

Agreement on Reciprocal Trade between Indonesia and the United States:

Ecological Destruction, Sacrificing the People, the Death of Indonesian Sovereignty

Picture: AI illustration

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Background

The Indonesian government signed an Agreement on Reciprocal Trade with the United States that substantially expands US investment access and regulatory influence in Indonesia's strategic sectors, including critical mineral mining, energy, fisheries, forestry, food, and natural resource-based finance. This agreement removes foreign ownership restrictions and divestment obligations in the mining sector, requires the removal of barriers to the export of minerals such as nickel and copper, relaxes the regime for food and energy imports from the US, and grants US investors the right to freely transfer export proceeds. A number of provisions also limit domestic policy instruments such as downstreaming, local content requirements, foreign exchange controls, and trade policy flexibility towards third countries. Strategically, this agreement has the potential to narrow the scope of national policy, weaken economic and ecological sovereignty, and increase Indonesia's structural dependence on US economic interests.

Key Problematic Provisions

Sector	Provisions	Impact
Critical Minerals and Mining	Remove divestment & ownership limits	Privatization of Natural Resources
Energy and Fuel	<ol style="list-style-type: none"> Indonesia is requested to remove restrictions on the export of certain minerals (e.g., nickel, copper, or other industrial minerals categorized as relevant). Indonesia and the United States will strengthen cooperation efforts to accelerate the secure supply of critical minerals, including rare earth metals. This includes collaborating with US companies in the mining, processing, and downstream production of critical minerals based on commercial considerations. 	<ol style="list-style-type: none"> Mining extraction will become more massive, especially in the critical minerals sector. The entire critical mineral supply chain will be privatized and potentially controlled by the United States, due to the emphasis on cooperation with US companies.
Food and Agriculture	Minimum import quotas	Pressure on farmers
Finance related to natural resources	Free transfer of foreign exchange	Weakening foreign exchange reserves
Fisheries	Shifting fisheries towards a pro-global market approach: unlimited US investment in fish processing; obligation to implement the <i>WTO Fisheries Subsidies Agreement</i> ; recognition of the US food control system and facilitation of fisheries product imports.	The risk of weakening sovereignty over fisheries resource management and narrowing policy space for equitable subsidies for approximately 3.2 million fishers—the majority of whom are small-scale fishers.
Forestry and Environment	Indonesia opens access for US investors in the ecosystem utilization sector, including nature-based projects, ecosystem services, and resource efficiency solutions.	Commodification of nature, land grabbing based on permits, conflicts, greengrabs, human rights violations, criminalization of the people.
Security and External Policy Provisions	Obligation of equivalent action, compliance with the US SDN List, prohibition of backfilling on US export controls	Limiting Indonesia's trade policy and foreign policy autonomy and aligning national economic policy with the US security agenda.
Purchase and Investment Commitments	Purchase commitments of up to USD 33 billion and obligations to encourage investment in the US.	Lock in import dependence on the US, direct national capital flows abroad in accordance with the interests of the agreement.

Long-Term Strategic Impact

1. Economic Impact

Economically, the *Indonesia-US Reciprocal Trade Agreement* has the potential to weaken the state's sovereignty and control over strategic sectors, especially natural resources. The removal of foreign ownership limits and divestment obligations in the mining sector reduces the state's ability to increase national ownership and control large mining corporations. The obligation to remove restrictions on raw mineral exports also threatens downstream policies that have been aimed at increasing domestic added value and industrialization. In the long term, Indonesia risks being trapped again as a supplier of low value-added raw materials, while control over the production chain and economic profits are mostly located abroad.

On the other hand, the commitment to purchase goods and services from the US worth up to USD 33 billion—including energy and agricultural products with minimum import quotas—has the potential to increase import dependency, put pressure on the trade balance, and weaken the position of domestic farmers and businesses. The freedom to transfer Export Proceeds (DHE) for US investors could also reduce foreign exchange reserves and narrow the government's fiscal space in maintaining economic stability. Coupled with the obligation to align trade policies with US restrictions, this agreement risks narrowing the autonomy of national economic policy and strengthening Indonesia's structural dependence on US economic interests.

The combination of foreign ownership in the fish processing sector and the importation of fishery products facilitated by this agreement creates a structure in which foreign corporations not only control access to export markets, but can also fill the domestic market with imported products when local supplies are considered unprofitable or inadequate. In addition, the country loses some of its policy instruments: it is difficult to restrict imports on the basis of health/environmental standards and difficult to regulate the behavior of foreign companies through ownership restrictions, thereby reducing the government's ability to balance economic interests with fairness for small-scale fishermen.

2. Ecological Impact

Ecologically, this agreement has the potential to accelerate environmental damage that is already under severe pressure due to extractive practices in Indonesia. WALHI data shows that the area of nickel mining concessions in Indonesia reaches more than 1.03 million hectares, of which more than 765 thousand hectares are located within forest areas, indicating that mining expansion continues to erode natural forest cover that functions as a carbon sink and a major habitat for biodiversity (WALHI, 2023). Furthermore, WALHI estimates that around 26.68 million hectares of

forest—about a quarter of Indonesia’s forest cover—is under various extractive industry permits: forestry, mining, and plantations. If all of these permits are realized, the potential emissions released could exceed 9 billion tons of CO₂e, equivalent to the accumulated emissions of the national energy sector over the past two decades (WALHI, 2025). Land ownership concentration will also become more acute.

