciprocal tariff policy, it appears that several of Indonesia's "cards" are being negotiated to be lowered. Several statements suggest that Donald Trump is "forcing" Indonesia to implement tax system changes, financial sector reforms, and trade deregulation. This means that, in the Indonesian context, Trump's goals appear to be broader than simply reducing the trade deficit. In such circumstances, strengthening economic diplomacy and internal consolidation are crucial factors. In the context of economic diplomacy,

Indonesia must be able to identify who is on Trump's side, especially those outside the United States' trade interests. This is necessary to discern what agendas will be imposed on bilateral negotiations between the two countries.

In the context of internal consolidation, Indonesia must truly prioritize which Indonesian interests are crucial and must be safeguarded, as well as which interests of its negotiating partners can be accommodated. This identification will form the basis for formulating response policies and negotiations. If this occurs, these negotiations could be very long and tiring. Under such circumstances, Indonesian negotiators could be tempted to achieve small victories, even though those victories would come at the expense of larger, more fundamental ones.

This high tariff policy will be a severe blow to Indonesia, which is subject to a 32% import duty. Several countries, including Indonesia, are subject to "reciprocal" tariffs because Indonesia imposes tariffs on goods from the United States entering Indonesian territory. For Indonesian exporters, this new import tariff policy is not just a figure on paper. The textile, footwear, furniture, rubber, and fisheries industries have long relied on the US market as one of their main export destinations. The most immediate impact of Trump's tariff policy will be the weakening of the rupiah against the US dollar, followed by mass layoffs by many large companies related to their business dealings with the US dollar, and a decline in tax revenue.

The imposition of reciprocal tariffs of up to 32% on Indonesian products is expected to negatively impact the competitiveness of Indonesian exports, which in turn will reduce Indonesia's export performance. The textile, footwear, furniture, rubber, and fisheries industries have historically relied on the US market as one of their primary export destinations. The most immediate impact of Trump's tariff policy will be the weakening of the rupiah against the US dollar, followed by large-scale layoffs by many large companies related to their business dealings with US dollar elements, and a decline in tax revenues. The decline in export performance will threaten the sustainability of various industries that have been heavily dependent on exports to the United States. Some industries that depend on the US export market include textiles, clothing, footwear, electronic

equipment, furniture, and agricultural, plantation, meat, and fishery products. Meanwhile, leading plantation commodities that will be affected by reciprocal tariffs include palm oil, rubber, coffee, and cocoa.

A good example of how the reciprocal tariff policy significantly impacts Indonesia's industrial sectors is the rubber plantation industry. Among plantation commodities, natural rubber is one of the commodities that will be impacted by the implementation of this tariff. Rubber export data for the 2018-2024 period shows that the United States is the primary destination for Indonesian rubber exports. In 2024, the volume of national rubber exports to the United States reached 370,700 tons with an export value of \$673.1 million. Based on this data, national rubber exports to the United States reached 22% of total national rubber exports in 2024. With a significant dependence on rubber exports, the implementation of this new tariff policy has the potential to significantly impact the sustainability of national rubber exports in the United States market.

Furthermore, the impact of the reciprocal tariff policy will trigger a trade war, resulting in rising prices. Raw materials that are usually imported will become more expensive, which then flows down to the price of goods in the market. Items such as electronics, clothing, and daily necessities could trigger potential price increases. This has a negative impact on Indonesia, especially for those in the lower-middle class. Imported products will also have an impact on Indonesia, for example, as Chinese goods are very difficult to enter the United States, ultimately prompting China to seek new markets in developing countries, one of which is Indonesia. Ultimately, Chinese products, with their low prices, will become tough competitors for local products. This has a serious impact on MSMEs or small traders in Indonesia, making it increasingly difficult to compete in trade and even leading to job losses.

