



POLICY BRIEF

Building Industrial Protection and Market Diversification in Response to Trump's Reciprocal Tariffs

Author

LUTHFIAN HAEKAL
Human Rights Manager

Layout & Designer

FAIRUZ MAHDIYYAH
Communication Officer

EXECUTIVE SUMMARY

The reciprocal tariff policy imposed by the United States since 2025 reveals the structural vulnerability of Indonesia's fisheries sector within the global value chain. As one of Indonesia's largest export destinations, the United States functions as a global value setter that shapes the price standards, quality benchmarks, and product specifications for Indonesian commodities. When Trump's tariffs were introduced, the pressure not only reduced export margins but also locked the industry into value dependency, weakening Indonesia's bargaining position.

In response, Destructive Fishing Watch (DFW) Indonesia conducted a limited survey among business actors, practitioners, and stakeholders to assess the impact of Trump's tariffs on Indonesia's fisheries economy.

The survey identifies three main findings:

1 Value dependency on the United States market

The export value per ton to the United States is the highest among destination markets. As a result, price standards, quality benchmarks, and product specifications are largely shaped by the United States market. This dependency limits the ability of domestic industry to determine value independently.

2 Risk Transmission to Industry and Workers

The tariff increases directly reduce production and triggered layoffs, as export-oriented industries treat labor as the primary adjustment variable. This reflects how global policy consequences are directly borne by industry and workers without adequate protection mechanisms.

3 Limited Domestic Market Capacity to Absorb Export-Grade products

Weak domestic purchasing power makes it impossible for export-grade products to be absorbed by the domestic market. This condition prevents import substitution from functioning as a buffer during global market shocks.

There are three recommendations offered, namely:

1 Expand and Accelerate Export Market Diversification

Indonesia should strengthen intergovernmental trade agreements with alternative markets such as China, ASEAN, the European Union, the Middle East, and BRICS countries, while maximizing the 0% tariff access to Japan. This would reduce concentration risks from relying on a single market

2 Develop Industrial and Worker Protection Schemes During Tariff Shocks

The government should provide targeted fiscal incentives, wage subsidy mechanisms, and early warning systems for production contraction. These measures would prevent external risks from being fully transferred to workers.

3 Strengthen Long-Term Economic Resilience Through Import Substitution

Raising real household income is necessary to enable the domestic market to function as a value buffer. Without strengthening national consumption, the industry will remain locked in global market dependency.

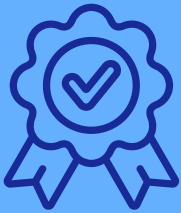


002/PB/DFW-INDONESIA/II/2026

The Impact of Trump's Tariffs on Indonesia's Fisheries Economy

The 10% reciprocal tariff imposed by the United States in April 2025 has placed significant pressure on Indonesia's fisheries sector. Several tuna loin processing companies oriented toward the U.S. export market have halted their production. Considering that the United States is the primary destination for Indonesia's fishery exports with the highest Free on Board (FOB) value, the reciprocal tariff policy has implications for the national fisheries economy. Therefore, DFW Indonesia conducted a limited survey from July 22 to August 6, 2025, to identify the impact of the tariff on Indonesia's fisheries sector.

FINDINGS



Dependence on the United States Market

As the country with the highest export volume, the current standards, pricing, and quality requirements are still oriented toward meeting that market's needs.



The Domino Effect of Tariff Increases on Industry and Worker Protection

When the tariff increase is implemented, the first adjustment made by the industry is to reduce production levels, which results in layoffs (termination of employment).



Export Products Surge, Domestic Purchasing Power Weakens

Domestic purchasing power is currently very weak to absorb the large volume of export products in the market.

RECOMMENDATION



Expanding Export Market Diversification

Indonesia needs to further strengthen bilateral trade agreements with destination markets such as China, ASEAN, the European Union, the Middle East, and BRICS countries, as well as take advantage of the 0% tariff to Japan to reduce the concentration of single-market risk.



Formulating an Industry and Worker Protection Scheme

The government needs to provide targeted fiscal incentives, wage subsidy mechanisms, and an early detection system for production contraction.



