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INDONESIA'S ECONOMIC RESILIENCE AMID THE US-CHINA TRADE WAR: A GEOPOLITICAL ANALYSIS

RESILENSI EKONOMI INDONESIA DITENGAH PERANG DAGANG AS-TIONGKOK : ANALISIS GEOPOLITIK

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ABSTRACT

The US-China trade war has disrupted the global economy, impacting Indonesia's import-export decline, rupiah exchange rate pressure, and financial market fluctuations. This research uses a normative-empirical approach, combining conceptual studies of international trade law and policy norms and qualitative data analysis on trade flows, national economic policy direction, and market responses to global geopolitical tensions. The findings show that Indonesia is stable through hedging strategies, neutral diplomacy, and diversification of trading partners. The study highlights the importance of an adaptive and resilient national trading system, supported by fiscal-monetary policy coordination.

Keywords*: *Economic Stability, Geopolitics, Protectionism, Trade War

ABSTRAK

Perang dagang AS–Tiongkok memicu disrupsi ekonomi global, berdampak pada penurunan ekspor-impor Indonesia, tekanan nilai tukar rupiah, dan fluktuasi pasar keuangan. Penelitian ini menggunakan pendekatan normatif-empiris, dengan mengombinasikan studi konseptual terhadap norma-norma hukum dan kebijakan perdagangan internasional serta analisis data kualitatif mengenai arus perdagangan, arah kebijakan ekonomi nasional, serta respons pasar terhadap ketegangan geopolitik global. Hasil menunjukkan Indonesia mampu mempertahankan stabilitas melalui strategi *hedging*, diplomasi netral, dan diversifikasi mitra dagang. Studi ini menyoroti pentingnya sistem perdagangan nasional yang adaptif dan tangguh, yang didukung oleh koordinasi kebijakan fiskal-moneter.

Kata kunci: Geopolitik, Perang Dagang, Proteksionisme, Stabilitas Ekonomi

A. INTRODUCTION

International trade is a strategic element in shaping global economic stability. In this case, the economic growth of a country, especially a developing country like Indonesia is greatly influenced by the openness and smooth flow of cross-border trade. However, since 2018, the world has witnessed the emergence of major disruptions in the global economic order due to the trade war between the United States and China.[1] The protectionist policies adopted by both countries through the imposition of high import duty tariffs have fueled geopolitical tensions and caused significant disruptions to global supply chains, investment flows, and the free trade climate.[2] This economic feud goes beyond mere import-export transactions and has become a tool of global political dominance in asserting the influence of each country's economic power. For Indonesia, this trade war is not just an external phenomenon, but a reality that puts direct pressure on the national economy. The decline in the value of exports to the United States and China, fluctuations in the rupiah exchange rate, the weakening of the Composite Stock Price Index (CSPI), and the disruption of strategic commodity price stability are some of the impacts that have been recorded.[3] Several previous studies have examined this phenomenon from a macroeconomic perspective with a descriptive statistical approach, concluding that market diversification and strengthening domestic industries are effective mitigative measures.[4] However, such an approach has not addressed the more fundamental issue of how the country, in this case Indonesia, builds systemic economic resilience in the midst of geopolitical pressures stemming from competition between two global powers.[5]

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[1] Risma Anggriani, *Interdependensi Ekonomi dan Konflik Perdagangan: Studi Kasus Perang Dagang Amerika Serikat-Tiongkok Tahun 2018-2020*, Skripsi, Universitas Islam Indonesia, 2024, p.37–48.

[2] Hendra Yas, *Analisis Kebijakan Proteksionisme Amerika Serikat terhadap China di Era Kepresidenan Donald Trump*, Skripsi, UPN Veteran Jawa Timur, 2020, p.1–23.

[3] Silfia Lintang Laily, Shodiq Askandar, dan Junaidi, *Pengaruh Perang Dagang Amerika Serikat dan Tiongkok terhadap Indeks Harga Saham Gabungan Indonesia di Bursa Efek Indonesia*, Jurnal Ilmiah Riset Akuntansi, Vol.11, No.2 (Februari 2022), p.44–52.

[4] Hendra Ibrahim dan Irna Rianti, *Strategi Ekspansi Perusahaan Global di Pasar Internasional : Analisis dan Tantangannya*, Jurnal Publikasi Manajemen Informatika, Vol.4, No.1 (Januari 2025).

[5] Wambrau Meyland, *Dampak Perang Dagang terhadap Neraca Perdagangan Amerika Serikat-China*, Citizen : Jurnal Ilmiah Multidisiplin Indonesia, Vol.2, No.4 (Oktober 2022), p.664–70.

