

**The Impact of Donald J. Trump's Egocentric Policies on Indonesia:  
A Neorealist Analysis  
(Case Study: The 2024–2025 Trade War)**

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**ABSTRACT**

This study analyses the impact of the United States' foreign policy under Donald Trump on Indonesia, with particular attention to the trade war during the 2024–2025 period. Utilizing a Neorealist theoretical framework, the analysis highlights the significance of national interests, global power distribution, and international system dynamics in shaping bilateral relations. The "America First" policy advanced by Trump prioritizes domestic interests, often at the expense of partner countries. The trade war case study indicates that the United States' protectionist policies and economic sanctions placed significant pressure on Indonesia's export sector, especially in manufacturing and strategic commodities. In response, Indonesia adjusted economic policies and engaged in bilateral diplomacy to maintain national stability. The findings indicate that, within a Neorealist context, states such as Indonesia should strengthen their bargaining power and diversify economic partnerships to navigate an anarchic international system dominated by major powers.

**Keywords:** *Trump, Trade War, Neorealism, Egocentrism, Indonesia.*

**ABSTRAK**

Penelitian ini menganalisis pengaruh kebijakan luar negeri Amerika Serikat di bawah kepemimpinan Donald John Trump terhadap Indonesia, khususnya dalam konteks perang dagang yang terjadi pada periode 2024–2025. Dengan menggunakan pendekatan teori Neorealisme, penelitian ini menyoroti bagaimana kepentingan nasional, distribusi kekuatan global, serta dinamika sistem internasional membentuk pola interaksi antara kedua negara. Kebijakan *America First* yang kembali digaungkan Trump dalam periode kepemimpinannya mencerminkan pendekatan egosentris yang memprioritaskan kepentingan domestik dan sering kali mengabaikan dampak terhadap negara mitra. Melalui studi kasus perang dagang, ditemukan bahwa kebijakan proteksionis dan sanksi ekonomi yang diterapkan Amerika Serikat menyebabkan tekanan signifikan terhadap sektor ekspor Indonesia, terutama di bidang manufaktur dan komoditas strategis. Di sisi lain, respons Indonesia menunjukkan penyesuaian kebijakan ekonomi serta diplomasi bilateral guna mempertahankan stabilitas nasional. Penelitian ini menyimpulkan bahwa dalam kerangka Neorealisme, negara seperti Indonesia harus memperkuat posisi tawar dan diversifikasi mitra ekonomi untuk menghadapi dinamika sistem internasional yang anarkis dan didominasi oleh kepentingan negara besar.

**Kata kunci:** *Trump; Kebijakan; Perang Dagang; Egosentris; Neorealisme.*

## INTRODUCTION

During Donald Trump's presidency (2017–2021), the United States prioritized the "America First" principle in its foreign policy. Although this approach originated with Trump, aspects of it have persisted into the subsequent administration. As a result, the United States has adopted a more assertive stance toward its trading partners, including Indonesia. Observers characterize this policy as confrontational and argue that it marginalizes multilateral cooperation (Sarilita, 2025). These developments have contributed to sustained tensions between the United States and its trading allies.

Donald Trump's implementation of reciprocal tariff policies targeting developing countries began during his first term and has since generated significant international concern. If Trump returns to office in 2024, these measures are anticipated to intensify. Indonesia, which maintains substantial trade relations with the United States, is notably impacted by these policies. The tariffs, introduced during Trump's earlier term and potentially escalating in a future administration, directly affect major domestic industries, including textiles, palm oil, and manufacturing (Dwinata Al Rasyid et al., 2025; Jamil Anugerah Alam, 2020; Rachel et al., 2025). Consequently, certain sectors have experienced reduced exports and heightened economic instability (Safitri & Kasnelly, 2025; Savilia et al., 2025).

The policies implemented during the 2017–2021 Trump administration present a compelling case for analysis through the lens of international relations theory, particularly neorealism. This theoretical framework posits that states are the primary actors, each striving to safeguard their security, stability, and national interests through various strategies (S. Koloay Miknamara & Indra, 2024). Neorealism elucidates how the self-interested policies of the Trump administration align with the behavior of a dominant state intent on preserving its position and influence within the global system. Building on this perspective, Indonesia, as a developing country and trading partner of the United States, actively navigates pressures exerted by major powers within an unpredictable international environment.