Strengthen Long-Term Economic Resilience

An increase in real income is necessary so that the domestic market can serve as a value buffer and not continue to rely on the global market.

BACKGROUND

The reciprocal tariff policy implemented by the United States in 2025 exposes structural vulnerability of Indonesia's fisheries sector within the global value chain. As a main export destination absorbing around 32% of total fisheries exports and 56.2% of shrimp commodities, the United States has a bargaining position that directly shapes the Free on Board (FOB)¹ value of Indonesian products. With the highest export value per ton compared to other markets, the United States acts as a global value setter. As a result, when Trump's Tariff is pressed, increasing entry barriers for fisheries products, Indonesia has limited space to determine price or standards, because the value of domestic commodities is made by the external market with stronger bargaining power.

Trump's tariff policy also expands protectionism against seafood commodities from export-oriented industries (EOI)² countries. In such industries, labor often functions as a shock absorber when external fluctuations occur. Based on field findings, there are companies that conducted layoffs after the tariff was imposed. This condition shows that the consequence of global policy is directly transmitted to workers without adequate protection mechanisms.

Trump's tariff is also positioned as a protection policy that puts pressure on exporting countries. The policy is also used by the United States to protect United States industries, but countries like Indonesia can only respond in the form of production adjustments. As a result, not only exports are affected, but also the domestic value chain starting from Fishing Vessel Crew (AKP), processing workers, and other fisheries workers.

In this context, Indonesia's position is in a dilemma: on one side depending on the United States market because it has high FOB, on the other side increasingly vulnerable to volatile protectionist policies. The Trump tariff implemented shows that value dependency is dependency on risk. As long as the fisheries structure is export-oriented without adequate protection, changes in global policy are directly transferred to workers. Therefore, without a strong domestic protection mechanism, Indonesia is in a position of accepting price, accepting standards, and accepting risk.

Outside the United States market, there are several alternative markets that have not been strategically optimized by Indonesia. The ASEAN market, China, the European Union, and the Middle East have large demand opportunities. China has stable fisheries consumption growth and absorbs large volumes, but quality standards and price competition with other exporting countries such as Vietnam and Thailand make the Chinese market competitive. Meanwhile, the European Union market offers high market value especially for sustainably certified commodities. However, non-tariff barriers such as traceability, certification, and residue standards make market access require compliance by business actors to carry out these requirements. Unfortunately, these markets have not yet been optimized as a buffer for the fisheries economy.

In response, Destructive Fishing Watch (DFW) Indonesia conducted a polling survey of 40 respondents in 12 provinces from various backgrounds, mainly business actors, practitioners, and stakeholders to see the impact of Trump's tariffs on the fisheries economy in Indonesia. The survey was derived through an economic resilience framework³ to see the economic impact in Indonesia and respondents' responses to Trump's tariff. From that framework, it was derived into two indicators, namely:

1 Vulnerability

Economic impacts that will occur in Indonesia

2 Resilience

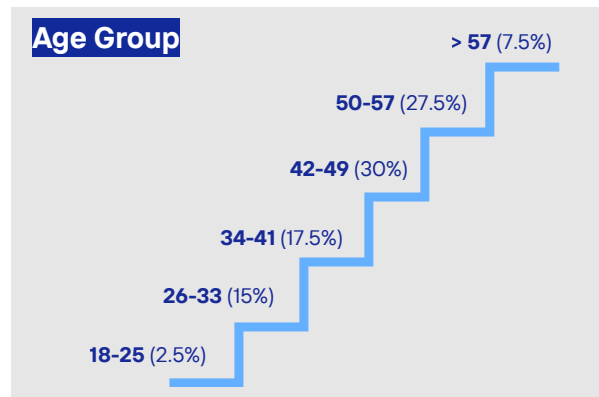
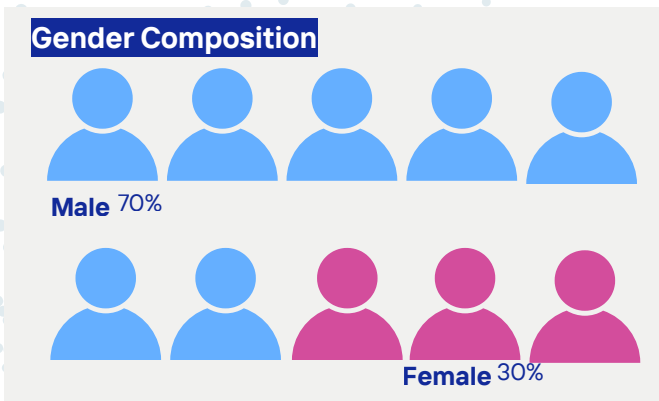
Readiness for impacts that will occur