The impact of the trade war cannot be viewed narrowly as a bilateral issue. The tensions have disrupted systemic balances in international supply chains, created uncertainty in financial markets, depressed emerging market currencies, and reduced global trade volumes. Countries with high economic attachment to the US and China are the most affected, including Indonesia. As a country with an open economic structure and active involvement in international trade, Indonesia faces serious pressure from both exports and imports. Data shows that some of Indonesia's leading export commodities, such as natural rubber, wood, chemicals, and paper, experienced a significant decline in export value to both countries. Not only that, the dependence on imported raw materials from China and the United States has also disrupted the domestic industrial sector. The impact can be seen in the weakening of the Jakarta Composite Index (JCI), fluctuations in the rupiah exchange rate, and reduced investor confidence in Indonesia's economic climate.[6]

Indonesia is an actively engaged country in the global trading system, its legal position in the international trade law framework, particularly in the World Trade Organization (WTO) regime, has not been prominent in various policy studies and national strategic responses. As a member of the WTO since 1995 and a party to the General Agreement on Tariffs and Trade (GATT), Indonesia has a legal obligation to comply with the basic principles governing multilateral trade, including the principle of non-discrimination through the Most-Favored-Nation (MFN) clause as stipulated in Article I of GATT 1994. This principle requires Indonesia to provide equal trade treatment to all WTO members, thus limiting the room for maneuver in responding exclusively to bilateral trade dynamics. In addition, Indonesia's engagement in regional agreements such as the ASEAN Free Trade Area (AFTA) and involvement in the Regional Comprehensive Economic Partnership (RCEP) adds to the complexity of legal commitments that must be fulfilled. However, the utilization of these international legal instruments in dealing with the impact of trade wars is still not optimal. Indonesia tends to accentuate economic responses rather than legal diplomacy, including in utilizing the Worl Trade Organization dispute settlement mechanism. Therefore,

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[6] Ilhamsyah Arisyahidin, *Analisis Perang Dagang Amerika Serikat dengan China terhadap Pertumbuhan Nilai Tukar Rupiah Ilhamsyah*, Sustainability (Switzerland), Vol.11, No.1 (Desember 2019), p.1–14.

strengthening Indonesia's legal position at the international level needs to be directed at optimizing the role of law in economic diplomacy to strengthen national resilience in a more structured, sustainable manner, and based on applicable international legal principles.

Several studies have addressed this issue from a macroeconomic or international finance perspective. Most studies focus on trade fluctuations, declining global demand, and changes in market behavior. While these findings provide an important starting point, they are fragmented and fail to provide a comprehensive explanation of how a country like Indonesia can build an economic resilience system that is adaptive, strategic and sustainable in the face of external shocks stemming from great power rivalry. In this case, an analysis is needed that not only measures economic impacts numerically, but also considers institutional aspects, legal policies, and diplomatic strategies in responding to these conditions.[7]

Through a normative-empirical approach, this article seeks to examine in depth Indonesia's response to the impact of the US-China trade war. The normative approach is used to analyze international trade regulations, foreign economic policy, and Indonesia's position in the international legal framework, including the role of multilateral principles in the WTO system. At the national level, the legal framework used refers to the Law of the Republic of Indonesia No. 7/2014 on Trade, which emphasizes the direction of Indonesia's foreign trade policy, including the principles of independence, legal certainty, and justice in the face of global dynamics.[8] Meanwhile, the empirical approach is used to examine the real impact of the trade war on economic indicators such as export-import, exchange rates, and national financial markets. The combination of these two approaches allows for a comprehensive analysis of Indonesia's ability to maintain economic stability amid global uncertainty.

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[7] M. Rusdyanto Hadawang, *Implementasi Kebijakan Hukum Perdagangan di Indonesia Pada Saat Terjadinya Kompetisi Dagang Amerika dengan China (Implementation of Trade Law Policy in Indonesia at The Time of The Occurrence of Trade Competition Between America and China)*, Lex Prospicit, Vol.1, No.1 (Februari 2023), p.53.

[8] Indonesia, *Undang-Undang tentang Perdagangan*, UU No. 7 Tahun 2014, LN Tahun 2014 No.45, TLN No.5512.

This article specifically highlights the importance of Indonesia's hedging strategy, which is not taking absolute sides in a global conflict, but actively building strategic relationships with both countries to safeguard national interests. Indonesia is also active in various international forums such as the G20, ASEAN-China Summit, and the Belt and Road Initiative as a means of expanding influence while maintaining a stable national interest. By analyzing the integration between international regulations, trade diplomacy strategies, and domestic economic performance, this paper is expected to make a substantive contribution to strengthening Indonesia's economic resilience system. The main hope of this research is to present a framework that can help the government, academics, and stakeholders understand that trade wars are not just a momentary phenomenon, but rather structural symptoms of a changing global order that demands smart, bold, and measurable policy responses.