While Trump's reciprocal tariff policy may seem like a matter only for large countries, its impacts can reach the daily lives of people in countries like Indonesia. From job losses and rising prices to increasing the difficulty of small businesses surviving, Donald Trump's import tariff policy has done more harm than good, especially for developing countries like Indonesia. By increasing tariffs

under the reciprocal tariff policy, Donald Trump attempted to protect US industry in the short term, but it has increased the price of Indonesian goods in the US market and reduced the competitiveness of local products. This threatens labor-intensive sectors in Indonesia, such as textiles and footwear, which are heavily dependent on the US market.

At the micro level, these dynamics extend beyond macroeconomic indicators and directly affect specific sectors and border regions. From a borderscapes perspective, global economic policies like reciprocal tariffs generate tangible consequences for peripheral areas, making it necessary for Indonesia to adopt responses that consider not only economic impacts but also the spatial and social dimensions of global trade shifts (Ariato et al., 2022). Christina (2025) highlights that the imposition of a 32% US tariff on Indonesian exports has had profound repercussions for the palm oil sector. In response, SPKS (a smallholder farmers' association) has called for the removal of export levies amounting to \$196 per metric ton to cushion the 3% price decline, while GAPKI has recommended lowering export costs by \$100 per ton for shipments to the US to sustain competitiveness with Malaysia. This situation demonstrates that reciprocal tariff policies not only suppress farm-level prices but also compel Indonesia to recalibrate its export tax structure in order to remain competitive in global markets. As a result, Indonesia's policy response becomes a crucial factor in shaping its position within the international palm oil trade and in safeguarding the economic stability of local farmers.

Furthermore, this protectionist reciprocal tariff policy has sparked a global trade war that has disrupted global economic stability. The uncertainty created by Donald Trump's reciprocal tariff policy could hinder the foreign investment that Indonesia desperately needs to support its economic growth. This policy also demonstrates a narrow approach, with Trump focusing on short-term protection without considering the long-term impact on broader international trade relations.

In this issue, to minimize the negative utility that occurs, the author needs to conduct a study on the Indonesian government's measures to determine

whether they have been deemed effective and have increased public happiness in dealing with the reciprocal tariff policy.

First, through bilateral negotiations between Indonesia and the United States. Previous examples of Indonesia's negotiating strategies in dealing with trade disputes include the clove cigarette dispute between Indonesia and the United States. Delegated dispute resolution or judicial processes at the WTO can pose a threat to long-term international cooperation, as they often ignore future considerations that are not addressed in bilateral discussions (Karim, 2021). Negotiation theory explains that the success of negotiations is influenced by several factors, such as the mutual benefits of the resulting agreement. However, the benefits received by each party vary due to initial differences and the positions and influence of the parties involved (power asymmetries) (Daoudy, 2009).

Next, Indonesia was asked to formulate maximum and minimum demands. These maximum demands can be seen from the WTO's demands, namely that the United States eliminate its discriminatory trade practices. Meanwhile, Indonesia's minimum demand is closer to the resistance point, namely protecting cigarette producers. During the DSB process, Indonesia's resistance point, maximum demand, and minimum demand remained consistent. However, after the United States' rejection, Indonesia's maximum demand and resistance point shifted. Indonesia requested authorization under Article 22.2 of the DSU Agreement, which demands compensation from the United States Government, which can take forms other than monetary payments, such as reductions in tariff barriers commensurate with the benefits obtained from the discriminatory practices. If the United States fails to do so, the Indonesian Government reserves the right to take retaliatory action.

In short, Indonesia viewed the WTO's DSB as a weaker agent relative to a powerful member state like the US. This risk of capture and ineffectiveness was manifested in the clove cigarette ban dispute. Second, the conflicting positions created by WTO mechanisms have the potential to undermine foreign and trade policy objectives. By shifting and expanding its negotiating position, Indonesia believed the MoU could bring significant mutual benefits, perfectly aligning with Indonesia's foreign policy and trade diplomacy objectives for 2010–2014.

Consequently, after the dispute, Indonesia maintained good relations with the United States on trade due to the negotiating steps taken. Indonesia's foreign policy leadership has grown in importance, enabling Indonesia to play a greater role in the global order (Santikajaya, 2017, 100).