1 Free on Board (FOB) is a term used to indicate the value of goods calculated up to the point at which they are loaded onto a vessel at the port of departure. It reflects the export price at the country of origin, or the value realized at the upstream stage of the value chain, rather than the final value after downstream processing. In other words, this value does not include post-export value addition, such as further processing or retail distribution.

2 Export-Oriented Industry (EOI) refers to a model of industrialization that focuses on producing goods for global markets, whereby its production structure is shaped by the dynamics and standards of destination countries.

3 Lino Briguglio, Gordon Cordina, Nadia Farrugia, & Stephanie Vella (2008), *Economic Vulnerability and Resilience: Concepts and Measurements*, University of Malta, Islands and Small States Institute.

RESPONDENT PROFILE



Graphic 1. Map of the Survey Areas on the Impact of Trump Tariffs on Indonesia's Fisheries Economy Conducted by DFW Indonesia

DISCLAIMER:

The limited survey was conducted through distribution of online questionnaires from July 22, 2025 until August 6, 2025. The survey was conducted using a purposive sampling method toward cluster groups intersecting with the issue of Trump's tariffs and the fisheries economy. Respondents were selected non-probabilistically, so survey results cannot be generalized to the entire population. The survey conducted is descriptive exploratory, not inferential. This means the survey aims to map developing ideas, not statistically represent the entire population.

PROBLEM IDENTIFICATION

1 High Vulnerability Due to Export Dependency on the United States

82,5%

of respondents believe Indonesian fisheries products are highly dependent on exports to the United States

67,5%

agree that Trump's tariffs worsen Indonesia's dependency on the United States



Shrimp and Tuna-Skipjack-Mackarel commodities are the most affected

Destination Country	Volume (Ton) 2024	FOB Score (000 US\$)	Price Per Ton (US\$/Ton)
United States	905,5	9.834,5	10,861
Japan	1.653,9	9.558,7	5,779
China	2.126,0	11.439,9	5,381
Australia	292,0	1.292,4	4,426
Saudi Arabia	678,8	2.695,7	3,971
Taiwan	1.578,0	5.131,9	3,252
Hongkong	947,2	2.386,3	2,519
Singapore	15.595,9	34.008,3	2,181
Malaysia	28.608,1	37.736,2	1,319

Table 1. Value Per Ton Ratio 2024 Based on Destination Country.

Source: BPS processed by DFW Indonesia

Although the export volume of Indonesian fisheries products to the United States is not as large as to the Japanese, Chinese, Taiwanese, Singaporean, and Malaysian markets, the FOB value ratio shows that the United States actually absorbs export value far higher. Although export volume tends to be lower, export value per ton in the United States is the highest among other destination countries. This indicates two things:

1. The United States market is a value setter, not merely a buyer; and
2. Value dependency creates limitations in margin and competitiveness standards

These findings demonstrate that volume does not determine value, but rather the structure of demand and the bargaining position of the destination market. The high FOB value confirms the United States market as

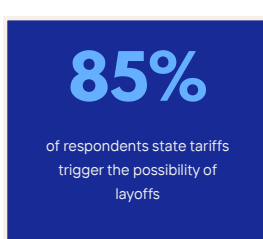
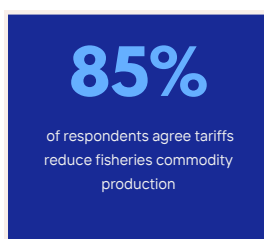
a value setter⁴ in the global fisheries supply chain. Higher per-ton prices allow destination countries to determine quality standards, technical specifications, and retail preferences as references for the fisheries industry. In addition, dependency on high FOB value creates value dependency⁵ that allows exporting countries to be in a vulnerable position toward external policies, starting from tariffs, certification, to food quality standards. High margins in FOB force exporting countries to adjust so that their commodities can continue entering markets that offer the highest value.