B. DISCUSSION

1. Historical and Geopolitical Background of the US-China Trade War

The trade war between the United States and China is one of the most defining events in the changing global economic-political landscape of the 21st century. The conflict stems from protectionist measures taken by President Donald Trump, who claimed that the US trade deficit with China had reached unhealthy levels and was harming domestic American industries. In response, the US government imposed high import tariffs on hundreds of billions of dollars worth of Chinese products, starting in March 2018. This marked a radical shift in the direction of US trade policy from a liberal approach to economic protectionism. The conflict then evolved into more than just an economic issue, but a strategic competition for global power. For China, the policy is seen as a direct threat to their ambition to become the dominant economic power by the mid-21st century, as enshrined in their grand national agenda such as Made in China 2025 and the Belt and Road Initiative (BRI).

a. **Roots and Triggers of Trade Conflict since 2018**

The main issue driving the trade war is the imbalance in the bilateral trade balance between the US and China. In 2017, America's trade deficit with China reached more than USD 375 billion. This was perceived as a threat to US national economic security and used as domestic political justification to tighten trade protection. On the other hand, China was accused of unfair trade practices, such as massive subsidies to state-owned enterprises, obstruction of market access, forced technology transfer for foreign companies, and alleged intellectual property rights violations. The Trump administration then imposed tariffs of up to 25% on Chinese products worth more than USD 250 billion. China retaliated by imposing similar tariffs on American imports, creating an escalatory cycle that exacerbated bilateral tensions.

The US's nationalist economic strategy through its “America First” doctrine not only targets the trade deficit, but is also an effort to contain China's increasingly aggressive growth in the technology and manufacturing sectors. This is evident in the US' efforts to limit the access of Chinese technology companies such as Huawei and ZTE to global markets and cutting-edge technologies such as semiconductor chips and 5G networks. For the US, mastery of high technology is a strategic pillar in maintaining global dominance, and China is seen as a direct threat to that supremacy.China did not remain silent. The government under President Xi Jinping responded by consolidating domestic economic strength through expanding the domestic market, strengthening technological innovation, and expanding global influence through economic diplomacy. The Belt and Road Initiative program is used as the main instrument to expand logistics networks and infrastructure investment across continents to counterbalance Western dominance.

b. **Transformation of Economic Conflict into Global Geopolitical Tensions**

The trade conflict between the US and China is not just a trade phenomenon, but a reflection of the civilizational competition between two models of world economic and political governance-democratic liberal capitalism represented by the US, and one-party state capitalism run by China. This tension extends to military, diplomatic, technological and even ideological sectors.[9] The South China Sea dispute, influence in the Asia-Pacific, and the battle over global narratives in international institutions add to the intensity of this conflict. The US is trying to preserve the liberal international order it has established post-World War II, while China is trying to redefine the system to better reflect the interests of emerging economies and new world powers. Trade wars have become one of the "economic faces" of this power struggle, with tariffs, technology embargoes and cross-border investment regulations becoming tools of hegemonic competition. One of the victims of this conflict is the multilateral trading system built under the framework of the World Trade Organization (WTO).

The institutionalization of the WTO was further weakened by the prolonged dispute between the US and China that was never resolved through the existing dispute settlement mechanism.[10] The US even blocked the appointment of new judges to the WTO Appellate Body, which ultimately paralyzed the organization's judicial function.In addition to the WTO, international forums such as the G20 also began to lose their effectiveness in creating global consensus on open trade. Member countries have become divided between those that favor a multilateral liberal approach and those that favor a bilateral and nationalistic approach. This situation shows that the US-China trade conflict has caused a structural shift in the global architecture, from a system based on shared rules to one that is more fragmentary and full of negotiating power.

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[9] Riady Ibnu Khaldun, Ratna Sari, dan Andi Ismira, *Retaliasi China Terhadap Amerika Serikat Dalam Konteks Perang Dagang*, Hasanuddin Journal of International Affairs, Vol.3, No.2 (Agustus 2023), p.68–81.

[10] Muhamad Candrawijaya, *Peranan World Trade Organization dalam Menangani Perang Dagang Antara Amerika Serikat dan Tiongkok*, Hubungan Internasional, 2025, p.7–8. (ISSN: 1411-9382).

2. The Impact of Trade War on Southeast Asian Countries

The international trade industry has recently received a sharp spotlight from various countries in the world, this happened as a form of impact from President Donald Trump's policy as a form of effort to maintain economic stability in the United States. The protectionist step taken by President Trump is to impose trade barriers by limiting import duty tariffs on products from one of the developing countries in Asia, namely China and the decision was conveyed through the United States Trade Representative (USTR) report released on March 22, 2018.[11] The impact of the policy made China take decisive steps by complaining to the World Trade Organization (WTO) or the organization that oversees world trade for decisions that made China furious about the increase in import duty tariffs. Through this decision against China has a negative impact on the country's economy. As a form of reaction from China, President Xin Jinping also took steps by increasing import duties of 15%-2% worth US $ 34 billion for 128 types of goods from the United States.[12]

The result of the increase in import tariffs led to a trade war between the United States and China that began on July 6, 2018 and continues to roll out until 2025 today, causing serious problems for world trade in the global economy. The Chinese government strategically utilizes this situation into something that can be profitable by utilizing domestic and international media by shaping the narrative that the United States is trying to contain China's rise and trying to protect its own country. By controlling information and creating a positive image of China's economic and social development to the international media. In the conditions of increasing protectionism by the United States, China certainly does not want to fall into a slump so it is open and inclusive in voicing world trade such as at the World Trade Organization (WTO) multilateral forum and the G20 meeting by actively voicing rejection of tariffs and harmful trade barriers.