Furthermore, this case study examines the trade war between the United States and Indonesia during 2024–2025, specifically analyzing the potential impact of Trump's unilateral policies enacted during this period on Indonesia. Additionally, it explores how a neorealist perspective accounts for Indonesia's political and economic strategies in response to reciprocal tariffs. Building on the case findings, the analysis provides insight into power dynamics between states within the global system. It further elucidates Indonesia's position under U.S. foreign policy pressure, as interpreted through a neorealist framework.

Based on this gap, the study seeks to address the following questions:

1. How might Trump's prospective unilateral tariff policies during 2024–2025 impact Indonesia's leading economic sectors and trade relations with the United States?
2. How can neorealism explain Indonesia's political and economic strategy in reacting to U.S. reciprocal tariffs?
3. What do these dynamics reveal about Indonesia's position within the broader global power structure under U.S. foreign policy pressure?

The research intends to add to the understanding of middle-power conduct in asymmetric trade conflicts and to give insights into emerging power dynamics within the international system, notably in the context of U.S.–Indonesia ties.

## LITERATURE REVIEW

Much of the current coverage focuses on the US-China trade conflict, but Indonesia's economic links to the US are an important part of the bigger story. The United States has long been one of Indonesia's most important non-Asian trading partners, particularly in

industries such as textiles, electronics, footwear, rubber, agricultural products, and palm oil derivatives. Market access concerns, tariff preferences, investment flows, and broader geopolitical issues have all shaped US-Indonesian economic relations throughout history.

Retnasih & Syahda (2025), in "Macroeconomic Shifts in Indonesia: Analyzing the Impact of the United States (US) – China Trade War," examine how the US–China trade war affects Indonesia's macroeconomic development. Rosadi et al., (2025) also examine the effects of the US–China trade war on Indonesia. Rosadi et al., (2025) suggests Sharia investment as a promising way to offset negative impacts. Karso (2025) argues that the US–China trade conflict puts pressure on their partners, including Indonesia. The trade war has especially affected Indonesia's steel trade with China during 2018–2019 (Arnayati & Fuadi, 2022). As a result, Indonesia has faced difficulties as China redirects surplus production and seeks alternative markets.

The US Generalized System of Preferences (GSP), which gave Indonesia preferential tariff access for thousands of goods, has been a crucial framework governing bilateral commerce. GSP benefits have benefited Indonesia, especially in the rubber, plywood, jewelry, and manufactured goods industries, which helped diversify its exports. Opportunities and uncertainties were generated by the US's periodic evaluations of Indonesia's GSP status, which encouraged Indonesia to continue implementing labor standards, intellectual property protections, and regulatory reforms that meet US expectations.

Beyond tariffs, US foreign policy for Indonesia has placed a greater emphasis on investment diversification, supply chain resilience, and support for vital industries, including infrastructure, energy, and digital technology (Medcalf, 2020). American businesses continue to be major investors in Indonesia's mining, extractive, and digital industries. They are also heavily involved in the processing of copper and nickel, which are vital components of the world's supply chains for batteries and electric vehicles (Henderson, 2021).

Trade relations between the US and Indonesia are frequently strategically connected to more general Indo-Pacific policy goals. According to Washington, Indonesia is an important middle power whose stable economy helps maintain regional equilibrium (Campbell, 2025). As a result, diplomatic efforts that support democratic governance, marine security, and open trade routes are strongly linked to economic participation. The United States has been pushing Indonesia to lower non-tariff barriers, increase transparency, and draw in investment that is in line with the Indo-Pacific Economic Framework (IPEF).

The United States is an important counterbalance to China for Indonesia. Indonesia uses its economic ties with the US to diversify markets, lessen its reliance on any one country, and increase its bargaining strength, even while China continues to be its biggest trading partner. This dynamic directly contributes to Indonesia's methods of hedging and soft-balancing, whereby economic cooperation with the US preserves strategic autonomy without inciting conflict with China.

In conclusion, a thorough understanding of US-Indonesia trade relations is necessary to supplement scholarly attention to the US-China trade war. These relations have a substantial impact on Indonesia's political alignment, economic resilience, and diversification initiatives. Understanding the Indonesian position and reactions in the changing global financial landscape requires an analysis of these bilateral ties.

Conceptual works on economic statecraft provide a vital basis to close this gap. Baldwin explain how economic instruments, like market access, trade leverage, financial incentives, and penalties, are used by nations as instruments of power (Baldwin, 1985, 2013). These frameworks demonstrate how both China and the US engage in strategic economic action that transcends commercial concerns. Similarly to this, research on

coercive diplomacy (Jakobsen, 2016) sheds light on how economic pressure is used to force behavioral change without resorting to military escalation, which is a feature of US foreign policy that is becoming more and more prevalent.

