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Special Alert

U.S. Reciprocal Tariff: How to navigate Global Trade Impacts

April 2025



Background

On 02 April 2025, U.S. President Donald J. Trump signed an Executive Order imposing a 10% tariff on all trading partner countries (effective from 05 April 2025), and countries-specific reciprocal tariff on goods imported into the U.S. (effective from 09 April 2025). Indonesia is among the affected countries and is subject to a 32% tariff, as stated in Annex-I of the Executive Order.

Following that, on 11 April 2025, President Trump and the U.S Administration have announced: a 90-day postponement of country-specific Reciprocal tariffs; and a temporary “exemption” of tariffs on some Semiconductors and Smartphones, etc., pending the outcome of further investigations into the whole electronics supply chain - following which tariffs on these products could be re-imposed.

The reciprocal tariffs impact on almost all product sectors, but with most significant impact in Key export sectors of Indonesia to the U.S. - including electronics, textiles and textile products (TPT), footwear, palm oil, furniture, shrimp, and other fishery products.

To date, The Indonesian Government is in the process of taking the actions to discuss and negotiate with the U.S. to manage the imposition of reciprocal tariffs. Whilst this is occurring, Businesses exporting to the U.S. market, need to determine and decide on courses of action to be taken in the short, medium, and longer terms – to remain connected into Global value chains.

Impacts of reciprocal tariffs on Exporters to the U.S.



The U.S. reciprocal tariff policies have the impacts to Businesses in imposed countries, including Indonesia, in the following ways:

1	Exposures to the challenges arising from the overall negative impact on the global economy arising from the U.S. Tariffs.
2	Weaken the competitiveness of Products exported to U.S. market, potentially leading to the higher costs and decline of Purchase orders/ Contracts.
3	The need to reduce of selling prices to U.S. buyers for the products to remain competitive in the U.S. market and therefore squeezing profit margins of Businesses.
4	There could be an increase in Origin Scrutinizes/ Investigations, for the Products imported into the U.S. – as the basis for the U.S. to apply Tariffs imposed for the specific countries.
5	Needs to consider Restructuring Business Model/ Supply Chains in long run, to manage the immediate, and potential impacts of U.S. Tariffs.



Deloitte's recommendations for businesses

Faced with the above challenges businesses need to determine and decide on courses of action to be taken in the short, medium, and longer terms to address these – and remain connected into global value chains. These actions could include:



Immediate and short-term actions

- ✓ Confirming that the HTS codes declared on import into the U.S. are correct and identify whether the products can fall into any exemption list of reciprocal tariff – recently issued by the U.S.;
- ✓ Considering the availability of materials for production and having the supply chain planning to source sufficient materials to ensure the production within “90-day” postponement of reciprocal tariff applied to specific countries.
- ✓ Expediting the export shipments to the U.S. before the end of “90-day” postponement of countries-specific reciprocal tariff.
- ✓ Carefully review the determination of “Products Origin” for Products exported and imported into the U.S., and enhance the internal review to evidence for “Products Origin”
- ✓ Continue examining the short-term product pricing strategies with the U.S. trading partners to manage the value base on which 10% Reciprocal tariff will be applied from 05 April. Considerations will need to be given to the Customs, Tax and Transfer Pricing considerations of any downward changes in pricing.
- ✓ Actively participating in making representations to the Government/ Competent authorities on the significant negative impact the U.S. reciprocal tariffs will have on your business.



Medium and long-term actions

- ✓ Initiate the scenario modelling and perform the “potential” impact assessments under each scenario.
- ✓ Develop an integrated Plan on how Business intends to respond under each scenario (including any conversion of Business models and restructuring Global Value Chains), with the considerations from Customs, Tax, Legal, and Transfer pricing perspectives.
- ✓ Explore the availability of any schemes/arrangements in the U.S. that offer tariff exemptions/ reduction (e.g., duty relief scheme; 20% Exemption Rule, etc.) for products to be imported into the U.S.
- ✓ Evaluate scope for customs tariff engineering that would enable alternative HTS codes with lower MFN rates to be declared and identify the opportunities for products to fall under any published exclusion/ exemption list(s).
- ✓ Diversify the export markets by utilizing the available Trade Agreements - but need to consider the quality and technical standards in those destination countries.



How Deloitte can support

Our Tax & Legal team comprising Customs & Trade, Tax, Transfer Pricing and Legal specialists, can support you to remain connected in global value chains – through:



Regulatory updates

To provide timely updates on any changes to U.S. Tariff policies, Origin requirements, and “potential” impacts on your business models.



Scenario Modelling and Impacts Assessment

To review the Company's current business model and Plans/ Business drivers, to provide “comprehensive” impacts assessment from customs, tax, legal, and transfer pricing perspectives. We could assist the Company in conducting analysis by evaluating the supply chain, trade flows, and contractual arrangements related to the tariff increase, alongside the value chain restructuring support.



Supply chain restructuring strategy

To advise on strategies that could be adopted in the short, medium, and longer term, including access to alternative customers markets. Given that some countries are subject to higher reciprocal tariffs, we could re-evaluate your current manufacturing and distribution locations. This includes identifying countries with more favorable trade terms with Indonesia, such as those with which Indonesia has Free Trade Agreements (FTAs) while bridging the other taxes and transfer pricing considerations.



Compliance Review with focus on Product Origin

To perform the independent review and assess on whether the Products exported by the Companies satisfies “Countries Origin”; quantify potential exposures and provide the recommended actions. We could also support your company in performing cost analysis based on the country of origin of raw materials and components, particularly those sourced from the US, to help determining whether the products qualify for reciprocal tariff exemptions on US-originating product.



Technology Support

Following advice on strategies in finding access to alternative customers markets, we could perform potential tariff reduction by leveraging Deloitte's technology. We could assist your Company in exploring over 60 FTAs, tariff rates from more than 30 countries across Asia, ASEAN, Oceania, the Americas, Europe, and Africa, as well as detailed Rules of Origin while taking the latest development of US Reciprocal Tariff into account.



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