

Newsletter

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Indonesia: Competition Authority Highlights Concerns Over Impact of US Tariff Policy on Domestic Competition



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Introduction

On 5 May 2025, the Indonesia Competition Commission (KPPU) issued a [press release](#), raising its concerns over the potential impact of the U.S. tariff policy on Indonesian businesses and proposing measures in responses. Amongst other actions, the KPPU plans to strengthen its supervision of M&A transactions and allow businesses to consult on their strategic plans, with the possibility of obtaining the KPPU's approval—similar to the recent case we discussed in our [previous newsletter](#), where approval was granted with conditions to be adhered to.

The KPPU has identified several key risks stemming from the 32% US import tariff on Indonesian products as follows:

1. **Declining export competitiveness:** Indonesian exports such as palm oil, textiles, footwear, electronics, rubber, and coffee may become less competitive in the US market, especially compared to exports from countries subject to lower tariffs.
2. **Domestic oversupply and influx of imports:** The KPPU has raised concerns that surplus products originally destined for export could flood the domestic market, while cheaper imported goods could enter Indonesia in greater volume. The KPPU flags the potential that this may create conditions conducive to predatory pricing, potentially harming local producers and micro, small, and medium-sized enterprises (MSMEs).

3. **Production slowdowns and layoffs:** Export-oriented industries may experience reduced production volumes, factory closures, and job losses if they are unable to diversify into alternative markets. However, the KPPU noted that this situation may lead to an increase in mergers and acquisitions activity, as businesses consolidate in response to shifting market dynamics.

In addition to raising concerns, the KPPU issued several recommendations to the Government of Indonesia:

1. **Greater involvement in policy-making:** The KPPU seeks direct involvement in various policy-making forums to enhance its role in enforcing measures against unfair business practices and anti-competitive behavior resulting from the US import tariff.
2. **Coordinated M&A supervision:** The KPPU suggests the formation of a cross-ministerial coordination team to supervise mergers and acquisitions activity.
3. **Stricter import controls:** The KPPU suggests tighter controls on imports, especially those that compete directly with domestic production and labor-intensive sectors.
4. **Business consultation platform:** The KPPU invites affected businesses and industry associations to consult with the agency on strategic responses to the tariff policy.

While the KPPU has expressed its proactive stance and recommendations, it remains to be seen how these measures will be implemented in practice and whether they will yield the intended results. Businesses should monitor further developments closely.

If you have any questions regarding the matters discussed in this article, please do not hesitate to contact the authors.