

## WHEN LAW SPEAKS, ECONOMY ACTS: A NORMATIVE ASSESSMENT OF TRUMP'S IMPORT TARIFFS AND INDONESIA'S HALAL INDUSTRY STRATEGY FOR ECONOMIC RESILIENCE

**Firqah Annajiyah Mansyuroh**

Hukum Ekonomi Syariah (*Muamalah*), UIN Antasari Banjarmasin

[firqahannajiyahmansyuroh@uin-antasari.ac.id](mailto:firqahannajiyahmansyuroh@uin-antasari.ac.id)

**Muhammad Torieq Abdillah**

Hukum Tatanegara (*Siyasah Syar'iyyah*), UIN Antasari Banjarmasin

[mtabdillah11@gmail.com](mailto:mtabdillah11@gmail.com)

**Abstract:** This study analyzes the systemic challenge posed to the multilateral trading system by U.S. President Donald Trump's unilateral import tariffs under Section 232 of the Trade Expansion Act of 1962. Using a normative legal approach grounded in international trade law, it first assesses these actions as definitive violations of core WTO principles, such as Most-Favored-Nation (MFN) and non-discrimination, which accelerate the erosion of multilateral legitimacy. The paper then argues that this exogenous shock, while not a direct cause, serves as a critical validation for national economic resilience strategies that mitigate dependencies on this fragile global order. It examines Indonesia's development of its halal industry, institutionalized by Law No. 33 of 2014, as a case study of such transformative resilience. The study finds that by systematically building adaptive capacity through market diversification and strengthening domestic value chains, Indonesia's halal strategy represents a prescient, lawful, and sustainable pathway to economic sovereignty amidst the demonstrated decline of global multilateralism

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## INTRODUCTION

The United States government has announced a series of significant tariff increases, including new 25% tariffs on aluminum, steel, automobiles, and auto parts, as well as new tariffs on goods from Canada, Mexico, and China. Additionally, a series of “reciprocal tariffs” are being introduced on “Tariff Liberation Day,” April 2, 2025, with tariff rates varying by exporting country and ranging from 10 to 50%. As a result, the average applicable tariff has exceeded 20%, an unprecedented level since the 1930s.<sup>1</sup>

However, this ‘trade war’ did not start in 2025; rather, it began in 2018 and 2019 when the United States and China became involved in a trade conflict, each raising tariffs that ultimately affected around 450 billion US dollars in trade flows.<sup>2</sup> The actor behind this trade war is US President Donald Trump. The goal of Trump’s policies is fundamental: to overhaul the global trade system, which has historically been centered on the dominance of Chinese manufacturing, and to challenge the liberal paradigm that more trade is always synonymous with good.<sup>3</sup>

Trump views tariffs as a key economic tool for strengthening domestic manufacturing, pressuring trading partners, balancing the trade balance, and closing the fiscal deficit. Tariffs are believed to boost domestic production by raising the price of imported goods while simultaneously generating government revenue. However, the

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<sup>1</sup> Andrés Rodríguez-Clare, Mauricio Ulate, and Jose P. Vasquez, ‘The 2025 Trade War: Dynamic Impacts Across U.S. States and the Global Economy’, Working Paper 33792, Working Paper Series (National Bureau of Economic Research, May 2025), <https://doi.org/10.3386/w33792>.

<sup>2</sup> Pablo Fajgelbaum et al., ‘The US-China Trade War and Global Reallocations’, *American Economic Review: Insights* 6, no. 2 (June 2024): 1, <https://doi.org/10.1257/aeri.20230094>.

<sup>3</sup> ‘Tarif Trump: Kenapa Trump mengincar China dalam perang dagang dan apa yang akan terjadi sesudahnya?’, BBC News Indonesia, 13 April 2025, <https://www.bbc.com/indonesia/articles/cgqvvdzjv90o>.

stated objectives of tariffs often contradict each other, casting doubt on their effectiveness. Efforts to boost domestic manufacturing, reduce the deficit, or regulate non-economic issues like fentanyl and immigration are difficult to achieve simultaneously.<sup>4</sup>

Despite openly declaring a trade war against China with high import tariffs, the United States' actions have also affected other countries. More than 90 countries on Trump's list have varying import tariff rates.<sup>5</sup> The legal basis for this policy is Section 232, which aims to protect the national security of the United States. Established through the Trade Expansion Act of 1962, Section 232 authorizes the president to set import duties based on the results of a Department of Commerce investigation into the impact of imports on national security.<sup>6</sup>

Even when framed as targeted national-security measures under Section 232, Trump-era tariffs contributed to a wider pattern of unilateral trade leverage, combining tariff surcharges, country-specific “reciprocal” rates, and bilateral bargaining that made market access increasingly contingent on U.S. discretion rather than multilateral rules. Indonesia's experience illustrates this vulnerability: in July 2025, Washington announced a reduction in the reciprocal tariff applied to Indonesian goods from 32% to 19% as part of a bilateral framework, underscoring how quickly external trade conditions can shift for a middle-power economy. In a system where core WTO disciplines, Most-Favoured-Nation (MFN) treatment, non-discrimination, and the predictability of negotiated

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<sup>4</sup> David Goldman, ‘What Trump Actually Wants from Tariffs | CNN Business’, CNN, 11 March 2025, <https://www.cnn.com/2025/03/11/business/tariffs-trump-explainer>.