The literature on US foreign economic strategy provides additional background for how the US aligns economic policies with its geopolitical goals, especially in the Indo-Pacific area (Baldwin, 1985). This corpus of research shows that supply chain reorganization, tariffs, and reciprocal trade actions under US administrations—including Trump's—are components of a long-standing policy meant to preserve economic dominance and restrain competitors.

Finally, research on neorealism and economic conflict helps us understand why great-power competition commonly affects trade relations since Waltzian neorealism emphasizes how the international system influences state behavior; middle-income countries such as Indonesia prioritize security, strategic autonomy, and relative gains. In order to reduce vulnerabilities resulting from uneven economic connections, smaller governments use balancing, hedging, and soft-balancing, according to recent research applying neorealism to trade conflicts.

The inclusion of these conceptual works enhances the study's theoretical foundation. It provides a more thorough understanding of Indonesia's reactions to the US-China trade war by placing Indonesia's experience not only inside a bilateral trade conflict but also within larger frameworks of power, economic coercion, and strategic engagement.

## **RESEARCH METHODOLOGY**

This study uses qualitative methods and a literature review, grouping sources by topic to define theories and provide context. Relevant documents, including academic publications about coercive diplomacy, economic statecraft, Indonesia's economic policies, and neorealist interpretations of financial conflict, and statements from Indonesian ministries are included as needed (Creswell, 1998). The review presents key theories and perspectives relevant to the research problem. To build on this foundation, the following methods elaborate on the study's analytical approach.

Following the literature review, discourse analysis is employed to assess the impact of the trade war. Three interrelated analytical phases are followed in the study. Discourse analysis is the first. Discourse analysis is used to assess how the US-China trade war is framed in academic, official, and policy papers after the literature review is finished. This reveals recurrent themes, stories, and perspectives on Indonesia's role in the conflict. Critical Discourse Analysis (CDA) is the second. The study then evaluates the trade war's ideological and power-related ramifications for Indonesia using Fairclough's (1995) critical discourse analysis approach. Lastly, Waltz's neorealist theory is combined with the results of discourse and critical discourse studies. The research examines the implications of the trade war for Indonesia's economic conditions.

Building on these analytical methods, a neorealist perspective is finally applied in the discussion and analysis of results. This approach integrates content analysis with Waltz's neorealism theory to examine the trade war and identify its underlying causes.

## **THEORETICAL FRAMEWORK: NEOREALISM**

This analysis uses Neorealism, also known as Structural Realism. Neorealism, building on classical Realism, is an international relations theory emphasizing international anarchy, the importance of states, power distribution, survival as a key goal, and the competitive nature of interstate relations.

Neorealism views trade wars as mechanisms by which economic powers seek hegemony. When a state enhances its economic position, other states may perceive this as a threat (balance of threat) and respond by counterbalancing (balance of power). For example, the United States perceives China as a significant threat and has implemented reciprocal tariffs as a strategy to maintain the balance of power.

Kenneth Waltz, a major figure in Neorealism, argued in "Theory of International Politics" (Waltz, 1988) that international anarchy drives states to protect themselves. According to Waltz, stability exists when states balance power. This view is called Defensive Neorealism. Mearsheimer (2003), by contrast, argues for an offensive approach. In "The Tragedy of Great Power Politics", he says states seek not just security but hegemony, using their power to dominate. This school holds that hegemony ensures a state's security amid constant competition.

Stephen Martin Walt, in "The Origins of Alliances" (Walt, 1987), instead, emphasizes balancing threats. Walt argues that states do not just balance other states' power, but assess which pose the greatest threat. He lists key factors: overall power, proximity, offensive capacity, and intentions. These guide whether a state will balance a particular adversary.

### **The Concept of Egocentric Policies**

According to (Morgenthau, 1948), states seek national interests that are primarily determined by power, especially economic power. Morgenthau sees commerce as more than just a monetary exchange; it is also a political arena in which governments compete for national advantage. He contends that international economics cannot be divorced from politics; economic connections are merely another sphere in which governments use power to preserve and advance their interests. Because economic interdependence frequently results in unbalanced relationships, the state that controls trade flows or strategic resources can exert enormous influence over others.

