

22 February 2025

Trump Tariffs Fiasco After SCOTUS Decision: *Full Steam Ahead, JCI?*

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SCOTUS Shoots Down Trump Tariffs. Supreme Court of the United States (SCOTUS) has voted in a 6-3 decision that the President of the United States does not have the powers to implement tariffs under the *International Emergency Economic Powers Act (IEEPA)*. The law stipulates that the president has the authority to respond to any extraordinary national security, foreign policy, or economic threat that originated wholly or partially from a foreign entity. This response includes the regulation of importation and of exportation of property from any foreign country. Trump cites a large trade deficit with countries as a *threat to the national security and economy of the United States*. In Indonesia’s case, The White House has referenced the invocation of Section 232 of the Trade Expansion Act of 1962—a separate piece of legislation from the IEEPA.

Tariffs Violated ‘Major Questions’ Doctrine. Chief Justice John Roberts writes in his SCOTUS opinion on this landmark *Learning Resources Inc. et al. v. Trump, President of The United States, et al.* case that there are no references to the words ‘tariffs’ or ‘duties’. Thus, Trump may have

potentially violated the ‘Major Questions’ doctrine which is that Congress can only delegate powers to other branches of government (in this case the executive branch) if so explicitly. In this case, the SCOTUS Justices have decided in favor of the challengers that the *IEEPA* did not confer the powers of imposing tariffs to the President. In short, The President of The United States now has to ideally get Congress to pass a bill to allow the tariffs. The US government has to potentially pay refunds of over USD 175 bn from its recently-ruled ‘illegal’ tariffs set since Apr-2025.

US-Indonesia Bilateral Trade Agreement Potentially Sidelined. The news of the SCOTUS ruling came out a few days after Indonesian President Prabowo Subianto and Coordinating Minister Airlangga signed a bilateral trade agreement pact on firm tariff rates. In the final deal, Indonesia has agreed on its products to be imposed with 19% while US goods coming into Indonesia will have a 0% tariff rate (*Exhibit 1 and 2*).

Commitment Ties Strengthened Through U.S. Investments. Aside from the tariffs, Indonesia has also agreed to open up its markets for more American capital and businesses to enter and to compete in the country (*Exhibit 2*). Indonesia has signed commitments to invest in the United States reaching approx. USD 33 bn. These purchases are composed of USD 15 bn of American energy commodities; USD 13.5 bn in aviation-related goods; and USD 4.5 bn of American agricultural products (*Exhibit 3*).

Implications Of Non-Tariff Barriers. The major agreed-upon points in the bilateral arrangement is the liberalization of the Indonesian markets. A key point is the exemption of U.S. goods to the local content (*TKDN*),

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certification, and labeling requirements that the American government has noted to be burdensome. In addition, the Indonesian government have to accept the safety standards of the FDA and U.S. Federal Motor Vehicle Safety and emission standards.

The Fallout After SCOTUS. President Trump called the decision ‘deeply disappointing’ but the SCOTUS ruling has approved alternatives to the tariffs (*Exhibit 4*). The U.S. President cites the use of *Section 122 of The Trade Act of 1974* allowing the President to impose a max rate of 15% tariffs up to 150 days after which its requires the approval of Congress to be extended. Trump has planned to impose a *global 15% tariff (Hiked From A Previous Mention Of 10%)* after the ruling in addition to continuing current tariffs under alternative authorities—meaning not based on the *IEEPA* legislation.

Impacts On US-Indonesia Trade Deal. As Indonesia-US Trade deal does not come into effect until 90 Days after the signing, Indonesia is still subject to any changes. The agreed upon tariff rate is higher at 19% than the soon-to-be effective 15% agreed-upon tariff rate. The White House has commented that pre-negotiated or more appropriate rates can be re-negotiated down the line.

Our Take. While many foreign entities cheer on the SCOTUS decision to strike down Trump tariffs, this potentially fires-up the engines on Indonesian sentiment after the MSCI and

Moody’s debacle that has dominated investor confidence in the first quarter of 2026. While a rosier outlook may be on the cusp for Indonesia’s equity market, the local businesses may also be forced to face steep competition from American companies that are exempt from scrupulous red tape in Indonesia. These exemptions, including for *TKDN* laws, may raise calls for an equal treatment to local businesses down the line due to a bottleneck of new entrepreneurial businesses being held back. With the Rupiah currently at a weakening trend, we also view an alternative scenario of a segment of some manufacturing companies to migrate into the United States in order to reap the benefit of exemption from red tape; 0% tariffs; and receive revenue in a strong dollar currency. In retrospect, the Trade Deal agreed upon by the US-Indonesia does spark positive sentiment to reverse the trend of capital flight from Indonesia. We are of the view that when the trade deals are taken into effect, we can see local legislation will begin to adapt to the results of the dialed-up competition in Indonesia’s business landscape. In the long-term, these free-market reform efforts from its US trade deals may boost Indonesia’s chances to break away from the current middle-income trap.