<sup>5</sup> ‘Trump Tariffs List: See All the Tariffs by Country’, 7 August 2025, <https://www.bbc.com/news/articles/c5ypxnnyg7jo>.

<sup>6</sup> Shannon K. O’Neil Paz-Soldan Julia Huesa,Gabriela, ‘A Guide to Trump’s Section 232 Tariffs, in Maps | Council on Foreign Relations’, Oktober 2025, <https://www.cfr.org/article/guide-trumps-section-232-tariffs-nine-maps>.

commitments, are repeatedly tested, national economic resilience becomes an essential policy objective rather than a rhetorical aspiration. For Indonesia, the long-run development of the halal industry, anchored in Law No. 33 of 2014 on Halal Product Assurance, offers a principled resilience pathway that diversifies market access, strengthens domestic value chains, and builds non-price competitiveness grounded in ethical standards. This study therefore treats U.S. tariff unilateralism as an exogenous shock that reveals systemic fragility, and evaluates Indonesia's halal strategy as a lawful and norm-consistent instrument of economic resilience.<sup>7</sup>

This article proceeds in four steps. The next section sets out the conceptual framework, combining the normative principles of WTO trade law with a national economic resilience framework (absorptive, adaptive, and recovery/transformative capacities). The Methods section then explains the doctrinal (normative legal) approach and the criteria used to assess compliance and legitimacy. The discussion evaluates (1) the legal-normative status of Trump-era tariffs, particularly the use of national security and emergency rationales, within WTO rules and relevant interpretations, and (2) Indonesia's halal industry policy as a resilience strategy grounded in domestic law and oriented toward market diversification and value-chain strengthening. The conclusion summarizes the findings and outlines implications for developing countries navigating an increasingly contested multilateral trade order.

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<sup>7</sup> Rina Samsiyah Agustina, Luluwatun Nazla, and Silva Nur'aini, 'Analisis Peluang, Tantangan, Dan Strategi Industri Halal Di Indonesia', *AL-MUSAHAMAH: Journal of Islamic Economics, Finance, and Business* 1, no. 1 (2024): 93.

## CONCEPTUAL FRAMEWORK

### International Trade Law

Regulation of domestic economic activity was initially the sole purview of states, limited primarily by national law and politics. International legal obligations arose only when a state entered into binding international agreements to regulate certain goods or services. States later made trade commitments obligating them to lower tariffs in exchange for reciprocal benefits deemed important by some of their constituents. Similarly, states signed agreements granting foreign investors equal treatment as they did their citizens. In short, states at that time had virtually unlimited regulatory latitude. They enjoyed a significant degree of regulatory autonomy, particularly when making decisions concerning non-economic values such as human health, public safety, the environment, or social mobility.<sup>8</sup>

International trade law, codified in the GATT 1994 and institutionalized through the WTO, was designed to stabilize expectations in cross-border commerce by constraining unilateral trade restrictions and channeling disputes into multilateral procedures. Its most relevant objectives for this study are: (1) non-discrimination, expressed through Most-Favoured-Nation (MFN) treatment and related equality-of-treatment disciplines; (2) predictability, secured through tariff bindings, transparency, and the expectation that market access will not shift arbitrarily; and (3) reciprocity and rules-based dispute settlement, which reduce incentives for retaliatory “beggar-thy-neighbor” policies. These objectives matter not only for efficiency but also for legitimacy:

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<sup>8</sup> Markus Wagner, ‘Regulatory Space in International Trade Law and International Investment Law’, SSRN Scholarly Paper 2403959 (Rochester, NY: Social Science Research Network, 16 March 2014), 4, <https://doi.org/10.2139/ssrn.2403959>.

when major economies impose sweeping tariffs outside agreed processes or stretch exceptions beyond their intended scope, they move trade governance from rules toward power, eroding trust and increasing systemic uncertainty. Accordingly, the unilateral use of tariffs, especially under contested national-security rationales, poses a direct challenge to the purposes the multilateral trading system was created to safeguard.<sup>9</sup>

### **The Concept of Economic Resilience at the National Level**

Beyond the paradigms of growth and stability, the theory of economic resilience is gaining importance in the field of international political economy.<sup>10</sup> The capacity of a national economic system to prevent, absorb, adapt, and recover from economic shocks, both internal and external, without suffering permanent structural damage is known as economic resilience.<sup>11</sup> This concept requires an understanding of an aspect known as transformative resilience.<sup>12</sup> Transformative resilience means that economic systems must be not only elastic but also adaptive, meaning they can move forward in a positive direction. This quality distinguishes it from mere stability or robustness. Resilience is about how a system responds to change, not its previous strength.<sup>13</sup>

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<sup>9</sup> Serlika Aprita and Rio Adhitya, *Hukum Perdagangan Internasional* (Depok: Rajawali Pers, 2020), 5–6.