If Indonesia's negotiating steps, as described above, were applied to address Donald Trump's reciprocal tariff policy, the outcome would be effective. Indonesia could engage in bilateral negotiations with the United States to lower tariffs, considering a win-win solution, such as providing easier access to import American products into Indonesia, or offering the United States a free trade agreement (LARTAS). This would potentially lead to a reduction in the tariffs imposed on Indonesia by the United States. Consequently, these bilateral negotiations are an appropriate and effective step for Indonesia to take in addressing this reciprocal tariff policy.

Second, filing a lawsuit against the United States through the WTO. If Indonesia wants to sue the United States regarding this reciprocal tariff policy, the case that the author can use as an example to answer the effectiveness of this step is the case when Indonesia was sued by the European Union regarding the ban on nickel exports through the WTO (WTO Case Study DS592). This case was chosen because the United States and the European Union both possess enormous economic power. In this case, Indonesia implemented a nickel ore export ban as an effort to protect natural resources based on WTO rules and principles. The adoption of GATT/WTO into national legal policy has not always been smooth sailing, as a dispute between Indonesia and the European Union has arisen over nickel ore exports.

After the consultation phase failed to yield a solution for either Indonesia or the European Union, the EU filed a lawsuit against Indonesia at the WTO's DSB on January 14, 2021, over its policy of restricting nickel ore exports with a grade of <1.7%. The reason for this is that the raw mineral constitutes 55% of the raw material components of the steel industry (stainless steel). Indonesia is the world's second-largest steel producer after China. Consequently, the WTO panel's final decision, issued on October 17, 2022, declared Indonesia the loser of its WTO lawsuit. However, the Indonesian government considered that the

decision was not final and the Indonesian government appealed to the WTO. The reason Indonesia lost this dispute was because Indonesia's strength and influence in the WTO was not enough to fight the European Union, so that Indonesia's defeat in the hearing decision by the WTO DSB panel, caused implications for Indonesia, one of which was regarding the legal implications that Indonesia had a burden of state responsibility in the sense of liability which means responsibility in the legal realm and can be realized in the form of civil responsibility, then the obligation to pay compensation from the dispute (Alsyanda, 2024, 22).

In this case, filing a lawsuit against the United States through the WTO regarding the reciprocal tariff policy carries a very high risk. This is because the United States has far greater economic power than Indonesia. Even if Indonesia wins this lawsuit, it cannot retaliate, which would be completely disadvantageous for Indonesia to file a lawsuit against the United States through the WTO.

Reviewing the latest news, Indonesia President, Prabowo Subianto had a two-on-one conversation with United States President Donald Trump regarding negotiations on reducing reciprocal tariffs by July 15, 2025. President Donald Trump said on Tuesday that the United States will impose a 19% tariff on goods from Indonesia under a new agreement with the Southeast Asian nation and more agreements are coming, while offering new details about planned import duties on pharmaceutical products.

Trump announced the pact with Indonesia, a relatively small U.S. trading partner, while continuing to press for what he considers better terms with trading partners and ways to reduce the U.S.'s large trade deficit. Letters setting tariffs for dozens of smaller countries are also expected soon. The agreement with Indonesia is one of the few the Trump administration has reached so far ahead of the August 1 deadline, when tariffs on most U.S. imports are set to rise again. As that deadline approaches, negotiations are underway with other countries seeking to avoid further U.S. levies beyond the 10% floor on most goods that has been in effect since April.

Trump's policy implementation has often been chaotic. His moves have derailed decades-long negotiations to reduce global trade barriers, unsettled

international financial markets, and threatened a new wave of inflation. Based on Trump's tariff announcements through Sunday, the Yale Budget Lab estimates the average effective tariff on the United States will rise to 20.6% from between 2% and 3% before Trump returns to the White House in January. A shift toward consumption would lower the tariff to 19.7%, but it would still be the highest since 1933. Trump outlined an Indonesian agreement similar to a recent initial pact with Vietnam, with a fixed tariff on exports to the United States, about double the current 10% rate, and no levies on U.S. exports to the country. The agreement also includes penalty tariffs for so-called transshipment of goods from China through Indonesia and a commitment to purchase some U.S. goods (Lawder, 2025). The compensation that Indonesia offered to the United States to reach an agreement on a 19% reduction in tariffs, namely a reduction in tariffs for United States goods, the purchase of wheat worth US \$ 500 million, negotiations for \pm 75 Boeing aircraft by Garuda, procurement of energy, cotton, and other industrial raw materials reaching a total package value of \$ 34 billion (Monica, 2025).

