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The Effect of the Indonesia–US Trade Agreement on Realizing Indonesia's Vision 2045

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A B S T R A C T
This article provides a critical analysis of the recent trade agreement between Indonesia and the United States, about the achievement of Indonesia's Vision 2045. The examination is approached through the frameworks of National Resilience, Energy Security, and Strategic Trade Alignment. This report shows that the agreement provides some direct tariff concessions. The concept of national resilience is concretely manifested through the Astagatra framework. It's an interdisciplinary model that describes the relationship between the natural aspects (Trigatra) and social aspects (Pancagatra) of Indonesia. The framework provides a thorough description of Indonesia's various characteristics, acknowledging them as important strategic assets in achieving national goals. The results indicate that Indonesia must adop a sophisticated strategic approarch to mitigate potential negative impacts.

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INTRODUCTION

Indonesia's centennial celebration in 2045 signifies not only a significant historical event but also a visionary aspiration for national transformation. As the nation nears its centenary of independence, the government has articulated seven primary national objectives, which together constitute the framework of "Visi Indonesia 2045." Indonesia's Vision 2045 encompasses the concept of enhancing Indonesia's status as an emerging middle power. These objectives include:

1. evolving into a developed nation and ranking among the world's top five economies;
2. cultivating exceptional human resources;
3. achieving mastery in science and technology;
4. enhancing and ensuring equitable public welfare;
5. fortifying national resilience;
6. establishing authoritative and effective governance;
7. promoting a sustainable environment.

The pursuit of these goals is ambitious, necessitating not only policy reforms but also a resilient and adaptable national character. The rivalry among significant powers in the Asia Pacific, which could jeopardize the stability of Indonesia's national security, serves as the foundation for the government to establish these objectives.

One of the key components of this vision is achieving a sustainable economy and national energy independence. This will foster industrial growth and enhance public welfare. Within this framework, the energy sector plays a vital role, acting as a fundamental driver of national economic development and defense. Indonesia continues to encounter considerable difficulties in the energy sector. The country is especially reliant on LPG imports. Despite having significant natural gas reserves and exporting LNG to multiple countries, the country still faces major challenges. This contradiction is attributable to two factors. Firstly, there is the inefficient processing of natural gas into domestic LPG. Secondly, there is the heightened demand for household use, which has surged since the kerosene-to-LPG conversion initiative in 2007 (Widodo Wahyu Purwanto. 2016). As a result, around 80% of the national LPG demand is satisfied through imports, with a large portion sourced from the United States.

Conversely, the trade cooperation between Indonesia and the United States, particularly in the energy sector, has had a substantial impact on shaping Indonesia's trade balance and external economic strategy. The United States of America is a major trading partner of Indonesia, a significant provider of alternative energy supplies, and a prominent geopolitical actor within the broader Indo-Pacific region. In an era of mounting global uncertainty, marked by energy conflicts, trade wars, and supply chain crises, the trade relationship with the United States poses both opportunities and challenges for Indonesia.

The interaction of national interests, trade policies, and geopolitical alliances consistently influences the global economic landscape. In this complex setting, the possibility of tariffs frequently arises as a powerful tool for countries seeking to exert economic influence or rectify perceived economic disparities. A recent event that underscores this dynamic is President Donald Trump's expressed intention to implement a 10% tariff on goods from countries within the BRICS bloc, particularly those identified as "anti-American." This proposed policy, as reported by Fox Business, suggests a potential shift towards more protectionist trade strategies, prompting significant questions about the future of international trade relations, the role of emerging economies, and the implications for global supply chains.

This article draws attention to the discord between the economic advantages of trade agreements and the possible forfeiture of national sovereignty through the relinquishment of local content requirements. Notwithstanding this, the tariff rate signifies a diminution from the previously proposed 32% tariff that the Trump administration had threatened to enforce. Nevertheless, a substantial research gap remains in the public domain regarding the specific long-term consequences of such sacrifices. Whilst trade-offs are mentioned in the text, they are not analysed in depth alongside their policy implications and the potential to hinder Indonesia's ability to regulate its own economy in the future.

