

COMPETITION / ANTITRUST, CONSUMER & TRADE

Understanding the New U.S.–Indonesia Trade Agreement and What It Means for Businesses



On 19 February 2026, the United States and Indonesia signed the Agreement on Reciprocal Trade ("**Trade Agreement**"). The two governments describe this new framework as a way to lower certain trade barriers, improve market access, and strengthen cooperation in strategic supply chain.

Under the Trade Agreement, Indonesia is expected to benefit from lowered U.S. tariffs, from 32% to 19%, for a range of Indonesian exports such as textiles, footwear, electronic components, and rubber-based products. This change is expected to influence the competitiveness of Indonesian exports in the U.S. market. Beyond tariff adjustments, the Trade Agreement aims to introduce easier market-access routes for Indonesian producers that meet the required labour, environmental, and transparency standards. The Trade Agreement is also expected to expand cooperation on critical minerals, particularly nickel and battery-related materials, which both governments viewed as essential in supporting supply-chain resilience and developments in the global electric-vehicle ecosystem.

These developments may offer new opportunities for Indonesian businesses, as well as businesses importing U.S. products to Indonesia, while also introducing new regulatory and compliance requirements for exporters, importers, and digital economy players operating across both jurisdictions. We take a closer look at these changes in the sections below.

Key Aspects of the Trade Agreement

While the Trade Agreement is expected to offer certain export-related advantages for Indonesian businesses, particularly through reduced U.S. tariffs, the agreement also introduces a series of substantive commitments for Indonesia that may directly affect customs practices and trade operations. Below are several key provisions that may have practical implications for Indonesian businesses.

1. Customs and trade commitments

- **Elimination of quota-based restrictions** — Indonesia will remove import quotas linked to licensing and commodity-balance rules. This means importers of U.S. goods will no longer need to secure quota-based approvals tied to commodity-balance, which often caused delays and unpredictability. In practice, this may simplify planning for import-dependent businesses, although effectiveness will depend on how quickly implementing regulations are adjusted.
- **Local content exemption for U.S. products** — U.S. products are exempt from Indonesia's local content (*Tingkat Komponen Dalam Negeri* or "**TKDN**") requirements. This provision allows U.S. products to enter Indonesia without modification to meet TKDN standards. However, businesses importing U.S. products to Indonesia may still need to monitor how the exemption is applied in sectors with strong domestic-industry protections.
- **Standardisation of testing and certification** — U.S. products (e.g., food, medical devices, and pharmaceuticals) that have already undergone testing or certification process in the U.S. (including halal certification or U.S. Food and Drug Administration (FDA) approval) will not need to undergo the same procedures again in Indonesia.
- **No customs obligations on digital goods** — Electronic transmissions such as software downloads and cloud-based content will no longer be subject to import-declaration requirements. This reduces administrative steps for businesses dealing in digital services, but technical guidelines are needed to clarify the scope of "electronic transmissions".

- **Rules-of-origin safeguard** — The Trade Agreement benefits apply only to U.S. and Indonesian products, with safeguards to prevent third-country circumvention. Goods originating in the U.S. or Indonesia may claim Trade Agreement benefits, while goods routed through third countries or involving substantial third country inputs may be restricted. Indonesian importers and exporters will need stricter documentation to ensure that their products meet rules of origin requirements.
- **Measures against third-country unfair trade** — The Trade Agreement introduces a mechanism allowing Indonesia and the U.S. to align on responses to certain third-country unfair practices. Under this provision, Indonesia may adopt measures, consistent with its national interest and domestic legal framework, such as below-market-price exports or shifting export patterns in Indonesian markets impacting U.S. markets.
- **Introduction to non-product and national interest-based sanction and anti-circumvention cooperation** — Under the Trade Agreement, Indonesia agrees to cooperate with the U.S. in restricting transactions between Indonesian nationals and individuals or entities listed by the U.S. The agreement also requires Indonesia to adopt and enforce measures to address transshipment and other practices aimed at evading or circumventing U.S. duties and trade measures. Both countries will establish a dedicated cooperation framework focused on duty-evasion risks.