<sup>10</sup> Lino Briguglio et al., ‘Economic Vulnerability and Resilience: Concepts and Measurements’, in *Measuring Vulnerability in Developing Countries* (Routledge, 2012).

<sup>11</sup> Adam Rose, ‘Economic Resilience to Natural and Man-Made Disasters: Multidisciplinary Origins and Contextual Dimensions’, *Environmental Hazards* 7, no. 4 (January 2007): 383–98, <https://doi.org/10.1016/j.envhaz.2007.10.001>.

<sup>12</sup> James Simmie and Ron Martin, ‘The Economic Resilience of Regions: Towards an Evolutionary Approach’, *Cambridge Journal of Regions, Economy and Society* 3, no. 1 (March 2010): 27–43, <https://doi.org/10.1093/cjres/rsp029>.

<sup>13</sup> Ron Martin et al., ‘How Regions React to Recessions: Resilience and the Role of Economic Structure’, *Regional Studies* 50, no. 4 (April 2016): 561–85, <https://doi.org/10.1080/00343404.2015.1136410>.

The resilience framework should be divided into three operational dimensions for normative analysis of external shocks, such as tariff unilateralism. The first dimension is the capacity to absorb shocks, or absorption. This aspect requires institutional and macroeconomic safeguards, such as foreign exchange reserves, fiscal space, and diversification of revenue sources, to mitigate the initial effects. The second dimension is capacity to adapt, which requires structural flexibility and the ability to change policies, such as changing markets or substituting imported inputs for domestic production.<sup>14</sup> Finally, the capacity to recover depends on how quickly and effectively a country can return to growth, often through reforms based on lessons learned from the crisis.

According to academic literature, resilience requires structural and institutional components rather than intrinsic traits. The primary factor that serves as a buffer or risk reduction against changes in global demand or single-market protectionism is diversification, both in terms of products, export commodities, and destination markets.<sup>15</sup> Countries that are overly dependent on one or two major export markets are naturally more vulnerable to unilateral trade-gating policies. Consequently, diversification is a crucial strategic step.

Enhancing domestic capacity through quality enhancement and internalization of added value is the second crucial component. This encompasses human resource development, financing critical infrastructure, and, most importantly, building robust local supply

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<sup>14</sup> Bernard Hoekman, 'Supply Chains, Mega-Regionals and Multilateralism: A Road Map for the WTO', SSRN Scholarly Paper 2406871 (Rochester, NY: Social Science Research Network, 1 March 2014), <https://doi.org/10.2139/ssrn.2406871>.

<sup>15</sup> Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton University Press, 2008), <https://doi.org/10.1515/9781400829354>.

chains.<sup>16</sup> Increasing local content significantly reduces vulnerability to global disruption and price fluctuations in imported inputs.<sup>17</sup> A country's economic sovereign right to prioritize domestic interests as long as it does not violate international commitments is often the rationale for using this tactic within a normative legal context.<sup>18</sup>

Economic resilience cannot be achieved without good governance. Governance encompassing the rule of law, predictable laws, transparency, and responsive organizations is a key prerequisite.<sup>19</sup> Strong governance enables rapid policy coordination, equitable resource sharing, and the legal security necessary to attract investment and facilitate private sector adaptation.<sup>20</sup> In summary, this study uses the resilience framework as a combination of institutional strength and market flexibility, both of which must function within a legitimate legal environment to achieve transformative resilience.<sup>21</sup>

In this paper, national economic resilience is operationalized as a three-part capacity: absorption (buffering the immediate impact of an external shock), adaptation (reconfiguring policies and production structures to reduce exposure), and recovery/transformative upgrading (using disruption as an opportunity to shift toward higher-value, more sustainable growth paths). These capacities are not

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<sup>16</sup> Raphael Kaplinsky, *Globalization, Poverty and Inequality: Between a Rock and a Hard Place* (John Wiley & Sons, 2013).

<sup>17</sup> Gary Gereffi, 'Global Value Chains and International Development Policy: Bringing Firms, Networks and Policy-Engaged Scholarship Back In', *Journal of International Business Policy* 2, no. 3 (September 2019): 195–210, <https://doi.org/10.1057/s42214-019-00028-7>.

<sup>18</sup> Joseph E. Stiglitz, *Globalization and Its Discontents* (New York and London: Norton, 2002).

<sup>19</sup> Francis Fukuyama, *State Building: Governance and World Order in the 21st Century* (Profile Books, 2017).

<sup>20</sup> Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990).