From the standpoint of national defense and resilience, reliance on imported energy can create a strategic weakness, particularly if domestic production capabilities are not enhanced to counter it. This brings forth an essential inquiry: does the Indonesia–U.S. trade agreement directly still aline to Indonesia's long-term national goals, particularly those outlined in Vision 2045.

LITERATURE REVIEW

To examine the impact of the Indonesia–U.S. trade agreement on Indonesia's long-term national goals, particularly those outlined in Vision 2045, this study employs three interrelated conceptual frameworks: National Resilience, Energy Security and Strategic Trade Alignment. As stated by the Indonesian National Resilience Institute (Lemhannas RI), national resilience is a comprehensive concept that includes eight primary dimensions: geography, demography, natural resources, ideology, politics, economics, social issues, and defense and security (Asta Gatra). The National Resilience Theory offers a framework for analyzing how Indonesia's defense doctrine affects the nation's capacity to foresee, react to, adjust to, and recuperate from a range of threats, encompassing economic, political, military, and natural challenges. It concretely manifested through the Astagatra framework, which serves as an interdisciplinary model illustrating the relationships between Indonesia's natural (Trigatra) and social (Pancagatra) aspects. This framework comprehensively delineates Indonesia's diverse characteristics, recognizing them as strategic resources vital for achieving national objectives. The coordinated implementation of these components is essential for reinforcing national strength and ensuring policy coherence.

The energy security framework serves as a critical lens through which to analyze Indonesia's reliance on U.S. liquefied petroleum gas (LPG) imports. This examination seeks to determine whether this dependence represents a mutually beneficial and sustainable partnership or, conversely, a form of structural dependency that could undermine Indonesia's energy resilience and its pursuit of long-term energy self-sufficiency. Futhermore, The Strategic Trade Alignment framework offers a comprehensive approach to evaluating Indonesia's trade policies, specifically examining whether they reflect a proactive and deliberate strategic orientation or a more reactive and dependent stance. Concurrently, this framework also assesses the broader geopolitical ramifications that stem from strengthening energy trade relationships with the United States.

METHODOLOGY

This study employs a qualitative, explanatory research framework to investigate how the current trade relationship between Indonesia and the United States impacts Indonesia's strategic objectives, as outlined in Vision 2045. The study predominantly relies on secondary sources, including government reports, trade statistics, policy documents, and peer-reviewed academic literature, employing a multi-faceted analytical approach that integrates National Resilences, Energy Security, and Strategic Trade Alignment. The analysis of data is performed through thematic content analysis and critical policy comparison, facilitating a thorough exploration of both domestic vulnerabilities and international strategic positioning. The focus of the study is on the period from 2018 to 2025, with energy trade (notably LPG and LNG) being the primary area of interest. Limitations of the study include limited access to classified trade negotiations and real-time shifts in policy. Ethical standards are upheld through the utilization of publicly accessible data and transparent interpretative practices. This research approach includes four key analytical dimensions:

a. National Resilience: This dimension examines the impact of Indonesia's trade relationship with the United States on its overall national strength and ability to withstand internal and external pressures. It probably takes into account political, economic, socio-cultural and security factors in order to evaluate the country's stability and sustainability.
b. Energy Security: This dimension focuses on energy trade, specifically liquefied petroleum gas (LPG) and liquefied natural gas (LNG). It analyses how Indonesia's trade relationship with the US impacts its ability to secure a stable and reliable energy supply to meet domestic needs and support economic growth.
c. Strategic Trade Alignment: This dimension examines how Indonesia's trade relationship with the U.S. aligns with its broader strategic goals, as set out in Vision 2045. It considers whether trade policies and outcomes are conducive to, or detrimental to, Indonesia's long-term aspirations for economic development, global positioning and national prosperity.