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[11] Kamal Ismail, *Pengaruh Strategi Perang Dagang Donald Trump terhadap Hubungan Amerika dan Tiongkok*, Braz Dent J., Vol.33, No.1 (Desember 2022), p.1–12.

[12] Carmela Adrena, *Strategi Indonesia dalam Merespon Pelemahan Pengaruh Amerika Serikat dan Peningkatan Pengaruh Tiongkok dalam Bidang Ekonomi*, Global Insight Journal, Vol.4, No.1 (Maret 2019), p.45–59.

There is no surrender for China because China is carefully using economic diplomacy and propaganda to win the support of various countries in the ASEAN Region, in order to create sustainable economic development which is considered to encourage local economic growth in ASEAN countries. China also initiated the BRI, investing heavily in infrastructure and projects in addition to several forums including the ASEAN-China Summit, ACFTA, China-ASEAN Expo (CAEXPO), China-ASEAN Maritime Cooperation Fund, and China-ASEAN Digital Economy Cooperation.[13]

The global economy has been disrupted by the import policy that has impacted on currency exchange rates in various countries including in Asia. A country's foreign policy is designed to protect and realize its national interests, such as those of Donald Trump and Xin Jinping. Indonesia also became one of the countries that felt the impact of these policies, so that in the context of changing geopolitics, in order to maintain the balance of global dynamics, Indonesia implemented a hedging strategy, namely by not fully siding with one of the major powers but still building a flexible relationship between the two.[14] Presidents Trump and Xi have turned this era into "their era" because the steps taken make them play a leading role in the world economy while emphasizing their strength in the international arena.[15]

As one of the countries in Southeast Asia, Indonesia also experienced the impact of the trade war, such as a decline in both exports and imports to China and the United States. This is shown in table 1 below:

No	**Product**	**Exports (% in Million USD**	**Current Position (%) in Million USD**	**Deviation of Decline**
1	Paper and Paperboard	1980%	1075%	45.69%
2	Wood and Derivatives	467.46	330.62	29.27%
3	Rubber and Derivatives	424.93 %	1282%	27.67

[13] Silvia Nurhaliza Faridah, *Perebutan Dominasi Ekonomi : Propaganda China dalam Konflik Perang Dagang Amerika Serikat – China di Kawasan Asia Pasifik*, Vol.2, No.4 (April-Juni 2025), p.915–23.

[14] Agung Y. Nugroho, *Peran Kebudayaan Nasional dalam Membentuk Kebijakan Luar Negeri: Studi Komparatif Pengaruh Kelompok Ideologis, Dinamika Sosial dan Budaya di Swedia dan Indonesia dalam Konteks Hak Asasi Manusia dan Pengaruhnya terhadap Kebijakan Luar Negeri*, Global Insight Journal, Vol.4, No.1 (2019), p.45–59.

[15] Raghavan Vyjanti, *Northeast Asia and South Asia: The Impact of Xi Jinping and Donald Trump*, Taylor & Francis (Routledge), London, 2025.

4	Chemicals	1.39 billion	1.08 billion	22.33%
5	Organic Chemicals	3734%	715.55 2	0.14%

Table 1. Indonesian Export Products to China
Source : Badan Pusat Statistik (2019)

No	Product	Deviation of decline
1	Iron and Steel Products	9,51%
2	Plastics and Plastics Products	2,30%
3	Organic Chemicals	2,70%
4	Articles of Iron and Steel	5,62%
5	Aluminum	18,72%
6	Other Commodities	5,30%

Table 2: Indonesia's Imported Products from China
Source :Badan Pusat Statistik (2019)

No	Product	Deviation of decline
1	Natural or Cultural Pearls	33,39%
2	Paper and Paperboard	53,13%
3	Leather Goods	48,22%
4	Furniture and Kitchen Supplies	22,79%

Table 3. Indonesian Export Products to the United States
Source : Badan Pusat Statistik (2019)

No	Product	Deviation of decline
1	Oily Grains	3,46%
2	Food industry dregs or residues	7,01%
3	Cotton Commodities	35,14%
4	Chemical Products	26,54%
5	Optical Devices	21,42%
6	Other Commodities	22,74%

Table 4. Indonesian Import Products from the United States
Source : Badan Pusat Statistik (2019)

Through the data from the table presented above, it is known that there is a deviation in the level of exports and imports from the United States and China, of course this figure is not a small number for Indonesia because it has been enough to destabilize the domestic economy. besides that, the Composite Stock Price Index (JCI) in Indonesia has also decreased.[16]

[16] Ismail, *Pengaruh Strategi Perang Dagang Donald Trump terhadap Hubungan Amerika Dan Tiongkok*, Syntax Literate: Jurnal Ilmiah Indonesia, Vol.7, No.12 (Desember 2022).