This realist viewpoint informs a set of selfish trade policies. Protectionism, for example, becomes a sensible instrument for protecting home companies by imposing tariffs and quotas to enhance the national economy. Similarly, strategic trade policies are viewed as investments in national might rather than simply economic decisions. Resource nationalism exemplifies Morgenthau's logic, in which states strive to dominate critical commodities such as oil, minerals, palm oil, or rare earth elements in order to acquire bargaining power in the international arena. In essence, Morgenthau sees commerce as an important aspect of international power relations. It is not a neutral economic activity, but rather a strategic battleground in which governments struggle to increase their position, protect their interests, and maximise their influence in the international system.

## **RESULTS AND DISCUSSION**

### **Summary of Trump's Policies for 2024-2025**

Donald Trump's anticipated second term is projected to mirror his first, characterized by foreign policy approaches such as unilateralism, protectionism, and nationalism. These strategies indicate a continued emphasis on self-reliance and prioritization of domestic interests (Mahlangu, 2025).

Key actions associated with this policy approach include the following:

1. Increasing import tariffs on developing countries, including Indonesia;
2. Renegotiating trade agreements perceived as unfavorable to the United States;

3. Exerting pressure on trading partners to address the bilateral trade deficit.

Indonesia's reliance on palm oil, rubber, and textiles exposes in directly to these tariff and non-tariff barriers

### **Analysis of the Impact of Trump's Reciprocal Policies on Indonesia**

#### **a. Trade Sector**

The United States is reviewing Indonesia's eligibility for the Generalized System of Preferences (GSP). The GSP lowers or removes tariffs on products exported from developing countries, such as Indonesia, to the United States (Jeihan et al., 2020; Yovana & Adina, 2021). Its main goal is to increase exports and boost economic growth in participating countries.

If Indonesia fails to meet the criteria on human rights, labor protections, or other trade rules, the United States may revoke or reduce its GSP benefits. The potential loss of these trade benefits would have several implications:

1. Indonesian exports to the United States would face higher tariffs, making them less competitive and potentially reducing export volume and revenue;
2. This could make Indonesian products more expensive for U.S. consumers, resulting in reduced price competitiveness compared to goods from other countries;
3. As a result, Indonesian products may lose market share in the United States compared to competitors from other regions that maintain preferential access;
4. These factors together could lead to a drop in Indonesia's export volume and trade revenue from the United States, potentially impacting key sectors reliant on U.S. demand.

A United States review of the Generalized System of Preferences (GSP) could significantly affect Indonesia's economy. It may also impact the country's trade relations with the US market (Fachri et al., 2025; Qoni'ah, 2024). The United States is pressuring Indonesia to expand market access for US goods and services, aiming to support US export growth and enhance its economic interests. This often occurs through trade negotiations, economic diplomacy, or threats to reduce trade privileges such as the GSP. The US wants its companies to sell more goods and services in Indonesia to increase exports and strengthen economic ties. Letting in more US imports may increase competition for Indonesian products and hurt local industries.

When the United States pressures Indonesia with demands for broader market access or threatens to revoke trade facilities such as the Generalized System of Preferences, Indonesia responds with economic diplomacy to protect its national interests. Indonesia is renegotiating with the United States to find solutions that benefit both sides, such as:

1. Maintaining or enhancing existing trade facilities;
2. Securing more equitable or advantageous trade terms;
3. Achieving a balance between market liberalization and the protection of domestic industries.

These measures aim to ensure continued trade relations and protect Indonesia's interests by preserving bargaining power, economic stability, and avoiding excessive dependence on major powers from a neorealist perspective.

#### **b. Security and Military Sector**

The Trump administration has asked partner countries to increase financial support for defense cooperation. As a result, Indonesia may need to buy more U.S. military products and expand its defense budget (Arsy Ash Shiddiqy et al., 2022; Sukarno Timur et al., 2025).

This demand signals a push for greater financial commitment in defense. If Indonesia does not comply, it could face negative consequences in trade, investment, or market access, as the Trump administration may use trade policy as leverage.

In addition to these financial demands, the United States' trade war with China is not just an economic issue but a geopolitical strategy to curb China's dominance in the Indo-Pacific. In this context, the United States pressures countries such as Indonesia to align more closely with U.S. interests through greater defense cooperation, investment, and trade agreements favoring the U.S. This includes urging Indonesia to reduce dependence on China and deepen economic and military ties with the United States (Andrena, 2025; Nur Alifath et al., 2025).