RESEARCH RESULT AND DISCUSSION

Essential Clauses and Prompt Economic Effects of the Indonesia-US Trade Agreement

Based on infographic data and BPS reports on Indonesian exports as of January 2025, Indonesia's non-oil and gas exports to the United States totalled US$2.34 billion, establishing the US as the second largest export destination after China (US$4.57 billion). Although this figure represents a slight decrease of 4.84% compared to December 2024, it still shows an increase of 17.62% year on year (YoY) compared to January 2024. This indicates a positive growth trend in

Indonesia's exports to the US, particularly given the dominant role of the manufacturing sector in Indonesia's export structure (79.86% of total non-oil and gas exports).

Figure 1. Indonesia's trade balance January 2024-January 2025

The recent trade agreement established between Indonesia and the United States encompasses several crucial provisions that fundamentally alter their economic relationship. The core of the agreement is the implementation of a 19% tariff on all Indonesian goods imported into the United States. This tariff rate signifies a decline from the previously proposed 32% tariff that the Trump administration had threatened to enforce. In a striking contrast, the agreement stipulates that US exports to Indonesia will be permitted to enter without any tariffs or non-tariff barriers. This scenario engenders a substantial imbalance in market access, whereby Indonesian products are subject to a considerable tariff burden in the US market, while American goods benefit from unrestricted access to Indonesia.

The new U.S. tariffs would directly impact Indonesia's labour-intensive export sectors, including textiles and footwear. The 19% tariff would increase the final price of Indonesian shoes and clothing in the US, reducing their competitiveness compared to products from countries with lower or no tariffs. This would lead to a decline in export orders, forcing Indonesian factories to reduce production and lay off workers

In addition, as part of the trade deal, Indonesia would also have to make significant political and financial commitments. This would include purchasing billions of dollars' worth of US energy and agricultural products. Not only would this burden the national budget, it would also reduce Indonesia's ability to pursue its own strategic economic and industrial policies. Furthermore, the deal would raise questions about Indonesia's commitment to other regional trade agreements and its carefully maintained strategic neutrality, as it would appear to be making major concessions to one trading partner.

This asymmetric tariff structure promptly indicates a trade relationship that is significantly biased towards the United States. The 19% tariff, although a negotiated decrease from a more severe threat, continues to pose a considerable obstacle to market entry for Indonesian products. This does not constitute a reciprocal reduction in accordance with a conventional free trade agreement; rather, it is a unilateral imposition by the US, albeit in a less severe form. A study by Bagwell and Staiger (2021) in the American Economic Journal suggests that free trade agreements (FTAs) are intended to generate mutual benefits through increased efficiency, consumer choice and competitiveness, rather than serving as a coercive economic tool. This inherent imbalance gives rise to an immediate price disadvantage in the US market for Indonesian goods when compared to those from the US entering Indonesia. This, in turn, has a direct effect on the export competitiveness and market share of Indonesian goods.

In addition to the imposition of tariffs, Indonesia has undertaken significant purchasing commitments. These include agreements to procure US$15 billion in American energy products, US$4.5 billion in agricultural commodities, and 50 Boeing aircraft, a substantial portion of which are long-haul 777 models. Moreover, the agreement mandates that Indonesia will levy a 19% tariff on any trans-shipped goods originating from countries with higher pre-existing tariffs, a measure designed to prevent tariff evasion. Collectively, these stipulations establish a new bilateral trade framework, highlighting a transactional approach primarily driven by U.S. demands for enhanced market access and an effort to mitigate the trade deficit.

A crucial element of the trade agreement between Indonesia and the United States is Indonesia's commitment to purchase a substantial amount of energy commodities from the United States. This commitment encompasses liquefied petroleum gas (LPG), with reports indicating that Pertamina is considering increasing its share of LPG imports from the United States to 60% of total LPG imports, up from 57% in 2024. This initiative aligns with previous statements made by Indonesia's Deputy Minister of Energy and Mineral Resources, Yuliot Tanjung, who suggested a potential shift in LPG sourcing from the Middle East to the United States. This shift is explicitly linked to Indonesia's broader strategy to rebalance bilateral trade with the United States and to avoid higher reciprocal tariffs on its exports.