<sup>21</sup> Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown, 2012).

treated as purely economic; they are mediated by legal and institutional design. Resilience strategies grounded in clear domestic legislation, implemented transparently, and kept consistent with international commitments can sustain legitimacy and investor confidence while avoiding escalatory retaliation. This operationalization enables the later analysis to evaluate how Indonesia's halal industry policy, implemented through assurance institutions, MSME upgrading, and value-chain strengthening under Law No. 33 of 2014, contributes to absorptive and adaptive capacities while remaining compatible with WTO non-discrimination disciplines.<sup>2223</sup>

Diversification of economic sectors, strengthening domestic capacity, and good governance are components that contribute to economic resilience. Diversification allows a country to reduce its dependence on a particular sector, while good governance ensures stability and investor confidence. According to international trade law, a country's economic resilience depends heavily on its political space. While the WTO provides a binding regulatory framework, countries can modify their policies as long as they adhere to the principle of non-discrimination.<sup>24</sup>

Empirical studies indicate that countries with a combination of strong fiscal capacity, a large domestic market, and clear governance are better able to withstand global shocks such as the 2008 financial crisis and the COVID-19 pandemic. In addition to structural factors, legal legitimacy also influences economic resilience. Policies formulated in accordance with international law boost investor confidence worldwide and enhance a country's economic resilience to external

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<sup>22</sup> Martin et al., 'How Regions React to Recessions'.

<sup>23</sup> Briguglio et al., 'Economic Vulnerability and Resilience'.

<sup>24</sup> Chad P. Bown and Douglas A. Irwin, 'Trump's Assault on the Global Trading System: And Why Decoupling From China Will Change Everything', *Foreign Affairs* 98, no. 5 (2019): 125–37.

protectionism. Developed countries tend to have greater capacity to safeguard their interests, while developing countries require normative strategies to remain competitive, according to the international political economy literature.<sup>25</sup>

Strategic industrial development policies, including the halal industry, in Indonesia shape the concept of economic resilience. This approach is based on national and international law and is a practical solution. Sustainability requires an understanding of economic resilience. Adaptive strategies generate short-term profits while ensuring social protection and environmental sustainability as part of economic justice. Therefore, stable economic development requires a strong legal foundation, an inclusive adaptive strategy, and a focus on the value of justice in the international trading system.<sup>26</sup>

### **Halal Industry in the Global Economy and Indonesia**

The concept of halal, no longer limited to food, has made the halal industry a new growth sector in the global economy. This industry is growing at around 20 percent annually, with an estimated value of US\$560 billion, and its total value is estimated to reach US\$2.3 trillion. This value does not include the rapidly expanding Islamic finance sector. The halal industry is now expanding in the global economy and is no longer limited to the 1.8 billion Muslims but is also attracting interest from non-Muslim markets. Several Asia-Pacific countries, such as Indonesia, Malaysia, China, Thailand, Singapore, South Korea, the Philippines, and Australia, have capitalized on this market opportunity. In fact, many countries with non-Muslim majorities are beginning to recognize the potential of the

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<sup>25</sup> Bernard Hoekman and Douglas Nelson, 'Rethinking International Subsidy Rules', *The World Economy* 43, no. 12 (2020): 3104–32, <https://doi.org/10.1111/twec.13022>.

<sup>26</sup> John Howard Jackson, *The World Trading System: Law and Policy of International Economic Relations* (MIT Press, 1997).

halal industry. Some, such as Brazil, Australia, New Zealand, Italy, India, and Germany, even rank in the top ten in the Global Islamic Economy Indicator (GIEI) scores in various halal sectors.

The halal industry has expanded not only in product sectors such as pharmaceuticals, health products, toiletries, and cosmetics, but also in service sectors such as marketing, supply chain, logistics, packaging, manufacturing, branding, and financing. The study also indicates that lifestyle offerings such as tourism and travel, hospitality management, and the fashion industry have now become an important part of the expansion of the halal industry sector.<sup>27</sup>

Indonesia's strategic position in the halal industry globally is ranked third in the world in 2023, according to the *State of Global Islamic Economy Report 2023*<sup>28</sup>, while maintaining its second position in the halal food indicator and third in the modest fashion indicator. Indonesia is listed as one of the largest exporters to OIC countries, actively fostering international cooperation in providing halal assurance and establishing the Halal 20 Forum (H20) as a milestone in strengthening the global halal ecosystem. The halal lifestyle industry is also growing rapidly, marked by the government's steps to make Indonesia a center for modest fashion through various international-scale activities, as well as significant support for the MSME sector with a target of millions of business units entering the digital ecosystem. This development demonstrates that the halal industry has become a significant driver of national economic growth while opening up new opportunities in the global economy, with the

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<sup>27</sup> Md. Siddique E. Azam and Moha Asri Abdullah, 'Global Halal Industry: Realities and Opportunities', *IJIBE (International Journal of Islamic Business Ethics)* 5, no. 1 (2020): 49.

<sup>28</sup> Iman Ali Liaqat, 'State of the Global Islamic Economy Report', DinarStandard, 26 December 2023, <https://www.dinarstandard.com/post/state-of-the-global-islamic-economy-report-2023>.

application of halal and *tayyib* principles as a new paradigm that encourages the achievement of sustainable development.<sup>29</sup>

## METHOD

Normative legal research, also known as doctrinal, focuses on legal rules, norms, and doctrines to provide critical and prescriptive assessments of state actions. Three approaches are used. The first is the conceptual approach, the second is the statutory approach, and the last is the case study approach. This approach examines legal, economic, and ethical concepts, such as normative violations and transformative resilience. The statutory approach also examines WTO Agreements, such as GATT Articles XXI and XX, as well as Indonesian domestic regulations, such as the JPH Law. Combining these methods allows for the development of arguments grounded in positive legal texts, authoritative interpretations, and broader theoretical contexts.