Indonesia is required to remove export restrictions to the US for industrial commodities and critical minerals. In the context of mining, especially critical minerals, even though the Indonesian government claims that exports are not in the form of raw materials, the downstream industry will be cooperated with the US, which in the document indicates a move towards complete control of the mining supply chain by the US. This will encourage the expansion of mines and processing facilities located on small islands/coastal areas—risking increased deforestation, sedimentation, and heavy metal pollution of rivers and seas, which damages coral reefs, seagrass beds, and coastal fisheries productivity. WALHI has recorded at least 248 mining permits spread across 43 small islands in Indonesia—areas with very limited ecological carrying capacity and vulnerable to permanent damage. Mining activities in areas such as Raja Ampat and the coastal region of Southeast Sulawesi have led to the loss of thousands of hectares of forest cover, sedimentation in waterways, marine pollution, and threats to coral reefs and the livelihoods of small-scale fishermen.

In addition, pressure on fish stocks and marine ecosystems is increasing. The full opening of foreign investment in fish processing, plus the facilitation of fishery product exports, is driving increased fishing to meet global market demand. Despite obligations for "sustainable fisheries management" and the enforcement of IUU Fishing, the push from big industry could accelerate the exploitation of fish stocks.

In this context, opening up wider access to investment through trade agreements—including in the mining, ecosystem services, nature-based projects, and fisheries sectors—without strengthening robust protection instruments risks exacerbating deforestation, expanding agrarian conflicts, and increasing the risk of ecological disasters. During the period 2020 to 2024 alone, 37,595,492 people were affected and forced to flee their homes due to ecological disasters, with the state having to bear the cost of mitigation measures amounting to approximately 101.2 trillion rupiah.

3. Social Impact

The social impacts are already evident even before this agreement is fully implemented. This agreement will only deepen the destructive impact on the Indonesian people.

Public Health	Economy and Livelihoods
Weda Bay, North Maluku Respiratory tract infections rose from 351 cases (2018) to 2,745 cases (2024). The proportion of sick residents reached 43.4% and 20.7%. 23 out of 61 blood samples from residents contained mercury and arsenic above safe levels.	Southeast Sulawesi (4 coastal villages) Fish catches have declined by 80%. Seaweed farmers' income has fallen by 90%.
Bahodopi, Central Sulawesi Hexavalent chromium (Cr6+) reached 0.075 mg/L. 23 out of 61 blood samples from residents contained mercury and arsenic above safe levels.	North Maluku (IWP) Industrial area >4,000 hectares. Economic losses due to disease and decline in marine yields are estimated at trillions of rupiah.
Mimika, Papua Respiratory tract infection cases increased by 12% in the area surrounding the mine. Tailing disposal: ±200,000 tons per day since 2019 into the Aghawagon and Otomona rivers. Community fish catches have declined by up to 60% due to river pollution. Loss of traditional routes for the Kamoro community due to sedimentation at the mouth of the Ajkwa River.	Nationally Approximately 35,000 fishing families affected by mining and coastal reclamation.

4. Political Impact on Sovereignty

Overall, this agreement has the potential to shift Indonesia's position from a country with full policy autonomy to a country whose strategic policy space is increasingly bound by the economic and security interests of its dominant partners. In the context of political sovereignty, the impact is not only economic, but also concerns the state's ability to determine the direction of development, maintain the principle of free and active diplomacy, and independently protect the interests of its people and natural resources.

This agreement allows the transfer of control over land, water, and natural resources to foreign investors, namely the United States, without any restrictions on share ownership (article 2.28). Even if Indonesia does not comply with this agreement, Indonesia can be sued under the laws of the investor country, in this case the United States (article 7.3).

What is at stake

- 286,693,693 Indonesian citizens
- ± 8.3 million square kilometers of Indonesian land and water area.
- 26.5 million hectares of forest under concession
- ± 3.2 million fishermen, the majority of whom are small-scale fishermen
- National capture fisheries potential (JTB) of 10 million tons/year
- Coastal ecosystems (mangroves, coral reefs, and estuaries) as food and climate buffers
- National foreign exchange reserves
- Indonesia's climate commitment targets are certain to fail. Indonesia will become a major contributor to emissions.
- More than 12,000 coastal villages and more than 86 small outer islands (frontier islands) will be submerged (WALHI: 2024) due to the climate crisis that has been allowed to continue through trade policies.

Recommendations/Demands

1. The President must comply with the constitution and carry out the mandate of the 1945 Constitution of the Republic of Indonesia, articles 11, 33 and 28, as well as carry out the constitutional mandate of the People's Consultative Assembly Decree Number IX of 2001 and various laws and regulations. Therefore, the President should cancel the agreement with the United States;
2. The Indonesian House of Representatives (DPR) should summon President Prabowo Subianto and order the cancellation of the Reciprocal Trade Agreement between Indonesia and the United States. Based on Article 10, Article 11 paragraph (2) of Law No. 24 of 2000 concerning International Agreements *in conjunction* with Constitutional Court Decision No. 13/PUU-XVI/2018, the involvement of the DPR through the ratification of laws is mandatory for trade and investment agreements that have a broad impact on the environment and the lives of the people.