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Appendix

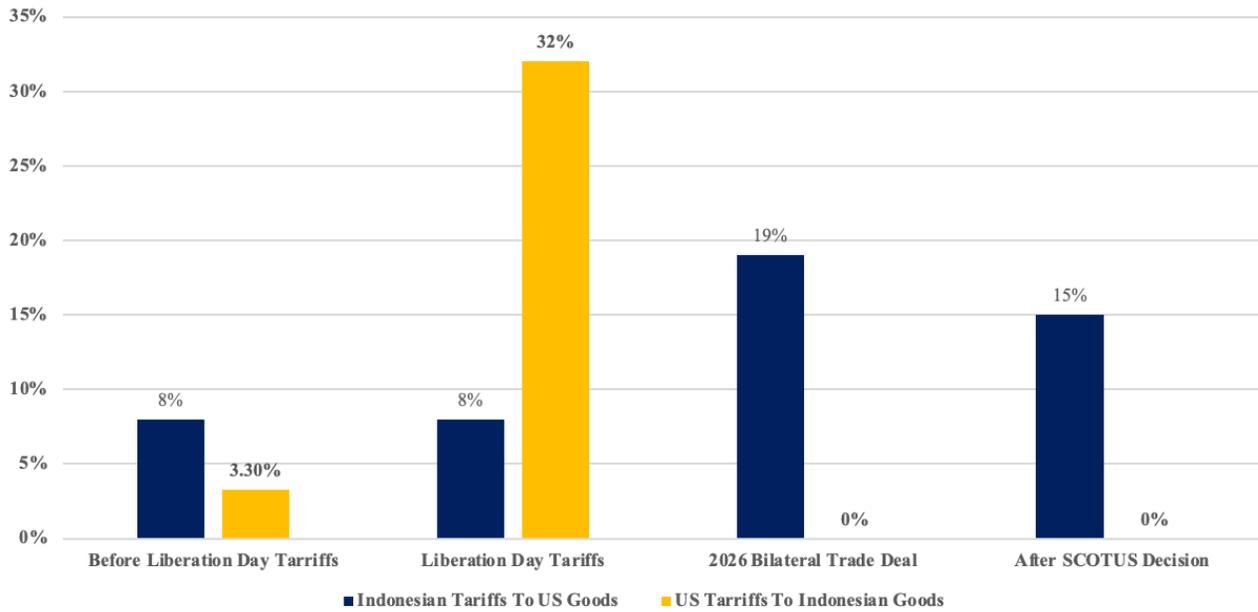


Exhibit 1. Indonesian and US Reciprocal Tariffs Before Liberation Day, On Liberation Day, 2026 Bilateral Trade Deal, and After SCOTUS Decision

source: White House, Kemenkoeko, NHKSI Analytics

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Key Agreements of the U.S.-Indonesia Agreement on Reciprocal Trade include:

- 1 Indonesia will eliminate tariff barriers on over 99% of U.S. products exported to Indonesia across all sectors, including for agricultural products, health products, seafood, information and communications technology, automotive products, and chemicals.
- 2 Indonesia will address a range of non-tariff barriers, such as exempting U.S. companies and originating goods from local content requirements, accepting U.S. federal motor vehicle safety and emission standards, accepting FDA standards for medical devices and pharmaceuticals, removing burdensome certification and labeling requirements, eliminating pre-shipment requirements, and taking steps to resolve many long-standing intellectual property issues.
- 3 Indonesia will address and prevent barriers to U.S. agricultural products being sold in the Indonesian market, including by exempting food and agricultural products from all of Indonesia's import licensing regimes and ensuring transparency and fairness with respect to geographical indications, including meats and cheeses, and more.
- 4 Indonesia has committed to eliminate barriers for digital trade, including eliminating existing HTS tariff lines on "intangible products"; supporting a permanent moratorium on customs duties on electronic transmissions at the World Trade Organization immediately and without conditions; and ensuring a level playing field for U.S. electronic payment service companies.
- 5 Indonesia has committed to join the Global Forum on Steel Excess Capacity and take actions to address global excess capacity in the steel sector and its impacts.
- 6 The United States and Indonesia will cooperate to increase supply chain resilience, address duty evasion, and ensure adequate export controls and investment security. Indonesia will remove restrictions on exports to the United States for all industrial commodities, including critical minerals.
- 7 Indonesia has committed to adopt and implement a forced labor import ban and remove provisions from its labor laws that restrict workers and unions from fully exercising freedom of association and collective bargaining rights.
- 8 The United States and Indonesia commend the massive commercial deals reached of approximately \$33 billion worth of investment in agriculture, aerospace, and energy in the United States – further increasing U.S. exports to Indonesia.

Exhibit 2. Key Agreements of the U.S.-Indonesia Trade Deal on Reciprocal Trade

source: White House, NHKSI Analytics

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No.	Investments/Purchases	Amount
1	U.S. Energy Commodities	USD 15 bn
2	Commercial aircraft and aviation-related goods and services	~ USD 13.5 bn
3	U.S. Agricultural Products	~ USD 4.5 bn
Total Investments		USD 33 bn

Exhibit 3. Total Indonesian Investments Into The United States

source: White House, Kemenkoeko, NHKSI Analytics

U.S. Laws Justifying The Continued Impose of Tariffs on Foreign Nations		
No.	Section -- Legislative Act	Ability delegated to executive
1	Section 122 — Trade Act of 1974	Allows tariffs of up to 15 percent to address balance of payments concerns and can be deployed almost immediately
2	Section 301 — Trade Act of 1974	Authorizes the U.S. government to investigate unfair trade practices and impose tariffs in response
3	Section 232 — Trade Expansion Act of 1962	Permits tariffs on national security grounds following a Commerce Department investigation.
4	Section 338 — Tariff Act of 1930	Allows tariffs of up to 50 percent on imports from countries deemed to discriminate against U.S. commerce.

Exhibit 4. U.S. Laws Justifying The Continued Impose of Tariffs on Foreign Nations

source: White House, NHKSI Analytics

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