The requirement to acquire US$15 billion in US energy products, including LPG, has considerable financial and strategic consequences for Indonesia. A major issue highlighted is the risk that Indonesia may be forced to purchase oil and LPG from the US at prices exceeding current market rates due to trade agreements. This situation would impose an additional strain on the State Budget, which is already burdened by significant energy subsidy commitments. The government's suggested energy subsidy allocation of Rp203.4 trillion for 2026 is projected to be inadequate, with anticipated needs estimated between Rp300-320 trillion, reflecting Indonesia's growing dependence on fuel oil and LPG imports. Acquiring products at prices above market levels would further exacerbate these financial challenges, potentially redirecting resources away from other essential development projects outlined in Vision 2045.

Assesing Collective Impact on Realizing Indonesia's Vision 2045

The trade agreement between Indonesia and the United States, marked by its specific tariffs and import stipulations, presents a complex dynamic of both benefits and challenges for Indonesia's national resilience, particularly concerning its economic stability and social cohesion. The reduction of U.S. export tariffs from 32% to 19% can be interpreted as a short-term stabilization measure, designed to prevent more severe economic disruptions to Indonesia's export-oriented industries.

By avoiding higher tariffs, Indonesia is better positioned to maintain a competitive advantage for key exports, such as electronics, apparel, and footwear, within the vital U.S. market. This immediate relief significantly contributes to economic stability by lessening the potential for job losses and income reductions in these sectors. Such negative outcomes could otherwise trigger social unrest or fragmentation, drawing parallels to the collapse of the Indonesian textile giant PT Sri Rejeki Isman Tbk on February 28, 2025.

However, the continued imposition of a 19% tariff, alongside zero-tariff access for US goods, creates a structural vulnerability. This asymmetry could lead to a widening trade deficit for Indonesia, which could deplete foreign exchange reserves and impact overall economic growth. If a persistent trade deficit leads to a loss of domestic production and jobs due to increased competition from cheaper US imports, it could undermine the 'Equitable Development' pillar of Vision 2045, which aims to bridge regional disparities and eliminate extreme poverty. Regions heavily dependent on protected or import-competing sectors are more vulnerable unless they have diversified economies (Adger, W. N. 2000). Such economic strain could put a strain on social cohesion, particularly if affected industries are concentrated in specific regions or if the burden of economic adjustment is unevenly distributed. The government's ability to manage these economic pressures and maintain public trust in institutions is therefore crucial for national resilience.

The concept of national resilience is concretely manifested through the Astagatra framework, an interdisciplinary model that illustrates the relationships between Indonesia's natural (Trigatra) and social (Pancagatra) aspects. The framework provides a comprehensive delineation of Indonesia's diverse characteristics, recognising them as strategic resources that are vital for achieving national objectives. Coordinated implementation of these components is essential for reinforcing national strength and ensuring policy coherence.

Trigatra (Natural Aspects) which encompasses the three fundamental natural elements of Indonesia.

a. Demography: This refers to the characteristics of the Indonesian population, including its size, how it is distributed across the archipelago and its composition (e.g. age structure and workforce participation).
b. Geography: This pertains to Indonesia's physical location and unique geographical features. Strategically situated between two continents and two oceans, Indonesia's geography positions it as a critical economic route,

yet it also presents strategic vulnerabilities, particularly in areas such as the South China Sea.

c. Natural resources: This dimension involves the availability, management and sustainable utilisation of the country's vast natural resources, which are crucial for national prosperity and security.