As Indonesia has not previously maintained a formal sanctions regime that is not based on product or national interest, nor a specific anti-circumvention mechanism within its trade remedies framework, these commitments may introduce new procedures for monitoring, restricting, and coordinating enforcement relating to transactions and trade flows linked to the U.S. market.

- **Zero reciprocal tariffs for selected Indonesian goods** — The U.S. will apply zero tariffs to certain Indonesian textiles and apparel.
- **Lifting of Indonesia's export bans** — Indonesia removes certain export prohibitions, including for selected critical minerals.

2. Sector-specific commitments

- **Industrial goods** — Regulatory exemptions for U.S. industrial products under the Trade Agreement, including TKDN exemptions (as set out above), the removal of import-permit barriers for U.S. remanufactured goods and spare parts, and the allowance of pre-used apparel imports from the U.S.
- **Agriculture** — Automatic import licensing and certificate based on standards used by the U.S. National Oceanic and Atmospheric Administration (NOAA). U.S. agricultural exports will receive automatic import licences, bypassing commodity balance controls. Aquatic products can enter Indonesia with NOAA certificates, with additional FDA-alignment for fish-meal facilities. These changes are expected to streamline import processes, although the impact will depend on how they are implemented and how the domestic market dynamics evolve.
- **Bioethanol** — No restrictions on imports of U.S. bioethanol.

3. Customs and trade facilitation commitments

With respect to customs and trade facilitation, the Trade Agreement introduces a series of commitments intended to streamline customs procedures, reduce processing times, and provide clearer administrative

safeguards for traders. While the practical impact will depend on how Indonesia implements these commitments through domestic regulations, the provisions below are generally expected to support more predictable import and export processes for businesses operating between the two jurisdictions.

- **Express shipments** — Improved return-to-sender mechanisms and clearer penalty safeguards.
- **Advance rulings** — Binding customs decisions will be available to U.S. traders.
- **Pre-shipment inspection reform** — Indonesia must complete reforms within three months.
- **Pre-arrival processing** — Low-risk shipments must be cleared upon arrival.
- **Data protection** — The Indonesian Directorate General of Customs and Excise must protect confidential trader information.
- **Customs-officer incentives** — Incentives cannot be tied to sanctions or auction revenues.

4. Digital trade and technology commitments

The Trade Agreement also introduces a set of digital-trade commitments intended to reduce administrative friction, support cross-border data flows, and provide greater predictability for digital-services providers. As with other commitments, the practical impact will depend on how Indonesia translates these obligations into future domestic regulations.

- **Digital goods** — No tariffs or import declarations apply to intangible goods imported from the U.S. (as set out above). The Trade Agreement does not define "intangible goods," but in international trade practice, this generally refers to digitally delivered products such as software (applications, updates, patches) and digital media content (music, e-books, films, games, streaming content, digital publications). These products are typically not subject to customs duties, consistent with broader international approaches, including the WTO Moratorium on Customs Duties on Electronic Transmissions. Accordingly, this provision aligns Indonesia's treatment of digital goods with prevailing international norms that exempt such goods from customs liabilities.
- **Data transfers** — The U.S. is recognised as having adequate data-protection standards under Indonesian laws on a transfer of personal data to the U.S. as we further explained in our previous client alert in this [link](#).
- **Platform neutrality** — Indonesia must not impose financial or data-sharing obligations on U.S. digital platforms.

5. Purchase arrangements

Beyond regulatory commitments, the Trade Agreement includes significant purchase arrangements under its Annex IV. Indonesia commits to facilitating commercial arrangements totalling approximately USD33 billion in U.S. goods over the coming years. These cover industrial products, commercial aircraft, and major agricultural commodities such as wheat, soybeans, and corn.

This commitment may influence procurement planning, budget allocation, and sectoral import policies for businesses, particularly those operating in or supplying into these industries.

Key Takeaways

The Trade Agreement introduces several procedural changes, such as automatic import licensing, streamlined customs processing, electronic pre-arrival clearance, and adjustments to certain non-tariff barriers. These may influence how businesses manage exports to, and imports from, the U.S. Businesses may wish to monitor how these commitments are implemented domestically, as practical impacts will depend on future regulatory steps in Indonesia. Here's a list of what businesses should particularly look out for:

- **Monitor potential shifts in import and procurement patterns**

Indonesia's USD33 billion purchase commitment for U.S. industrial, agricultural, and aviation products may affect domestic procurement planning, sourcing decisions, and sector-specific import policies. Businesses operating in affected sectors should anticipate potential changes in government and State-Owned Enterprise (SOE) purchasing behaviour.