This agreement made by Donald Trump violates Article XI of the GATT General Elimination of Quantitative Restrictions. Article XI, in addition to quotas and licenses, also covers 'other measures'. In the context of previous jurisprudence, the term 'measures' includes not only laws and regulations, but regardless of their legal status, applies to measures adopted by members that restrict imports or exports. In fact, the term 'other measures' is intended to cover the broad 'remainder' category and is intended to underline the broad nature of measures under Article XI, in accordance with Article XI's mandate to cover any measure resulting in any form of restriction imposed on, or related to, imports. Indeed, the significance of the phrase 'other measures' lies in the fact that Article XI would only cover the restrictions and prohibitions specifically listed in Article XI, if the words 'other measures' were omitted. The quantitative methods used by Donald Trump to determine the tariff value for Indonesia do not pay attention to the standard provisions based on Article XI of GATT.

Conclusion

The Donald Trump's Reciprocal Tariff Policy has clearly violated WTO principles and agreements. Substantively, it contravenes Article I GATT on the Most-Favoured Nation (MFN) principle by imposing discriminatory tariff rates (e.g., 32% on Indonesia) that treat WTO members unequally. It also breaches Article II GATT on tariff bindings, as the imposed tariffs exceed the bound rates in the U.S. Schedule of Concessions. Furthermore, it is inconsistent with Article III GATT on national treatment, since the policy privileges domestic goods over imports and undermines fair competition. In addition, it disregards Article X GATT on transparency and administration of trade regulations, as the measures were applied arbitrarily, non-uniformly, and without adherence to WTO procedural requirements. Although the U.S. justified the policy as a response to its persistent trade deficit, unilateral tariffs of this kind remain protectionist and unlawful under WTO law. Instead of implementing reciprocal tariffs, the U.S. should adopt alternative measures that are legally permissible, such as anti-dumping duties (Article VI GATT), countervailing duties (SCM Agreement), or safeguard measures (Article XIX GATT and the WTO Agreement on Safeguards). These mechanisms provide lawful avenues to protect domestic industries while upholding the principles of non-discrimination, predictability, and fairness that underpin the multilateral trading system.

In addressing Donald Trump's reciprocal tariff policy, the Indonesian government's legal response must be assessed not only in terms of international trade law compliance but also through a strategic lens that balances risk, utility, and long-term national interest. The 32% tariff imposed on Indonesian exports has directly harmed key industries such as textiles, footwear, rubber, fisheries, and palm oil, thereby threatening both Indonesia's export performance and the livelihood of workers dependent on the US market. Faced with this challenge, Indonesia has two primary legal pathways: (i) bilateral negotiations and (ii) WTO litigation. While pursuing a dispute through the WTO's Dispute Settlement Body (DSB) is a formal option, past experiences such as the nickel export ban case (DS592) demonstrate that Indonesia risks significant disadvantages when contesting economically dominant actors like the United States. Even if Indonesia were to secure a favorable ruling, enforcement would remain doubtful,

and retaliation would be impractical. In contrast, bilateral negotiations—though asymmetrical—allow Indonesia to secure pragmatic concessions, as seen in recent agreements involving tariff reductions and trade-offs in sectors such as aviation, agriculture, and energy. Such negotiations enable Indonesia to preserve trade relations, avoid escalation, and extract incremental benefits despite structural power imbalances. Therefore, Indonesia's legal action in response to the reciprocal tariff policy is most effectively pursued through reinforced economic diplomacy and carefully calibrated bilateral negotiations, while retaining WTO mechanisms as a secondary, leverage-building instrument rather than a primary strategy.

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There is no conflict of interest in the publication of this article.

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