Pancagatra (Social Aspects) which comprises the five societal dimensions of the state.

a. Ideology: This gatra upholds the foundational philosophy and political ideology of Indonesia, known as Pancasil. Its values extend beyond legal and national identity matters to permeate everyday social interactions, shaping a unified, pluralistic nation committed to neutrality.
b. Politics: This refers to Indonesia's political system and dynamics. The country's "free and active principle" in foreign policy promotes independence and human rights, and aligns with a strategic hedging approach to navigating geopolitical pressures from global powers.
c. Economic Structure: This dimension relates to the nation's economic conditions and policies. While primarily concerned with economic prosperity, it also plays a significant role in protecting national security. For example, it does this through the peaceful use of outer space to deter disruption.
d. Socio-cultural conditions: This encompasses the social and cultural fabric of society. A secure and stable socio-economic environment, enabled by effective governance and defence, is vital for the safe functioning of daily activities and the promotion of societal well-being.
e. Defence and security: This area focuses on national defence and security capabilities, which are crucial for protecting the nation from threats and ensuring stability. The modernisation of defence capabilities, such as the development of a space command, directly strengthens military operations and overall national security.

The Indonesia-U.S. Trade Agreement, encompassing provisions for reduced tariff and non-tariff barriers, alongside commitments on digital trade, critical minerals, labor rights, and environmental protection, is poised to exert a multifaceted influence across all eight dimensions of Astagatra. These impacts present substantial opportunities to bolster Indonesia's demographic, geographical, natural resource, ideological, political, economic, socio-cultural, defense, and security resilience.

Crucially, these enhancements directly align with and contribute to the four strategic pillars of Indonesia's Vision 2045: human development and mastery of science and technology; sustainable economic development; equitable development; and national resilience and governance. While this agreement should serve as a strategic enabler, its full potential in realizing Vision 2045 is contingent upon its capacity to foster holistic national resilience. This requires acknowledging the intricate interdependencies among the Astagatra components and prioritizing equitable regional development.

To achieve the ambitious targets of Vision 2045, it is imperative to make direct strategic investments in areas deemed critical for enhancing comprehensive national resilience, such as food security, renewable energy infrastructure, and human capital development. These targeted "bold moves" are essential for success.

Energy security primarily focuses on reducing risks and enhancing resilience in the energy sector, thereby guaranteeing dependable and sustainable energy provision. The idea has evolved from merely guaranteeing a steady supply and cost efficiency to encompassing aspects like accessibility, technological autonomy, environmental sustainability, and the diversification of suppliers and transportation routes. Indonesia's pledge to acquire US$15 billion in energy products, especially through an increased dependence on US LPG imports, has a direct effect on its energy security framework. Despite the fact that Pertamina's strategy of increasing US LPG imports to 60% of its total imports may appear to be an effort to diversify away from conventional suppliers from the Middle East, it concomitantly centralises a substantial share of Indonesia's LPG supply with a single dominant partner.

This centralization, while possibly strengthening trade ties with the US, could also create new vulnerabilities. An excessive dependence on one source, even if it is politically stable, can render a nation susceptible to changes in the supplier's domestic policies, variations in production, or shifts in pricing strategies, which could ultimately jeopardize the long-term objective of ensuring secure and affordable energy access. Economic interdependence results in unequal vulnerability; one participant may rely more heavily on the other, thereby granting the supplier a degree of leverage (Keohane & Nye, 2012). Even suppliers that are politically stable have the capacity to enforce export bans, modify trade conditions, or take advantage of their power in setting prices.

The requirement to import significant amounts of fossil fuels, especially LPG, from the United States presents a direct obstacle to Indonesia's energy transition and sustainability objectives. Although LPG is frequently regarded as a cleaner-burning fossil fuel compared to coal, its ongoing large-scale importation and usage, particularly if associated with potentially elevated costs, may impede the swift adoption of renewable energy sources. The existing dependence on fossil fuels, including natural gas, is anticipated to incur approximately US$60 billion in subsidies and compensation for Indonesia from 2025 to 2034. Should the purchases of US LPG further solidify the reliance on fossil fuels, it could redirect financial resources and political commitment away from essential investments in renewable energy infrastructure and technologies, which are vital for fulfilling the environmental stewardship goals outlined in the 2045 vision.