- **Adopt or strengthen trade policy monitoring into risk management**

Given the combination of a new bilateral agreement and evolving U.S. tariff policies, Indonesian businesses may find it useful to strengthen internal monitoring processes. This includes tracking developments related to customs regulations, non-tariff barrier exemptions, rules of origin, purchase obligations, and potential tariff changes going forward.

- **Expect tariff conditions to remain in flux**

Recent developments in the U.S. indicate that tariff policy may continue to evolve. Following a U.S. Supreme Court ruling, the U.S. Administration introduced a temporary 10% import duty for 150 days from 24 February 2026, and announced plans to adjust the rate to 15%. As these developments continue to unfold, businesses may wish to monitor how they interact with the Trade Agreement framework and any related tariff settings, noting that U.S. tariff implementation may still be shaped by broader political and legal dynamics. Public sources also indicate that the Indonesian government is monitoring these changes while intending to maintain the agreed 0% tariffs or duty exemptions for certain products under the Trade Agreement.

Contacts

COMPETITION / ANTITRUST, CONSUMER & TRADE



Farid Fauzi Nasution

PARTNER

D +62 21 2555 9998
farid.nasution@ahp.id



Anastasia Pritahayu R. D.

SENIOR ASSOCIATE

D +62 21 2555 9934
anastasia.pritahayu@ahp.id



Budi Herdiyanto

SENIOR ASSOCIATE

D +62 21 2555 7885
budi.herdiyanto@ahp.id

Contribution Note

This Legal Update is contributed by the Contact Partner and Senior Associate listed above, with the assistance of [Aqshal Adzka](#) (Associate, Assegaf Hamzah & Partners).

Please feel free to also contact Knowledge Management at RTApublications@rajahtann.com.

Regional Contacts

Cambodia

Rajah & Tann Sok & Heng Law Office

T +855 23 963 112 | +855 23 963 113
kh.rajahtannasia.com

China

Rajah & Tann Singapore LLP

Representative Offices

Shanghai Representative Office

T +86 21 6120 8818
F +86 21 6120 8820

Shenzhen Representative Office

T +86 755 8898 0230
cn.rajahtannasia.com

Indonesia

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

Lao PDR

Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

Malaysia

Christopher & Lee Ong

T +603 2273 1919
F +603 2273 8310
www.christopherleeong.com

Myanmar

Rajah & Tann Myanmar Company Limited

T +951 9253750
mm.rajahtannasia.com

Philippines

Gatmaytan Yap Patacsil Gutierrez & Protacio

(C&G Law)

T +632 8248 5250
www.cagatlaw.com

Singapore

Rajah & Tann Singapore LLP

T +65 6535 3600
sg.rajahtannasia.com

Thailand

Rajah & Tann (Thailand) Limited

T +66 2656 1991
F +66 2656 0833
th.rajahtannasia.com

Vietnam

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382
F +84 28 3520 8206

Hanoi Office

T +84 24 3267 6127 | +84 24 3267 6128
vn.rajahtannasia.com

Rajah & Tann Asia is a network of legal practices based in Asia.

Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this update.

Our Regional Presence



Based in Indonesia, and consistently gaining recognition from independent observers, Assegaf Hamzah & Partners has established itself as a major force locally and regionally, and is ranked as a top-tier firm in many practice areas. Founded in 2001, it has a reputation for providing advice of the highest quality to a wide variety of blue-chip corporate clients, high net worth individuals, and government institutions.

Assegaf Hamzah & Partners is part of Rajah & Tann Asia, a network of local law firms in Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Our Asian network also includes regional desks focused on Japan and South Asia.

The contents of this Update are owned by Assegaf Hamzah & Partners and subject to copyright protection under the laws of Indonesia and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Assegaf Hamzah & Partners.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may contact the lawyer you normally deal with in Assegaf Hamzah & Partners.