The Marrakesh Agreement, WTO Panel Decision Reports, and Indonesian domestic laws serve as the primary data sources. Secondary data sources consist of academic books and official reports from international organizations, as well as leading scholarly journals in the fields of trade law, international political economy, and Islamic studies.

This research employs both prescriptive and evaluative analyses. Evaluative analysis assesses the extent to which Trump's tariff actions and Indonesia's halal industrial strategy comply with standards, while prescriptive analysis defines the applicable legal

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<sup>29</sup> Bahrina Almas, Sjafruddin Sjafruddin, and Hamzah Zainuri, 'Contribution of the Halal Industry to Sustainable Economic Development in Indonesia: A Bibliometric Analysis', *Proceedings of International Conference on Social Science, Political Science, and Humanities (ICoSPOLHUM)* 4 (January 2024), <https://doi.org/10.29103/icospolhum.v4i.469>.

standards. This method involves interpreting doctrinal and legal texts, such as *pacta sunt servanda*, and logical synthesis and deduction. An analysis links the results of legal violations, such as Trump's tariffs, to economic effects, such as shocks, and concludes that the halal industrial strategy is a legal and flexible normative response within the context of economic sovereignty rights.

## RESULTS AND DISCUSSION

### Trump's Tariff Policy from an International Trade Law Perspective

President Donald Trump's tariff policy represents an important change in the direction of United States trade policy. By raising import tariffs on various products, particularly from China, Trump sought to protect domestic industries, reduce the trade deficit, and pressure partner countries to renegotiate trade agreements deemed unfair to the United States. However, from an international trade law perspective, this policy has sparked controversy because it is considered to contradict the fundamental principles of the multilateral trading system guaranteed by the World Trade Organization (WTO). When the United States unilaterally raised tariffs without justification consistent with international dispute resolution mechanisms, it violated the principles of non-discrimination and most-favored-nation treatment.

From the perspective of international trade law, Trump's tariff escalation highlights a structural tension between domestic regulatory autonomy and multilateral legal commitments. While states retain policy space, the GATT/WTO system trades some autonomy for collective gains: predictable market access, non-discrimination, and legalized dispute settlement. Section 232 tariffs reassert national policy space by invoking security rationales, but

they do so in a way that tests the boundaries of agreed exceptions and risks converting the “right to regulate” into a vehicle for discriminatory protectionism. This tension is central to the article’s normative evaluation, because the key question is not whether sovereignty matters, but whether sovereignty is exercised through legally reviewable and proportionate measures consistent with the purposes of the rules-based order.<sup>30</sup>

Measured against the core objectives of the WTO legal order, non-discrimination, predictability, and the containment of unilateral retaliation, Trump-era tariff escalation is normatively counterproductive.<sup>31</sup> Broad, country-differentiated tariff surcharges and security-based duties generate legal uncertainty for exporters and investors, invite reciprocal measures, and accelerate the fragmentation of supply chains built on stable tariff bindings and MFN treatment. The 2015 “reciprocal” tariff episode illustrates this destabilizing dynamic: average U.S. import tariff levels rose into the ~20% range, prompting precautionary re-routing of trade, front-loading of shipments, and heightened political-risk premiums. From the standpoint of international trade law’s purpose, such outcomes resemble the “beggar-thy-neighbor” dynamics the post-war multilateral trading system was designed to discipline.

Thus, from an international trade law perspective, Trump’s tariff policy demonstrates a fundamental conflict between the principle of national economic sovereignty and multilateral legal commitments. Although driven by domestic political and economic motives, it normatively challenges the sustainability of the global trading system, which is based on cooperation and equality between nations. This case serves as a clear example of how national interests can

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<sup>30</sup> Wagner, ‘Regulatory Space in International Trade Law and International Investment Law’.

<sup>31</sup> Aprita and Adhitya, *Hukum Perdagangan Internasional*.

clash with the fundamental principles of international trade law, which aims to create a stable and equitable global economic order.

### **Normative Violations and the Erosion of Multilateralism**

Upon assuming the US presidency, Trump initiated a unilateral import tariff policy. This policy violates the positive legal provisions (*lex lata*) of the 1994 General Agreement on Tariffs and Trade and undermines the principles (*lex ferenda*) that shaped the post-World War II multilateral system.<sup>32</sup> The conceptual approach helps us understand that when the wealthiest countries choose to act unilaterally, fundamental WTO principles such as predictability, non-discrimination, and rules-based dispute resolution are directly challenged.<sup>33</sup> The widespread, unsubstantiated claim of national security exceptions (GATT Article XXI) contradicts the collective principles that the three countries have established over years of negotiations.<sup>34</sup>

When examining the protectionist rationale of GATT Article XXI, the WTO Panel's decision demonstrates that national security demands should not be considered unfettered free will; rather, they should be subject to WTO review to prevent violations. This finding normatively underscores that Trump's actions violated morality and institutional obligations by deliberately circumventing agreed-upon dispute resolution processes, even though the US challenged the decision. The case's proven violations strengthen the argument that legal compliance at the multilateral level failed.<sup>35</sup>

In general, Trump's actions have led to anarchy in trade. The United States' policy of actively crippling the Appellate Body by refusing to

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<sup>32</sup> Mitsuo Matsushita et al., *The World Trade Organization: Law, Practice, and Policy* (Oxford University Press, 2015).