This consequence is also caused by the fisheries industry being oriented toward export markets. Export-oriented industries rely on value standards determined externally, requiring the domestic production system to adapt in order to maintain competitiveness. Consequently, trade imbalances tend to disproportionately benefit the importing country. When export costs increase due to tariffs, Indonesia has limited capacity to preserve profit margins, while the United States continues to capture the highest FOB value. In effect, Indonesia absorbs production costs and market risks, whereas value addition is largely realized downstream in the importing country (within the FOB framework).

Value dependency on the United States is also sustained by the absence of alternative markets offering comparable FOB values. Nevertheless, several potential markets may be explored, including the ASEAN market, China, the European Union, and the Middle East. The ASEAN and Chinese markets can absorb high volume, but have tight cost competition. China and ASEAN countries are capable of absorbing large volumes but are characterized by intense price competition. These markets function not only as destinations but also producers, increasing competitive pressure. Meanwhile, the European Union offers relatively high FOB values, but requires high standards mainly demanding compliance such as IUU regulation, traceability, food safety standards, sustainability certification, and residue regulations. While the European Union presents significant value opportunities, access requires substantial institutional and regulatory transformation to meet compliance standards.

The Middle East market drives increased demand for premium value products such as tuna, shrimp, and ready-to-cook products. The Middle East market also tends not to be as strict in certification as the European Union and tends to be stable from the consumer preference side. However, this market has limitations related to regional geopolitical volatility that allows relatively rapid changes in trade policy. In addition, the Middle East market structure tends to be oligopolistic, thus Indonesia's position is determined by access to trade relations, not only product quality. Therefore, the Middle East market can open opportunities, but requires more effective trade diplomacy relations to ensure order stability.

2 Risk of Processing Worker Layoffs Due to Production Decline



The decline in fisheries commodity production due to Trump's tariffs is caused because production orientation is aimed at fulfilling standards and demand of external markets. Therefore, each external intervention is translated into adjustment of production capacity. When demand declines, the main consequence taken by export-oriented companies is reduction of labor. The high layoff risk conveyed by respondents and confirmed by business actors shows the relationship between destination markets and export-oriented industries moves asymmetrically. In export-oriented industries, labor is positioned as a flexible variable that can be adjusted to global market value chain dynamics.

4 In the global value chain literature, the terms "value setter" and "value appropriator" refer to actors that possess the power to determine prices, quality standards, and profit margins within international supply chains.

5 The term "value dependency" refers to a condition in which the value of a commodity is determined more by destination markets than by the domestic production structure.

In that structure, layoffs become an instrument to keep industry competitive under market fluctuation pressure. When tariffs press profit margins, companies respond with reduction of production capacity and pressing labor costs. In the context of North Sulawesi, there is one company that responded to tariffs by laying off 60%–80% of its processing workers. The company responded because from the beginning, its establishment was intended for export to the United States. In export-based industries, production decisions are not determined by domestic dynamics, for example national consumption or labor needs, but by value changes and volatility of destination markets.

This description shows industry dependency on a single market that centralizes value abroad and distributes risk to workers domestically. Because value is centralized abroad, while risk is absorbed domestically, the fisheries sector labor market is very sensitive to external factors. Therefore, in the context of Trump's reciprocal tariffs, the United States as a central country with the highest FOB maintains its position as value appropriator, while Indonesia as an exporting country functions as risk absorber. Therefore, layoff risk becomes a logical consequence for workers because Indonesia is in a vulnerable position toward value fluctuations determined outside the nation.