Building on these dynamics, the United States' trade war with Indonesia can be analytically viewed as an instrument within a broader U.S. strategy to reshape the regional balance of power in the Indo-Pacific in favor of the United States and its allies. U.S. pressure, demonstrated through trade disputes and advocacy for increased defense cooperation, arguably incentivizes Indonesia to employ a hedging strategy—preserving economic ties with China, while simultaneously maintaining security support from the United States. From a neorealist perspective, Indonesia seeks to balance major powers to preserve strategic autonomy (Husna, 2025).

### c. Economic Sector

Indonesia's exports to the US tend to fall from the previous years, especially in gas and oil (Kementerian Perdagangan Republik Indonesia, 2025).

Table 1. Declining in Indonesian Exports to the US (2023–2024)  
issued by The Ministry of Trade of the Republic of Indonesia

Tabel 15 PERKEMBANGAN EKSPOR MIGAS BERDASARKAN NEGARA TUJUAN UTAMA PERIODE : 2018 - 2024 (JAN - NOV)												
NO.	NEGARA	2018	2019	2020	2021	2022	2023	TREND (%) 18-23	JAN - NOV		PERUB. (%) 24/23	PERAN THD/TOTAL EKSPOR 2024(%)
									2023	2024		
	ASEAN	6,433,955.1	5,411,098.8	3,880,929.4	6,222,442.7	7,865,815.2	8,176,414.8	8.31	7,454,801.6	7,759,437.0	4.09	3.22
1	SINGAPURA	3,912,613.1	3,479,564.8	2,128,535.0	3,552,512.8	4,619,514.1	4,259,126.7	5.24	3,760,958.7	4,195,213.7	11.55	1.74
2	MALAYSIA	1,367,996.3	1,132,471.2	1,128,524.0	1,336,399.2	1,855,423.9	2,162,986.7	11.92	2,019,173.9	1,644,021.3	-18.58	0.68
3	THAILAND	1,097,152.4	757,360.1	566,986.9	1,215,666.8	1,324,466.8	1,620,104.1	13.36	1,543,007.8	1,732,758.9	12.30	0.72
	ASEAN LAINNYA	56,193.3	41,702.7	56,883.5	117,863.9	66,430.4	134,197.3	20.33	131,661.3	187,443.2	42.37	0.08
	UNI EUROPA	61,507.1	148,150.4	56,290.2	99,561.0	222,707.4	183,628.5	23.06	183,534.3	132,248.1	-27.94	0.05
4	JERMAN	521.9	263.5	28.5	186.6	0.3	0.3	-79.84	0.3	0.1	-70.91	0.00
5	BELANDA	60,902.0	147,664.3	56,241.4	99,340.4	126,828.5	100,743.0	7.80	100,707.3	128,142.0	27.24	0.05
6	ITALIA	42.4	0.1	0.0	0.0	0.2	0.0	-	0.0	2.8	-	0.00
	UNI EUROPA LAINNYA	40.8	222.5	20.3	34.1	95,878.4	82,885.2	406.67	82,826.7	4,103.2	-95.05	0.00
	NEG. UTAMA LAINNYA	10,389,556.9	6,025,921.9	4,199,873.4	5,735,709.5	7,335,986.3	6,685,051.1	-3.65	6,047,676.3	6,046,213.6	-0.02	2.51
7	REP.RAKYAT CHINA	2,724,143.7	2,067,543.8	1,845,383.9	2,676,582.0	2,377,646.7	2,605,129.8	1.64	2,266,704.5	1,972,751.6	-12.97	0.82
8	JEPANG	3,157,754.1	2,188,837.8	779,443.1	978,456.1	1,653,653.4	1,801,798.4	-8.60	1,808,333.7	1,932,034.1	6.84	0.80
9	AMERIKA SERIKAT	772,065.6	38,544.1	110.6	192.4	37.7	16,461.1	-67.63	16,461.0	43.1	-99.74	0.00
10	INDIA	61,491.3	122,870.2	215,511.5	229,486.0	80,086.5	9,125.4	-26.47	4,741.1	11,371.4	139.85	0.00
11	AUSTRALIA	656,706.2	218,862.0	90,314.8	227,655.7	243,740.7	154,525.5	-15.72	142,327.8	100,484.3	-29.40	0.04
12	KOREA SELATAN	2,032,276.2	1,134,300.6	898,080.5	1,023,860.6	2,156,806.4	1,700,358.1	3.39	1,511,651.4	1,534,820.3	1.53	0.64
13	TAIWAN	985,119.8	254,963.3	371,029.0	599,476.7	824,014.9	297,652.8	-5.51	297,456.8	494,708.8	66.31	0.21
	SUB TOTAL	16,828,784.9	11,543,245.8	8,080,189.2	11,939,815.3	15,262,200.0	14,828,011.9	1.72	13,471,524.2	13,746,352.4	2.04	5.70
	LAINNYA	342,944.1	246,011.9	170,895.9	307,586.3	736,022.6	1,093,901.9	31.84	971,452.1	590,978.5	-39.17	0.24
	TOTAL EKSPOR MIGAS	17,171,729.0	11,789,257.7	8,251,085.1	12,247,401.6	15,998,222.6	15,921,913.8	2.70	14,442,976.3	14,337,330.9	-0.73	5.94