<sup>33</sup> Hoekman, 'Supply Chains, Mega-Regionals and Multilateralism'.

<sup>34</sup> Jackson, *The World Trading System*.

<sup>35</sup> Matsushita et al., *The World Trade Organization*.

appoint its members has allowed this anarchy to flourish. According to a conceptual approach, the erosion of this institution constitutes the most significant normative loss, as it destroys a crucial system of law enforcement.<sup>36</sup> This process demonstrates to global markets that free trade may be administratively correct but legally incorrect, substantially reducing trust and predictability, two key prerequisites for investment and the stabilization of global supply chains (GVCs).<sup>37</sup>

The economic impact is stark. Political risk and legal uncertainty are now driving the fragmentation of GVCs that once operated on the basis of efficiency.<sup>38</sup> This process is forcing developing countries to reconsider their reliance on global markets and supply chains, which have proven precarious. This contradicts the normative goals of trade liberalization.<sup>39</sup> Therefore, the normative violations perpetrated by Trump's tariff policies serve as an exogenous shock that requires national transformational power.

### **Legal and Ethical Considerations Behind Protectionism**

The principle is that in certain situations, protectionism may have normative legitimacy. Article XX of the GATT provides a general exception allowing actions contrary to trade obligations for legitimate non-economic purposes such as protecting public morals, health, or the environment. The legislative approach refers to this

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<sup>36</sup> Richard E. Baldwin, 'Global Supply Chains: Why They Emerged, Why They Matter, and Where They Are Going', SSRN Scholarly Paper 2153484 (Rochester, NY: Social Science Research Network, 1 August 2012), <https://papers.ssrn.com/abstract=2153484>.

<sup>37</sup> Ernst-Ulrich Petersmann, *The Gatt/Wto Dispute Settlement System: International Law, International Organizations and Dispute Settlement* (Martinus Nijhoff Publishers, 1997).

<sup>38</sup> W. Max Corden, *Trade Policy and Economic Welfare* (Oxford University Press, 1997).

<sup>39</sup> Robert Howse et al., *The Regulation of International Trade*, 3rd ed. (London: Routledge, 2005), <https://doi.org/10.4324/9780203799796>.

article. Furthermore, the conceptual approach, based on political economy doctrine, views this argument as limited to building domestic competitiveness and strategic sovereignty.<sup>40</sup>

However, this moral and legal justification must meet strict standards. The GATT Article XX chapter requires proportionality, non-discrimination, and factual evidence to prevent measures that serve as tools for arbitrary discrimination or disguised restrictions on trade.<sup>41</sup> A case-by-case approach considering GATT Article XXI disputes suggests that multilateral authorities will reject unilateral and self-judging demands, as they fail to meet standards of transparency and proportionality.

The Trump administration's national security claims (Article XXI) fall short of ethical and normative standards, according to a comprehensive, conceptual evaluation. People often use these claims for opportunistic domestic economic and political purposes. These norms ultimately violate the ethics of cooperation and trust that should underpin economic relations between sovereign states.

Ethically, these unilateral actions create an environment where political authority overrides the rule of law. Developed countries like the United States ultimately disregard moral and legal standards, setting a dangerous precedent that could undermine the trading system. Therefore, when multilateralism fails to meet its own standards, it paradoxically encourages developing countries to use domestic sovereignty and law to counter injustices within the trading system.

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<sup>40</sup> Department of Economic and Social Affairs, 'Transforming Our World: The 2030 Agenda for Sustainable Development', accessed 4 October 2025, <https://sdgs.un.org/2030agenda>.

<sup>41</sup> Gereffi, 'Global Value Chains and International Development Policy'.

## **The Impact of Trump's Tariff Policy on the Global Economy and Its Implications for Indonesia**

The protectionist tariff policies implemented by the United States under the Donald Trump administration have had a significant impact on the global trade system, including bilateral relations with Indonesia. These policies have created political, economic, and security tensions and violate the fundamental principles of the WTO, which uphold free and transparent trade. This situation has created legal uncertainty in trade interactions and has the potential to erode trust between governments, even though the United States is one of Indonesia's main strategic partners. Therefore, this issue requires careful, proportional, and long-term management to maintain the stability of bilateral relations.