Furthermore, the apprehension that Indonesia could be forced to acquire LPG at prices exceeding market rates would intensify the financial strain of energy subsidies, rendering the shift towards more sustainable and locally sourced energy options economically less appealing in the near term. This scenario underscores a conflict between short-term trade concessions intended to rebalance bilateral trade and the long-term strategic necessity of diminishing dependence on fossil fuels and attaining a sustainable energy mix, which is an essential element of Indonesia's energy security strategy as it develops in the 21st century.

Striking a balance between global economic integration and the protection of national interests presents a significant challenge for developing nations such as Indonesia. Engaging in international trade agreements can open doors to broader markets and resources, yet it frequently necessitates compromises that may limit a nation's capacity to make autonomous economic choices. The agreement between Indonesia and the United States illustrates this conflict. By obtaining a lower tariff and ensuring access to the expansive US market, Indonesia reaps certain advantages of integration. Nevertheless, the cost of this access entails specific import commitments and an uneven tariff framework that could place domestic industries at a disadvantage and put pressure on the trade balance.

Strategic Trade Theory asserts that governments have the capacity to actively shape international trade results to improve domestic welfare by reallocating profits from foreign entities to local firms, especially within oligopolistic sectors (Dixit & Grossman, 1986). This entails the deliberate application of trade policies, including export subsidies, import tariffs, and financial support for research and development (R&D) or investment, with the objective of promoting national competitiveness and contesting dominant market players. The theory highlights that government involvement can empower latecomers to effectively compete and secure additional profits in the global marketplace.

From a Strategic Trade Alignment perspective, the Indonesia-US agreement presents a mixed picture for Indonesia's ability to leverage trade for national advantage and industrial development. In industries characterized by increasing returns to scale and imperfect competition, governmental interventions such as research and development subsidies, tariffs, or export credits can assist domestic companies in gaining a competitive advantage on a global scale, thereby improving national welfare (Krugman, 1986). The 19% export tariff on Indonesian goods, while lower than initially threatened, still acts as a barrier that prevents Indonesia from fully capitalizing on its comparative advantages in sectors like electronics, apparel, and footwear. Rather than facilitating the shifting of profits towards Indonesian firms in these industries, the tariff likely reduces their competitiveness and profit margins in the US market. This contrasts with the core tenet of strategic trade policy, which aims to enhance domestic welfare by making domestic firms more competitive globally.

CONCLUSIONS

The trade agreement between Indonesia and the United States embodies a multifaceted interaction of prospects and obstacles that collectively shape Indonesia's Vision 2045. Although the agreement provides certain immediate advantages, especially in alleviating the impact of increased tariffs, its long-term effects on Indonesia's strategic growth necessitate thorough evaluation within the conceptual frameworks.

From the standpoint of National Resilience, the agreement ensures short-term economic stability by preventing a more drastic tariff shock, which might have jeopardized export-driven sectors and possibly incited social unrest. Nevertheless, the fundamental imbalance within the tariff framework and the considerable import commitments create new vulnerabilities. A sustained trade deficit, along with the risk of heightened fiscal pressure due to above-market energy acquisitions, could threaten economic stability, thereby challenging the "Equitable Development" component of Vision 2045. The capacity to uphold societal unity and trust in governmental institutions will hinge on the government's effectiveness in managing these economic challenges and in articulating the strategic reasoning behind the concessions.

Concerning Energy Security, the agreement establishes a supply route for essential LPG imports, which may help diversify sources beyond the Middle East. Nevertheless, it concurrently intensifies Indonesia's dependence on a single primary supplier, the United States, for a considerable share of its energy requirements. This concentration may render Indonesia vulnerable to emerging geopolitical or market challenges, potentially jeopardizing its long-term energy security objectives that prioritize diversification and resilience. Moreover, the significant commitment to fossil fuel imports, particularly if acquired at disadvantageous prices, stands in direct opposition to Indonesia's ambitious energy transition and sustainability goals outlined in Vision 2045. This situation could redirect vital financial resources and political commitment away from investments in renewable energy, thereby obstructing the achievement of a sustainable energy portfolio.