The trade war between the United States and China has had a significant impact on the economy in the Southeast Asian region. Here are some of the negative impacts that have occurred in the ASEAN Region, as follows:

a. **Impact on The Stock Market**

Global economic uncertainty has an impact on the flow of funds from the stock and securities markets, as of May 2019, the flow of funds amounting to Rp 7.6 trillion from the SBN market and Rp 4.1 trillion from the stock market, reaching a total of Rp 11.3 trillion.

b. **Weakening Exports and Economic Growth**

Through the policies of both President Donald Trump and President Xin Jinping, global demand has decreased, including exports in Asian countries. Based on data from a study by the Asian Development Bank, this trade war could reduce China's GDP growth by 1% and the United States by 0.2%.[17]

c. **Weakening of Currency Values**

The US Dollar (USD) is the currency used in global trade as it is used for the majority of trade in the world, especially for significant transactions involving commodities such as oil imports.[18]

d. **Decreased Competitiveness in the US Market**

For example, Indonesia is a rubber producing country with a global market share, including the United States, with the imposition of import tariffs of 32% will cause the price of Indonesian natural rubber products to be more expensive in the US market. This has an impact because the high price reduces the competitiveness of Indonesian natural rubber, making it less competitive compared to other countries.[19]

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[17] Gul E. Zahra, dan Bilal Bin Liaqat, P*erang Dagang Amerika Serikat-Tiongkok: Dampak Ekonomi Terhadap Politik Global*, Vol.3, No.1 (Januari 2025), p.122–33.

[18] Shella Andini, *Dampak Trade War Republik Rakyat Tiongkok dan Amerika Serikat terhadap Ekonomi Vietnam*, Global Insight Journal, Vol.2, No.1 (Februari 2025).

[19] Lina Fatayati Syarifa, *Dampak Kebijakan Tarif Impor Baru Amerika Serikat terhadap Industri Karet Alam Indonesia*, de Plantation, Vol.1, No.1 (Mei 2025).

e. **Development of National Trade in Vietnam**

Vietnam's economic policy in response to the post-trade war shows strategic adaptation to the growing global trade because it can create positive opportunities. Trade war between the US and China opened up opportunities for imports and exports of goods and through this in 2018 the value of Vietnam's exports to the US market increased by 14.2% over the period.

f. **Inflation and Increased Unemployment**

In ASEAN countries, some of Asia's worst affected economies such as Cambodia and Laos also feel the impact of high US imports, imposing import tariffs of 49% and 48% respectively. Not only that, there are also Vietnam at 46% and Myanmar 44% while Thailand, which is a US security treaty partner, is subject to a lower tariff of 36%. Other Southeast Asian countries with lower tariffs include Indonesia at 32%, Malaysia and Brunei at 24% each, and the Philippines at 17% while Singapore is subject to a conscious tariff of 10%. Through these high tariffs, exports have fallen dramatically, resulting in sector disruption and an increase in inflation and unemployment. Continued protectionism can weaken global supply chains and reduce efficiency and increase production costs across the economy.[20]

3. Indonesia's Economic Resilience Strategy in the Face of the US-China Conflict

The trade war between the United States and China has put developing countries, including Indonesia, in a dilemma. On the one hand, Indonesia has a strategic interest in maintaining trade relations with both countries and on the other hand, the escalation of tensions between the two poses a real economic risk to national stability. In this situation, Indonesia is required not to be passive or reactive, but to take strategic steps that can ensure the sustainability of national economic growth. Therefore, an economic resilience strategy that is adaptive, dynamic, and long-term oriented has emerged, which can be detailed in three main pillars, namely hedging, market diversification, and strengthening regional and multilateral cooperation.[21]

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[20] Candauda Arachchige, *The Brighter Side of U . S . Tariff Policy : Short , Medium , and Long-Term Impacts*, SSRN Product & Service, (April 2025), p.1–15. (DOI: 4720348).

[21] Adrena, *Op.Cit.*.

The first strategy is hedging, which is an economic diplomacy approach that is neutral and does not absolutely favor one of the global powers. This approach allows Indonesia to maintain good relations simultaneously with both the United States and China, without sacrificing domestic interests and national sovereignty. This strategy reflects the precautionary principle in foreign and economic policy, which prioritizes stability amid geopolitical uncertainty. Through hedging, Indonesia can take advantage of benefits from both sides, such as access to technology and investment from the US, while maintaining trade and infrastructure ties from China through the Belt and Road Initiative (BRI) program. The second strategy is to diversify export markets and import sources.[22] Indonesia's dependence on two major countries in its external trade structure has proven vulnerable in crisis situations. Therefore, the government encourages the expansion of export markets to non-traditional countries such as Africa, South Asia, and Latin America. On the other hand, expanding import sources of raw materials and capital goods from alternative countries such as India, South Korea, Japan, and European countries is important to maintain the sustainability of the domestic industry.[23] This diversification not only strengthens Indonesia's bargaining position in international negotiations, but also reduces pressure in the event of global supply disruptions due to geopolitical conflicts. The third pillar is enhanced regional and multilateral cooperation. In the face of increasingly fragmented global economic dynamics, Indonesia actively strengthens its role and participation in various international organizations, such as ASEAN, G20, Asia-Pacific Economic Cooperation (APEC), and Regional Comprehensive Economic Partnership (RCEP). Through ASEAN, Indonesia contributes to creating an inclusive and stable regional market. While RCEP is a strategic platform for Indonesia to expand its trade network with major trading partners in the Asia Pacific, including China, Japan, and Australia, without relying on a single country.[24]

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[22] Rudy Handoko, *Aspek dan Prosedur Ekspor-Impor*, Salemba Empat, Jakarta, 2007.