For Indonesia, this dynamic can provide momentum to evaluate and reposition international trade policies to be more adaptive and based on the rule of law. Possible efforts include strengthening the capacity of trade negotiators, increasing their role in multilateral forums such as the WTO and ASEAN, and active involvement in fair, rules-based global initiatives. In addition to formal WTO dispute resolution channels, Indonesia also needs to integrate its economic diplomacy approach with its national legal strategy. By combining legal firmness and diplomatic flexibility, Indonesia is expected to protect its national interests while strengthening its bargaining position in the future global trade architecture.<sup>42</sup>

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<sup>42</sup> Andri Sutrisno, 'Implikasi Hukum Kebijakan Tarif Era Trump Terhadap Indonesia: Reposisi Tugas Pemerintah Dalam Pelayanan Publik', *IBLAM Law Review* 5, no. 2 (May 2025): 73, <https://doi.org/10.52249/ilr.v5i2.612>.

## **Normative Basis for the National Economic Resilience Strategy: Indonesia's Halal Industry**

Developing countries like Indonesia are encouraged to enhance their economic resilience based on domestic values as a result of external challenges caused by the collapse of multilateralism, particularly through the practice of unilateral tariffs. Every country has the full right to protect and advance its national economic interests in accordance with international law, a principle recognized by the UN and, with some exceptions, by the WTO.<sup>43</sup> This conceptual approach views this global trade crisis as a remedy, not an end in itself. Rather, it serves as a means to encourage value creation, diversification, and structural reform to achieve transformative resilience.<sup>44</sup> The Indonesian Halal Industry Initiative is a concrete example of this flexible sovereign right.

Law No. 33 of 2014 concerning Halal Product Assurance (UU JPH), which serves as a formal legal umbrella, provides the primary normative basis for this resilience strategy. The law places the responsibility on the state to build a broad, comprehensive, and competitive halal community worldwide, in addition to regulating the certification of goods for domestic consumption. Normatively, Indonesia's position is more defensive and reasonable than the protectionist actions of other superpowers, as the law demonstrates that its response is based on a strong and legitimate domestic legal framework rather than unilateral, unconstitutional action.

Empirically, Indonesia's halal assurance ecosystem has scaled rapidly, indicating that the strategy is not merely aspirational but institutionally implemented. Official reporting notes that by 18 January 2025 the Halal Product Assurance Organizing Agency

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<sup>43</sup> Department of Economic and Social Affairs, 'Transforming Our World: The 2030 Agenda for Sustainable Development'.

<sup>44</sup> Gereffi, 'Global Value Chains and International Development Policy'.

(BPJPH) had issued 93,661 regular halal certificates and 2,012,710 certificates through the self-declaration scheme, covering approximately 5,815,583 halal-certified products nationwide; by October 2025 BPJPH reported roughly 9.6 million halal-certified products. This scale-up matters for the resilience claim: broad certification coverage lowers compliance and information barriers for domestic firms, strengthens consumer trust, and improves export readiness for halal-sensitive markets, thereby supporting absorptive capacity (buffering shocks through domestic capability) and adaptive capacity (diversifying market access under external disruption).

Strategically, Indonesia's halal industry policy functions as an instrument of adaptive capacity within the resilience framework. The combination of a national assurance regime, increasingly scalable certification, and policy support for halal value chains enables firms to access and compete in halal-sensitive markets beyond Indonesia's traditional export destinations. Diversifying market access in this way reduces exposure to any single major power's tariff or non-tariff measures and creates flexibility to re-route exports when geopolitical shocks disrupt established supply chains. In resilience terms, this is adaptation: the deliberate reconfiguration of trade orientation and production networks to reduce vulnerability while preserving, and potentially expanding, national welfare.

At the same time, the implementation architecture of Law No. 33 of 2014 strengthens absorptive capacity by institutionalizing domestic compliance systems and supply-chain assurance. Halal certification requires traceability, standardized inputs, and audited production processes, which encourages the development of domestic testing services, halal logistics, and upstream suppliers capable of meeting assurance requirements. As these supporting services deepen, Indonesian producers become less vulnerable to disruptions that raise the cost or availability of imported inputs and are better able to

maintain production continuity when external trade shocks occur. The resulting local value-chain strengthening acts as a buffer that helps the economy absorb shocks without disproportionate employment or output losses, especially when MSME inclusion measures reduce barriers to certification and upgrading.<sup>45</sup> .

This strategy generates value-based competitiveness. Quality, food safety, and business ethics are all components of halal standards. Strict standards provide a more consistent non-price competitive advantage amidst global economic changes. Therefore, Indonesia can compete not only on price, which can be affected by trade wars, but also on the quality and integrity of its products, which have universal appeal.

Furthermore, the emphasis on establishing a halal environment has normative consequences for inclusive growth. Micro, Small, and Medium Enterprises (MSMEs) receive incentives and training to meet certification standards, making them a prominent halal sector. These efforts encourage people's economic empowerment and meet fair and equitable development standards, reducing social and regional disparities that can undermine national resilience and social cohesion.