Sumber : BPS (diolah PDSI, Setjen Kementerian Perdagangan)

In response to these export declines, Trump's policies have further disrupted Indonesian exports and the global supply chain, leading to higher domestic production costs and higher raw-material prices.

Facing these economic challenges, Indonesia also encounters diplomatic difficulties in maintaining its bilateral relations with the United States. In response, the Indonesian government has stepped up economic diplomacy through ASEAN and G20 forums (Rukmi



Dwi Astuti & Muhamad Fathun, 2020; Yoshida & Farhan Kriswandwitanaya, 2023). The government is further promoting export market diversification to the Middle East and Africa and is reviewing its bilateral trade policy with the United States, especially within the Generalized System of Preferences (GSP).

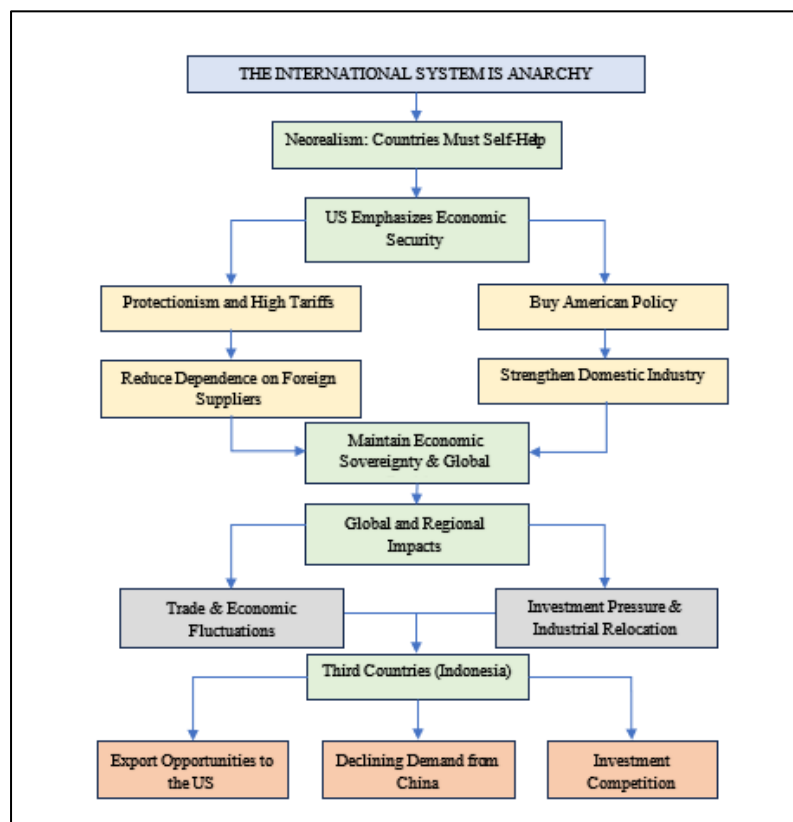
Together, these measures demonstrate that Indonesia is pursuing an adaptive and cooperative approach rather than an offensive strategy in implementing a soft-balancing policy—defined as using diplomatic and economic tools rather than military means to counterbalance the influence of a major power. This approach is crucial for maintaining domestic economic stability while preserving positive trade relations with the United States.

### Neorealist Perspective Analysis

Neorealism, or structural realism, introduced by Waltz (1988), argues that the international system lacks an overarching authority. States are the main actors and use rational strategies to survive and protect their interests. Neorealism argues that state behavior is primarily shaped by the international system's structure and power distribution. Morality, ideology, or individual leadership has less influence. As a result, a hegemon seeks to hold the status quo. Less powerful states adapt for survival.