3 Import Substitution and Domestic Market Hindered by Low Purchasing Power



Although development of import substitution and strengthening the domestic market are often mentioned as long-term strategies to strengthen economic resilience, survey findings show both are in structural limitation. Weak purchasing power creates a fundamental paradox: Indonesia wants to reduce dependency on a single market through import substitution, but the national consumption base is not strong enough to absorb products with high export value. Products that have been produced for export markets tend to have high price characteristics, specifications, and value standards that are difficult to pull into the local market without reducing profit margins. As a result, any effort of market diversion faces domestic prices that cannot match production costs. Meanwhile, domestic consumers do not have capacity to pay prices equivalent to export value. Therefore, import substitution is only possible for low-value commodities, not for strategic commodities affected by tariffs.

In January 2026, Indonesia recorded deflation of 0.15%, mainly triggered by price decline in the food, beverage, and tobacco group. The deflation created is an indication of weakening household demand, so price declines occur to adjust consumption that does not grow. In the context of stagnant purchasing power, food deflation reflects limitation of consumer capacity to absorb basic consumption goods. If food prices as the most essential component must decline to remain purchasable, then this shows a fragile national foundation. Food deflation amid income stagnation indicates households reduce non-food spending, delay consumption, or prioritize basic needs at minimal levels. This situation explains the domestic market does not have absorption capacity to support diversification of export-oriented production to national consumption.

Import substitution strategy in that condition faces double constraints, namely minimal domestic demand in high-price segments produced by export-oriented industries and producers' inability to reduce prices. Deflation in this context is not a positive signal, but an indicator of household consumption pressure where demand is not strong enough to maintain prices at previous levels. Therefore, the import substitution strategy requires not only production diversion, but also reconstruction of the national consumption base, including increasing household income, reducing food price inequality, and strengthening fiscal instruments that support people's access to fisheries products. Without improvement of that foundation, dependency on export markets will continue, and the domestic market will not be able to function as a resilience mechanism when external factors fluctuate.

RECOMMENDATIONS

1 Expand and Accelerate Export Market Diversification

The survey indicates that 97.5% of respondents identify export market diversification as a key strategic response, reflecting broad awareness of Indonesia's value dependency on the United States market. Such dependency concentrates risk within exporting countries, as policy measures adopted by destination markets can directly disrupt domestic value stability, profit margins, and production capacity. In this context, export market diversification serves not only to broaden the consumer base, but also to disperse value-related risks that have been heavily concentrated in the United States market.

Markets such as China, ASEAN, the European Union, the Middle East, and BRICS countries exhibit distinct demand characteristics in specifications, purchase scale, and price elasticity that can provide space for Indonesia to renegotiate its bargaining position. One notable policy step undertaken in January 2026 was the advancement of a bilateral arrangement with Japan, particularly for tuna and skipjack products, granting 0% tariff access under the Indonesia-Japan Economic Partnership Agreement (IJEPA). This policy enhances the competitiveness of Indonesian fisheries products in the Japanese market which has been one of the main destinations for Indonesian fisheries exports. Based on FOB, Japan also tends to have high market value that allows Indonesia to renegotiate its bargaining position through increasing export volume and value.

Accordingly, export market diversification should not be viewed merely as a strategy to expand export quantities, but also to optimize export revenue through value-added products. Access to high-value markets allows exporting countries to increase value capture (portion of value absorbed domestically), thereby reducing dependency on the United States market as value setter. Diversification, therefore, is not only positioned as a risk mitigation strategy, but also as a mechanism to reorganize trade policy to be more resilient and not centered on one source of value. By expanding access to other markets, Indonesia can reduce value dependency, strengthen industry resilience, and increase bargaining power in the global value chain.

2 Develop Industrial and Worker Protection Schemes During Tariff Shocks

Protection schemes for industry and workers are understood as structural stabilization instruments, not as ad hoc responses to tariff increases. Survey findings showing workers act as shock absorbers⁶ confirm that the fisheries sector still operates without adequate protection. The absence of such mechanisms causes every external fluctuation to be directly transmitted to business actors and workers. Therefore, protection is designed as a bridge for short-term pressure as well as improving long-term structural vulnerability. Data-based protection schemes can strengthen Indonesia's position in the global market, while ensuring economic transformation does not externalize risk to workers who are at the most vulnerable point in the production chain.