[23] Hilmi Rahman, Hamka Halkam, *Perdagangan Internasional & Strataegy Pengendalian Impor, Sustainability (Switzerland),* Lembaga Penerbitan Universitas Nasional, Jakarta, 2021.

[24] Febrina Damayanti, dkk., *ASEAN di Tengah Rivalitas AS dan Cina: Kerja Sama ASEAN dengan RCEP dalam Mengurangi Dampak Perang Dagang*, Indonesian Perspective, Vol.3, No.2 (Desember 2019), p.145.

At the same time, Indonesia also plays an important role in the G20 forum to push for a fairer, more open and rules-based reform of the global trading system. The combination of these three strategies shows that Indonesia is not only coping with external pressures, but also building a resilient and competitive economy. This resilience strategy also demonstrates Indonesia's ability to be strategic in the midst of global rivalry without losing the direction of national development. Thus, Indonesia is not just a passive actor in global trade conflicts, but is able to take a position as a stable, adaptive and influential regional power in the changing world economic architecture.[25]

Howefer, from an international law perspective Indonesia's economic strategy in responding to the impact of the global trade war must always be within the corridor of compliance with treaty-based obligations, especially in the context of the World Trade Organization (WTO) legal system. As a full member of the WTO since 1995, Indonesia is bound by a number of basic principles that form the foundation of multilateral trade, including the Most-Favored-Nation principle (Article I GATT), which requires equal trade treatment to all members; National Treatment (Article III GATT), which ensures that imported products are not treated less favorably than domestic products; and the prohibition of quantitative restrictions on exports and imports (Article XI GATT), which aims to create barrier-free trade[26]. In addition, exceptions to these obligations, as stipulated in Article XX of GATT, can only be applied on a limited basis and based on legitimate justifications, such as the protection of public morality, health, or the environment. In practice, if Indonesia implements trade policies that are discriminatory, protectionist, or show explicit favoritism towards one party in a trade conflict, it could potentially violate GATT provisions and could be challenged through the WTO Dispute Settlement Body (DSB) mechanism. In addition to facing the risk of legal sanctions, Indonesia may also suffer reputational damage as a country that is not consistent with the principle of rule-based trade.

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[25] Agus Budi Santoso, *Globalisasi dan Perdagangan Internasional*, *Badan Penerbitan Universitas Stikubank Semarang*, Lembaga Penerbitan Universitas Stikubank (LPPM Unisbank), Semarang, 2020.

[26] Claudia Wolosin and Marc Journoud, *Gatt (General Agreement on Tariffs and Trade)*, France and the Americas: Culture, Politics, and History, Vol.3, No.3 (Mei 2005), p.505–7.

Therefore, every foreign trade policy must be carefully designed, pay attention to compliance with multilateral provisions, and reflect the principles of fair trade, non-discrimination, and good faith, in order to maintain Indonesia's position as a credible trading partner in the international trading system.

4. Economic Diplomacy and International Institutions

In the face of global economic dynamics marked by rising tensions between the United States and China, Indonesia takes a strategic approach through structured and active economic diplomacy in various international forums. Economic diplomacy is an important tool in building Indonesia's bargaining position on the global stage while maintaining the stability of national interests in the ever-changing international trade system. Indonesia does not only play the role of a passive participant, but instead strengthens its position as an active strategic actor in various global and regional economic negotiations and alliances. One of Indonesia's important forms of engagement is its participation in the G20, a global economic forum consisting of the world's largest economies. Through the G20, Indonesia not only voices trade issues relevant to the interests of developing countries, but also encourages the formation of a more equitable and inclusive world trade architecture.[27] Indonesia's position in the G20 was further strengthened when it assumed the presidency in 2022, where it played a role in mediating constructive economic dialogue amidst the polarization caused by trade wars and the global pandemic. In this forum, Indonesia seeks to emphasize the importance of multilateral cooperation and green economic recovery, as well as address strategic themes such as supply chain resilience and digital transformation. In addition, within the framework of the ASEAN-China Summit, Indonesia played a key role in shaping the narrative of mutually beneficial economic cooperation in the Southeast Asian region. ASEAN-China relations, which have historically been asymmetrical, continue to be pursued to become more equal through dialogue forums and long-term oriented trade agreements.

[27] Sugiarto Pramono, *Isu-Isu Perdagangan Internasional: dari Embargo, Perdebatan Open Regionalism Hingga Transformasi Fair Trade*, Wahid Hasyim Press, Semarang, 2014.

