

Drama-Theoretic Analysis of Asymmetric Trade Negotiation

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ABSTRACT

In relation to the asymmetric trade between Indonesia and the United States, this study examines the dilemmas faced by Indonesia during reciprocal tariff negotiation with the United States which had resulted in seemingly unbalanced outcome. First, this study aims to analyse potential dilemmas that emerge in asymmetric bilateral negotiation. The dilemmas that might occur are dilemma of cooperation, dilemma of trust, dilemma of positioning, dilemma of persuasion, dilemma of rejection, and dilemma of threat. Then, this study uses position-and-threats two-parties negotiation simulation, payoff-matrix analysis to identify the *Nash equilibrium*, and dilemma analysis to analyse the negotiation dynamics. Next, after the analysis the study shows that in asymmetric bilateral trade negotiation between Indonesia and the United States, Indonesia faces dilemma of trust, dilemma of persuasion, dilemma of rejection and dilemma of threat. These dilemmas were caused by the weaker bargaining position Indonesia has and high reliance on the United States position. Finally, this study suggests that weaker countries like Indonesia to strengthen their Best Alternative to a Negotiated Agreement (*BATNA*) and create stronger coalitions to reduce such dilemmas, which could improve the negotiation outcomes. The recommendations highlight the importance of strong and strategic coalition and better *BATNA* management strategy to achieve more balanced agreement in future asymmetric negotiation.

KEYWORDS asymmetric negotiation; drama theory; international trade.



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INTRODUCTION

International trade is a field in economics that uses microeconomic models to understand how countries trade and interact in the global economy (Suranovic, 2016). It affects a whole range of activities in life, including jobs, consumptions, trade environment, and trade relationships among countries (Love & Lattimore, 2009). International trade activities are governed both by domestic laws and international trade agreements, which set the rules for how countries trade with one another (Cornell Law School, n.d.).

Historically, as a form of Indonesia's participation in governing international trade, Indonesia has joined several international organizations and international agreements at the multilateral, regional, and bilateral levels. In multilateral level, Indonesia had joined World Trade Organization (WTO) which provides multilateral framework and rules for international trade, such as General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS) (Baldwin 2016; Oraegbunam et al. 2023; Sembiring 2025; Yawar et al. 2025; Zaki et al. 2022). In regional level, Indonesia joined the Association of Southeast Asian Nations (ASEAN) since 1967 to enhance cooperation in the economic fields and to promote regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter (ASEAN, 2025). Indonesia also joined Regional Comprehensive Economic Partnership (RCEP) since 2012 that aimed to strengthen economic relations and provide mutually beneficial economic partnership between countries (ASEAN, 2025). In bilateral level, Indonesia has bilateral trade agreements with

other countries to address barriers in trade and other economic activities (Cali et al. 2019; Narayan et al. 2022; Pratama et al. 2024; Suryanta et al. 2023; Verico et al. 2022).

International trade agreements are negotiated by participating nations to address a wide range of trade issues (Cornell Law School, n.d.). Indonesia's participation in international treaties reflects that Indonesia has actively engaged in negotiations with various nations, ranging from nations with equal economic power and asymmetric economic power. Recently, Indonesia was engaged in an important negotiation with a counterpart that has significant asymmetric economic power with Indonesia, that is the United States (US). The negotiation arises from the reciprocal tariff policy that is implemented by the US to all of its trading partners, including Indonesia. The implementation of reciprocal tariff policy is based on the President of the US' belief that American industries have been disadvantaged by what he sees as 'unfair trade practices' from other countries (Economic Times, 2025). According to the US, 'unfair trade practices' refer to the trade deficits it faces with its trading partners and the concept of reciprocal tariff is defined as the tariff rate that would reduce the US' bilateral deficits to zero (USTR, 2025).

The asymmetric trade negotiation between Indonesia and the US, which was driven by the US' reciprocal tariff policy, attracted public attention because of the seemingly imbalanced outcomes of the negotiation. Theoretically, according to Bilal et al. (2011), asymmetrical trade negotiations are driven intensely by knowledge and ideas that were linked strategically to the interests of all parties involved. Bilal et al. (2011) further stated that the bargaining power of states in trade negotiation relies on at least four dimensions: 1) the relative size of the market in each country; 2) type of intergovernmental coalition created as part of negotiation process; 3) alliances that the government establish with business organizations in civil society; and 4) particularities of domestic institutions. Other than that, asymmetric negotiations are also influenced by attitudes adopted by the negotiators.

In negotiation, there is a psychological effect of those who have more power on those who have less power. Those with less power are more dependent on those with higher power for important organizational rewards (Thompson, 2012). This makes negotiators with less power tend to be highly accurate in perceiving the behaviors and attitudes of those with more power. This greater accuracy may come at a price, as those who are low in power may exhibit signs of paranoia, believing they are being constantly scrutinized and evaluated by those who are higher in power. Such paranoia can influence the decision made by negotiators, making the result seems irrational due to irrational circumstances in the negotiation (Thompson, 2012). In this context, drama theoretical approach can be used to analyze how these factors shape the process and the outcome of a negotiation.