Finally, from the standpoint of a Strategic Trade Alignment Framework, the agreement does not appear to adequately support Indonesia's pursuit of national advantage or the advancement of high-value industries. This is generally the objective of strategic trade policy, which aims to redirect profits towards domestic enterprises. The 19% tariff imposed on Indonesian exports, deemed crucial to the nation's economic well-being, has the potential to diminish their competitiveness in the global market. Conversely, the zero-tariff access granted to US products may result in emerging Indonesian industries facing challenges in maintaining their competitive edge. Whilst the acquisition of Boeing has the potential to modernise the aviation sector, its impact on Indonesia's industrial growth is contingent upon the provision of technology transfer and the development of local content, aspects that are not clearly outlined within the agreement. In the absence of proactive strategies to utilise such agreements for industrial enhancement and technological expertise, the deal risks perpetuating existing trade dynamics instead of fostering the structural transformation anticipated by 2045.

RECOMMENDATIONS

Navigating the intricate and unpredictable global environment intensified by President Trump's tariff threats necessitates that Indonesia implement a multifaceted, flexible, and proactive strategic framework. The achievement of Vision 2045 depends on the country's ability to not only endure challenges but also to evolve and prosper in the face of disruption. To enhance resilience against external shocks, Indonesia must focus on fortifying its domestic economic foundations. A fundamental strategy is to increase domestic consumption, which is recognized as the "bedrock of Indonesia's growth" and a "sanctuary of stability" during turbulent times. There exists a significant correlation between the consumption patterns of the population and the level of economic development (N. Li et al. 2023) . This requires the implementation of policies that tackle inflationary pressures and bolster consumer purchasing power.

At the same time, the country should capitalize on the "forced innovation" opportunity presented by trade wars to expedite its "Making Indonesia 4.0" initiatives. This necessitates substantial investment in workforce development, advanced production technologies, and the promotion of local alternatives to diminish dependence on fragile global supply chains. Furthermore, enhancing the overall investment climate is essential. Tackling ongoing issues such as bureaucratic inefficiencies, complexities in land acquisition, and uncertainties in labor regulations will be vital in attracting and retaining both domestic and foreign investments, especially in high-tech and value-added sectors that are critical for sustainable long-term growth.

'Making Indonesia 4.0' is a strategic national roadmap that was launched by the Indonesian government in 2018. Designed to guide the country's industrial sector through the Fourth Industrial Revolution (Industry 4.0), the programme aims to transform Indonesia into a globally competitive manufacturing powerhouse. The central objective is to establish Indonesia as one of the world's top 10 economies by 2030, achieving this by significantly increasing the contribution of the manufacturing sector to the national GDP. This initiative responds to the global shift towards digital and automated manufacturing by recognising the need for Indonesia to adopt new technologies in order to maintain and enhance its economic standing. The Making Indonesia 4.0 initiative aims to boost efficiency, reduce import dependency and enhance the competitiveness of Indonesian products in the global market by improving their quality (Gupta et al., 2019). A new trade pact should be presented as an opportunity to diversify supply chains. Rather than merely opening up Indonesia's market, the agreement should facilitate the more strategic integration of Indonesian industries into US and global supply chains.

ADVANCED RESEARCH

The current research is constrained by several limitations, mainly because it concentrates on a particular bilateral trade agreement between Indonesia and the United States. Nevertheless, it seeks to offer a critical analysis of the Indonesia–US trade agreement. Although this method allows for an in-depth exploration of its immediate effects, it limits the applicability of the results to Indonesia's overall trade policy or its interactions with other significant trading partners. To attain a more holistic understanding of the topic, it would be essential to conduct a comparative study with other agreements or a broader spectrum of trade relationships.

To improve the understanding derived from this study and to tackle its limitations, future research could employ advanced quantitative methods, such as CGE models or econometric analyses, to provide precise evaluations of the trade agreement's impact on Indonesia's key macroeconomic and specific sectors (e.g., electronics, textiles, palm oil, and energy). A comparative study examining how other developing nations have navigated similar asymmetric trade agreements or faced protectionist pressures from larger economies may yield valuable insights and alternative strategic options for Indonesia.

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