Indonesia promotes transparency, sustainability and adherence to open free trade principles, and oversees infrastructure investment projects from China to align with national and regional development interests. In this regard, Indonesia is also strengthening its position through treaty instruments such as the ASEAN-China Free Trade Area (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP), which provide greater flexibility in accessing markets and balancing trade dependence.[28]

At the global level, Indonesia remains committed to the World Trade Organization (WTO) framework as the main pillar of the rules-based international trading system. Despite the stagnation of this institution due to tensions between the US and China, Indonesia continues to push for WTO institutional reforms to remain relevant in regulating world trade.[29] Indonesia also actively uses the WTO dispute settlement mechanism to defend domestic export interests, and contributes to the development-oriented trade liberalization agenda. This active involvement in various institutions and forums reflects Indonesia's role as a middle power that has significant influence at the regional and global levels. As a middle power, Indonesia does not rely on economic or military power alone, but utilizes active diplomacy, normative credibility, and international cooperation networks to strengthen its bargaining position and balance the influence of the two major world powers.[30] This role gives Indonesia a strategic advantage in bridging the interests of developed and developing countries, as well as expanding the room for maneuver in designing foreign policies that are responsive, adaptive, and based on national interests. Thus, Indonesia's economic diplomacy is not only reactive to the global crisis, but also proactive in shaping a new structure of international economic relations that is more equitable. This approach strengthens national resilience and paves the way for Indonesia's transformation into a major player in an increasingly multipolar and complex global order.

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[28] Siti khamila Dewi, Sahara, dan Sri Mulatsih, *Dampak ACFTA (ASEAN-China Free Trade Area) terhadap Trade Creation dan Trade Diversion Indonesia di Kawasan ACFTA+3*, Jurnal Ekonomi dan Kebijakan Pembangunan, Vol.8, No.1 (Juli 2020), p.84–100.

[29] Jacob Makapedua, *Perdagangan Internasional*, Polimoo Press, Manado, 2019.

[30] Nurhayati Nurhayati dan Hijri Juliansyah, *Pengaruh Perdagangan Internasional terhadap Pertumbuhan Ekonomi Indonesia*, Jurnal Ekonomika Indonesia, Vol.12, No.1 (Juli 2023), p.39.

In the perspective of international law, Indonesia's position as a member of the World Trade Organization (WTO) has juridical consequences that are legally binding to all provisions in multilateral agreements, especially the General Agreement on Tariffs and Trade (GATT 1994). As part of its treaty-based commitment, Indonesia is obliged to comply with the basic principles of the WTO, such as the Most-Favored-Nation principle (Article I), National Treatment (Article III), the prohibition of quantitative restrictions (Article XI), as well as limitations on national policy exceptions as stipulated in Article XX of the GATT. The trade war between the United States and China shows indications of violations of these principles, especially regarding unilateral actions in the form of unilateral tariff increases without going through multilateral mechanisms. This situation puts Indonesia in a strategic and vulnerable position, as any explicit favoritism towards one party that violates WTO principles may lead to legal consequences, such as a lawsuit through the WTO Dispute Settlement Body (DSB) by other members who feel aggrieved. Therefore, Indonesia is required to maintain policy neutrality and position itself consistently within the framework of international trade law to avoid adverse juridical implications.

On the national side, the direction of Indonesia's trade policy is regulated through Law No. 7/2014 on Trade, which normatively regulates the principles and objectives of foreign trade. Article 2 and Article 3 of this law emphasize the importance of the principles of fairness, legal certainty, economic benefits, and openness in formulating and implementing trade policies. However, there has not been a sufficiently in-depth analysis of the substantial alignment between these national legal norms and the WTO principles, especially regarding the principles of fairness and good faith, which are the cornerstones of the international trade law system. For example, the government's authority in Article 52 of Law No. 7/2014 to regulate export-import on the basis of national interests must still be implemented in a corridor that is in line with Indonesia's international obligations, so as not to conflict with the provisions of Articles XI and XX of the GATT.

In addition, in the face of global trade conflicts, Indonesia should strengthen the utilization of dispute settlement mechanisms available in the WTO as stipulated in the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), in order to maintain legal integrity and credibility in multilateral forums. Therefore, harmonization between national trade policies and international commitments is needed to ensure that Indonesia's economic resilience strategy remains based on the principles of international law that prioritize legal certainty, justice, and good faith.

5. Strengthening Domestic Economic Resilience

In the face of escalating global economic conflicts, especially the trade war between the United States and China, Indonesia not only relies on external diplomacy and geopolitical maneuvers, but also consolidates domestic policies as a form of building national economic resilience. Robust economic resilience is a key prerequisite for developing countries like Indonesia to maintain macroeconomic stability, maintain independence in strategic decision-making, and reduce vulnerability to external pressures. A number of structural strategies have been pursued by the government to strengthen the foundation of the domestic economy, which include import substitution programs, industrial downstreaming, strengthening export manufacturing, fiscal and investment incentives, and the development of special economic zones (SEZs). Import substitution programs are crucial in reducing Indonesia's dependence on foreign supplies, especially in strategic sectors such as energy, petrochemicals, pharmaceutical raw materials, and medical devices.[31] The trade war proved that high dependence on imports is highly vulnerable to global supply chain disruptions. Therefore, Indonesia encourages the acceleration of the development of domestic upstream industries through investment incentives, simplification of licensing, and integration of the MSME sector into the national industrial value chain. At the same time, the downstream industry strategy, especially in the mining and agricultural sectors, is strengthened to increase the added value of exports and expand job creation.