From the industry side, targeted fiscal intervention becomes one fundamental instrument to maintain production continuity. Tariffs that press margins make costs such as logistics, export certification, and traceability standards become burdens that are no longer proportional to revenue. Fiscal incentives are aimed at reducing unit production cost so companies continue operating without reducing commodity quality and workers. Meanwhile, for workers, protection is not only in social security mechanisms, job loss insurance, or work accident insurance. Countries connected to global supply chains use retention schemes, such as short-time work or wage subsidies to maintain employment relationships when demand declines. For the fisheries sector, especially export-based, such mechanisms can become tools to prevent direct transmission of risk to workers.

Furthermore, protection schemes need to be equipped with early detection mechanisms to anticipate production contraction before its impact spreads downstream. Indicators that can be used include decline

⁶ "Shock absorber" is used in labor political economy literature to describe a situation in which workers bear the burden of adjustment resulting from external fluctuations, while firms maintain operations by reducing labor costs through shorter working hours, wage cuts, or layoffs.

⁷ The term "risk externalization" refers to the process by which the burden of adjustment arising from economic shocks is shifted onto the most vulnerable actors in the production chain, such as workers.

in purchase orders from destination markets, increase in logistics costs, non-tariff barriers, and changes in global regulation. Through these indicators, institutions including the Ministry of Marine Affairs and Fisheries, the Ministry of Trade, and business actors can coordinate to prepare safeguard measures before contraction occurs. With such early detection systems, safeguard steps can be prepared before companies take extreme options such as mass layoffs or production cessation. In the context of an economy integrated into global supply chains, the speed of state response determines whether external factors transform into social crises or can be dampened through certain institutional interventions.

3 Strengthen Long-Term Economic Resilience Through Import Substitution and Increased Domestic Purchasing Power

Strengthening long-term resilience is not only carried out by shifting production orientation, but also the foundation of national consumption. Survey findings showing weak domestic purchasing power indicate that the import substitution strategy is in structural limitation. In such conditions, households are only able to maintain basic consumption and high-value fisheries products do not have space to be absorbed in the domestic market. Therefore, strengthening purchasing power is placed as the main prerequisite so that the domestic market can function as an industry buffer when global markets fluctuate.

The initial step taken is to ensure an increase in real household income. Stagnant real income causes domestic consumption to be more directed toward minimum needs, not toward value-added commodities. In that context, wage increases, food price stabilization, and strengthening social security are not merely welfare policies. But also economic strategies to create a domestic demand base strong enough so that industry has alternatives besides export markets. This is also related to diverting part of production from high-FOB orientation to models that can be absorbed by the domestic market. Thus, import substitution does not only become a defensive strategy, but encourages industrialization oriented toward national consumption.

Long-term resilience can only be achieved if import substitution is accompanied by an increase in domestic purchasing power. As long as domestic purchasing power cannot meet the price standards of export commodities, the fisheries industry will remain locked into global markets. Therefore, building resilience means building domestic market value independence that not only fills gaps, but becomes a foundation that supports long-term industry sustainability. Such long-term policy is required for repositioning the economic development model in Indonesia.



ABOUT US

Destructive Fishing Watch (DFW) Indonesia is a national institution in the form of an open alliance/consortium that brings together organizations and individuals concerned with destructive fishing (DF) practices or environmentally unfriendly fishing activities (PITRaL), IUUF, fisheries, human rights, poverty, climate change, conservation, and natural disasters in Indonesia. The spirit of this alliance was built to inspire shared responsibility for the sustainable use of marine resources.

DFW Indonesia was declared in Makassar, South Sulawesi on Friday, October 27, 2000. Based on the mandate of its statute subsequently established, DFW Indonesia was formally founded through Notarial Deed No. 2 dated October 19, 2003. The declaration of DFW Indonesia was carried out by several organizations and individuals committed to addressing destructive fishing (DF), marine ecosystem environmental damage, and the impacts arising from such activities.



DFW Indonesia



@DFW_Indonesia



@dfw_indonesia



www.dfw.or.id



info@dfw.or.id



@dfw_indonesia

Jl. Jaha No.88 ABC, East Cilandak, Pasar Minggu, South Jakarta City, Jakarta 12560