Its role as soft power in economic diplomacy is also a crucial element. Branding and economic diplomacy, known as "Halal Indonesia" allow the country to become a leader in setting international halal standards by implementing halal product standards in the international market.<sup>46</sup> This process transforms religious and cultural values into strategic assets, demonstrating Indonesia's normative and

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<sup>45</sup> Jonathan A. Wilson and Jonathan Liu, 'The Challenges of Islamic Branding: Navigating Emotions Andhalal', *Journal of Islamic Marketing* 2, no. 1 (2011): 28–42, <https://doi.org/10.1108/1759083111115222>.

<sup>46</sup> Joseph S. Nye (Jr), *Soft Power: The Means to Success in World Politics* (KW Publishers Pvt Limited, n.d.).

economic strength worldwide, as viewed through the lens of soft power in economic diplomacy.<sup>47</sup>

From an ethical perspective, strengthening the halal industry is a legitimate and moral response to an unfair trading system. When multilateralism fails (as evidenced by the violations of WTO law by superpowers), developing countries have a moral responsibility to protect their citizens. This task is more important than the increasingly broken promises of liberalization.

Therefore, Indonesia's halal industry plan acts as a flexible, legal, and moral response to the challenges posed by the erosion of multilateralism. This strategy is a classic example of transformative resilience, where a crisis is used as an opportunity to build a resilient and thriving economic system grounded in the values of sovereignty and domestic law.

Overall, the Normative Foundation of Indonesia's Halal Industry Strategy demonstrates that the harmonious integration of domestic legal sovereignty (the JPH Law) and strategic economic adaptation, known as value-based diversification, builds national economic resilience. This allows Indonesia to "act" when global regulations are no longer able to protect its national interests.<sup>48</sup>

Indonesia must choose between maintaining access to its traditional markets, which are vulnerable to protectionism, or accelerating its diversification into new markets, particularly the global halal sector. The halal industry is considered a scalable strategy. Halal also offers numerous benefits, including ethical standards, food safety, and sustainability. Such an approach creates non-price competitiveness that is more resilient to global price fluctuations. Furthermore, the

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<sup>47</sup> Simon J. Evenett and Richard E. Baldwin, *Revitalising Multilateralism: Pragmatic Ideas for the New WTO Director-General* (London: CEPR Press, 2020).

<sup>48</sup> Rodrik, *One Economics, Many Recipes*.

halal industry fosters inclusive growth by encouraging the involvement of MSMEs and community economic empowerment.<sup>49</sup>

This demonstrates that Indonesia's halal industry can resist global protectionism if regulated in accordance with WTO law. Therefore, this strategy is both proactive and defensive. Indonesia can seize the opportunity to become a global halal hub, which will strengthen economic resilience and enhance the country's credibility in international forums.

## CONCLUSION

Overall, the analysis indicates that unilateral import tariffs pursued under expansive national-security rationales are difficult to reconcile with central WTO disciplines, particularly MFN/non-discrimination and the expectation that trade restrictions be justified and reviewed through multilateral procedures. The broader implication is not merely legal: sustained uncertainty in the rules-based trading system increases the exposure of developing economies to external shocks and weakens the developmental promise of predictable market access. Against this background, Indonesia's halal industry strategy, grounded in Law No. 33 of 2014 on Halal Product Assurance, illustrates how a domestically legislated, values-based industrial policy can strengthen economic resilience without mirroring unlawful protectionism. By lowering compliance and information barriers through certification, enabling MSME upgrading, and supporting value-chain strengthening, the halal strategy contributes to absorptive and adaptive capacities while remaining normatively compatible with multilateral trade governance.

The United States' violation of international legal norms signals a decline in the spirit of multilateralism, which has long been the

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<sup>49</sup> Wilson and Liu, 'The Challenges of Islamic Branding'.

foundation of global economic cooperation. This situation encourages developing countries, including Indonesia, to strengthen their economic resilience through strategies consistent with national values and laws. In this context, developing the halal industry is a normatively legitimate and effective strategic step in facing global pressures.

Through Law Number 33 of 2014 concerning Halal Product Assurance, Indonesia has a strong legal basis for systematically developing the halal industry. This strategy aims not only to maintain national economic stability but also to create added value through market diversification, improving product quality, and empowering micro, small, and medium enterprises (MSMEs). With this approach, Indonesia strives to build adaptive and sustainable economic resilience.

The import tariff policy implemented by Donald Trump, grounded in a unilateralist interpretation of 'national security', represents a profound normative violation of the multilateral trade system. This study confirms that these actions are indefensible under core WTO principles of non-discrimination and most-favored-nation treatment. This failure of international law to bind a hegemonic actor is not merely a legal footnote; it is a clear signal of systemic decay. This erosion of multilateralism provides the definitive justification for national economic resilience. Developing countries, including Indonesia, can no longer premise their economic security on a broken legal promise. In this context, Indonesia's halal industry strategy, institutionalized by Law No. 33 of 2014, is not a response to Trump, but a prescient answer to the vulnerabilities he exposed. By building adaptive capacity through market diversification and absorptive capacity through domestic supply chains, the halal industry is a model of transformative resilience. It demonstrates a legal, ethical, and sustainable pathway to economic sovereignty. Ultimately, when

global 'law' fails to speak, a nation's 'economy' must act, not in reaction, but with foresight, to secure its own future.

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