[31] Agus Wibowo, *Teori & Praktik Perdagangan Internasional*, Yayasan Prima Agus Teknik, Semarang, 2023.

The government directed export policies to no longer export raw materials, but products that have been industrially processed in the country. Examples are the ban on raw nickel ore exports followed by the construction of smelters in various regions, as well as downstream plans for bauxite, copper and palm oil commodities. This step is a form of structural transformation from a commodity-based economy towards a value-added and technology-based economy.

Furthermore, strengthening export-oriented manufacturing industries is also a focus of the government in order to improve global competitiveness. Industries such as textiles, footwear, automotive, and electronics are encouraged to expand export markets through trade facilitation, logistics reform, and product promotion to non-traditional destination countries. This is also accompanied by fiscal policy incentives, including super tax deduction for vocational research and training activities, income tax incentives for new investments, and ease of licensing through regulatory reforms such as the Job Creation Law. To strengthen domestic investment attractiveness and promote equitable development, the government is accelerating the development of Special Economic Zones (SEZs). SEZs serve as epicenters for focused industrial growth based on regional potential and local comparative advantage. With integrated infrastructure, competitive fiscal incentives, and ease of regulation, SEZs are expected to be a catalyst for Indonesia's economic structural transformation, as well as create new growth centers outside Java. However, all these domestic strategies will not be optimal without synergizing with smart and flexible economic diplomacy. Indonesia needs to play an active role in international forums to champion the interests of developing countries, negotiate favorable trade agreements, and build an image as a credible and stable economic partner.[32] In an uncertain geopolitical situation, the ability to manage foreign relations pragmatically without taking rigid sides is a strategic strength that must be maintained. Therefore, Indonesia must always prepare itself to face further global conflicts that may arise, whether in the form of trade wars, energy crises, or technological rivalries.

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[32] Suparji, *Pengaturan Perdagangan Indonesia*, UAI Press, Jakarta, 2014.

This readiness includes the preparation of an economic early warning system, strengthening foreign exchange reserves, developing national strategic research, and increasing human resource capacity in international negotiations and mastering global markets.Strengthening national trade and geopolitical policies must be directed at integration between domestic agendas and external strategies.[33] Cross-sector synergies between the ministries of trade, industry, foreign affairs, and investment are needed to create policies that are responsive, data-driven, and oriented towards long-term resilience. Indonesia also needs to continue to strengthen partnerships with ASEAN countries, capitalize on opportunities from agreements such as RCEP, and expand South-South collaboration in order to create a more equitable, inclusive, and sustainable global trade ecosystem.

C. CONCLUSION

The trade war between the United States and China has created serious disruptions to the global trade order and generated significant economic pressures for developing countries, including Indonesia. The impact is reflected in the decline in export-import value, rupiah exchange rate volatility, and weakening investor sentiment towards the domestic market. In dealing with this situation, Indonesia implemented a hedging strategy through neutral diplomacy, diversification of trade markets, and strengthening regional and multilateral cooperation. This approach reflects an adaptive effort to maintain national stability amid increasingly complex global geopolitical tensions.

However, from an international law perspective, Indonesia's economic strategy must remain within the framework of compliance with international treaty-based obligations, particularly within the World Trade Organization (WTO) system. As a member of the WTO, Indonesia has a legal responsibility to implement the basic principles of international trade which include Most-Favored-Nation (Article I of GATT), National Treatment (Article III), prohibition of quantitative restrictions (Article XI), as well as restrictions on the use of exceptions in Article XX of GATT.

[33] Ririt Iriani Sri Setiawati, *Teori Modern dalam Perdagangan Internasional, Buku Ajar Bisnis dan Perdagangan Internasional,* Fakultas Ekonomi dan Bisnis Universitas Pembangunan Nasional "Veteran" Jawa Timur, Surabaya, 2021.

Trade policies that are discriminatory or tend to favor unilaterally have the potential to cause disputes in the WTO Dispute Settlement Body (DSB) forum and can disrupt Indonesia's credibility in the multilateral trading system. In this regard, it is important for Indonesia to ensure that national trade policies-including those stipulated in Law No. 7/2014 on Trade-are formulated and implemented in line with the principles of fair trade, non-discrimination, and good faith compliance as stipulated in international trade law. Harmonizing national legal norms with multilateral agreements is a strategic step to strengthen policy legitimacy and avoid potential juridical conflicts at the international level. For this reason, policy recommendations that can be proposed include: (1) strengthening institutional capacity in monitoring and reporting compliance with WTO provisions; (2) reformulation of export-import regulations to comply with the principles of transparency, proportionality, and legal accountability; and (3) integration of legal approaches in every foreign economic policy formulation process. Thus, Indonesia will not only be able to build long-term economic resilience, but also strengthen its strategic role as a compliant regional actor in a rules-based global trading system.

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