Trump's policies can be seen in several ways. These policies often adopt an anarchic approach and prioritize economic security as the main national interest. This view matches neorealism, which holds that states must rely on self-help for security (Mahlangu, 2025). The United States sees dependence on foreign supply chains as a major threat to its economic security and sovereignty. To preserve national power, protectionist measures are put in place.

Figure 1. The Impact of Anarchy in the International System on US Economic Policies and Third-Country Relations





Trump's policies are also based on the idea of relative gains, a neorealist key point. States care more about their relative position than absolute gains (Dzeta Amarca, 2024). The United States acts to limit trading partners' development, seeing their growth as a threat. This reasoning explains why Trump calls the trade deficit "threatening," even though the United States benefits from lower-priced imports in absolute terms.

The United States is the largest economic power and holds a strategic position globally. During Trump's term, concerns grew about the decline of US hegemony due to China's rise. The Trump administration's trade policies aimed to keep the balance of power. The US-China trade war tried to contain China's rise, but it often ignored the effects on partners like Indonesia. Neorealist theory holds that states work to prevent rivals from rising to dominance (Waltz, 1988). This shows a changing balance of power. The United States' assertive actions under Trump are rational attempts to maintain its position as a major power in a world with more major powers.

### **The Responses**

Indonesia was vulnerable when Trump again proposed broad unilateral tariffs in 2024–2025. Its textile, footwear, rubber, palm-oil derivative, metal, and mineral exports depend on stable U.S. market access. New tariffs on manufactured and resource-based goods threatened Indonesia's competitiveness, manufacturing sectors, export volume, and industrial growth. Many Indonesian producers feared losing U.S. demand, which would lower margins, cost jobs, and force them to export to Japan, South Korea, the EU, or ASEAN. The uncertainty surrounding bilateral trade talks showed Indonesia's vulnerability to U.S. economic policy changes.

Indonesia's response was neorealist, reflecting a middle power navigating a great power system. Jakarta had few incentives and few resources to directly retaliate against a hegemon using tariffs as economic statecraft. Hedging between major partners, employing soft balancing through diplomacy and regional frameworks such as ASEAN and RCEP, and diversifying its economic ties with China, Japan, South Korea, and Europe were rational, survival-focused strategies. These moves sought to minimize exposure and preserve autonomy in an anarchic international system, rather than confronting Washington.

These dynamics show Indonesia's global structure. Indonesia is strategically important but economically vulnerable in the Indo-Pacific, making it vulnerable to U.S. pressure. Indonesia's independence depends on its ability to diversify its economic reliance across multiple partners. Its relationship with Washington is not one-way: U.S. tariffs can change Indonesia's exports more easily than Indonesia can change U.S. policy. Indonesia manages risks, balances relationships, and navigates the ambitions of larger states in this environment, rather than shaping global power.

### **CONCLUSION**

Trump's reciprocal policies help the United States maintain global economic dominance and a competitive edge. For Indonesia, these policies create challenges in aligning national priorities with external economic and political pressures.

Building on this context, from a neorealist perspective, Indonesia's pragmatic and rational response demonstrates a strategic soft-balancing effort to preserve security, stability, and sovereignty within an anarchic international system characterized by ongoing power competition. Here, soft balancing refers to Indonesia's use of non-military tools, such as diplomatic engagement and coalition-building, to counter dominant powers without direct confrontation.

Finally, Indonesia's foreign economic strategy is best explained by structural constraints and power asymmetries in a neorealist framework. From a neorealist perspective, the trade war reveals how shifts in power distribution among central states create vulnerabilities for secondary powers. Indonesia, lacking the material capabilities to balance either the United States or China conventionally, adopts soft-balancing strategies—including diplomatic negotiation, diversification of trade partners, selective economic cooperation, and hedging between the competing powers. These actions demonstrate a rational and pragmatic attempt to preserve national stability, economic security, and sovereignty in an anarchic system. These findings answer the research questions and help us understand how middle-income states handle economic conflict with major powers.

## ACKNOWLEDGEMENT OF AI USAGE

In preparing this manuscript, the authors, as non-native speakers of English, utilized ChatGPT (OpenAI, version 40) and Grammarly to check for grammatical errors and refine the clarity of words and sentences.

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