Drama theory is a practical tool for analyzing "strategic conflicts", using dilemma or confrontation analysis to look at common dilemmas that arise when independent decision-makers try to make rational decisions on their own (Bryant & Bennett, 2021). Drama theory focuses on changes, on how people reframe their situations to resolve outstanding issues (Howard, 1994). There has been a lot of research on drama theory, one of which is from Hermawan (2008) that explains there are six dilemmas that can occur in a negotiation, which are: 1) dilemma of cooperation; 2) dilemma of trust; 3) dilemma of positioning; 4) dilemma of persuasion; 5) dilemma of rejection; and 6) dilemma of threat. Hermawan (2008) specifically used a two-party position-and-threat negotiation simulation to test his theory, which makes it

highly relevant to the asymmetric trade negotiation between Indonesia and the US that emerged from the reciprocal trade policy. For this reason, this study will apply that theory to analyze potential dilemmas that may arise during the Indonesia – US reciprocal tariff negotiation, with the aim of helping Indonesia achieve more balanced negotiation outcomes in the future and contribute to the development of Indonesia's more effective negotiation strategy.

The novelty of this research lies in its application of a structured drama-theoretic framework to diagnose a specific, contemporary, and high-stakes trade negotiation. This study moves beyond simple descriptions of power asymmetry by operationalizing Hermawan et al.'s (2008) six dilemmas. It constructs a position-and-threat simulation and a payoff matrix to ground the analysis, and then uses the dilemma framework to provide a systematic, step-by-step explanation of how Indonesia's strategic position was systematically undermined. This approach offers a more rigorous and insightful analysis than a purely descriptive case study or a purely abstract game-theoretic model.

The primary purpose of this study is to analyze the negotiation dynamics of the Indonesia-US reciprocal tariff negotiation using a drama-theoretic approach. The specific objectives are: (1) to reconstruct the negotiation as a two-party position-and-threat game; (2) to identify the *Nash equilibrium* and the Zone of Possible Agreement (*ZOPA*); and (3) to systematically identify and analyze the strategic dilemmas faced by Indonesia, based on Hermawan et al.'s (2008) model, to explain how these dilemmas contributed to the final, imbalanced outcome.

The contribution of this research is twofold. Theoretically, it contributes to the literature on negotiation analysis and drama theory by providing a rich, empirical application of the six-dilemma model to a significant real-world case. Practically, it offers valuable insights for Indonesian policymakers and negotiators. By diagnosing the specific dilemmas that weakened Indonesia's position, the study provides a clear blueprint for strategic improvement. The findings underscore the critical importance of strengthening the Best Alternative to a Negotiated Agreement (*BATNA*) and building credible, pre-negotiated coalitions as essential tools for mitigating the effects of power asymmetry and achieving more balanced outcomes in future international trade negotiations.

Indonesia – US Reciprocal Tariff Background

In January 2025, the President of the US created the America First Trade Policy that prioritizes the US economy, worker, and national security above anything else. As an impact of this policy, in early April 2025 the US announced that in an effort to balance its trade, they will impose reciprocal tariffs on all partner countries which the US has a trade deficit, one of which is Indonesia. Indonesia was charged with 32% reciprocal tariff and given 90 days to negotiate with the US to lower the tariff. This policy caused an economic shock in Indonesia, as the high reciprocal tariff would certainly affect the economy, creating chaos among the public and industries. In response to the reciprocal tariff rate from the US, the President of Indonesia directly appointed the Coordinating Minister of Economic Affairs, Minister of Finance and Minister of Foreign Affairs of Indonesia to lead the reciprocal tariff negotiation with the US (Rahmawati, 2025). Following the mandate, on 18 and 25 April 2025 the Coordinating Minister of Economic Affairs updated the public regarding the negotiation of reciprocal tariff with the US via YouTube Live broadcast. The Coordinating Minister of

Economic Affairs stated that Indonesia had done several meetings with the US side, the US had responded positively to Indonesia, and both parties agreed to reach an agreement within 60 days.

On 22 July 2025, the US released a joint statement regarding the Indonesia – US Agreement on Reciprocal Trade (ART). The joint statement states that Indonesia and the US agreed to develop an ART to strengthen countries' bilateral economic relationship, which consists of some agreed key points including (The White House, 2025):

- a. Indonesia will eliminate approximately 99 percent of tariff barriers for a full range of US industrial and US food and agricultural products exported to Indonesia.
- b. The US will reduce to 19 percent the reciprocal tariffs, as set forth in Executive Order 14257 of April 2, 2025, on originating goods of Indonesia, and may also identify certain commodities that are not naturally available or domestically produced in the United States for a further reduction in the reciprocal tariff rate.
- c. The United States and Indonesia will negotiate facilitative rules of origin that ensure that the benefits of the agreement accrue primarily to the United States and Indonesia.
- d. The United States and Indonesia will work together to address Indonesia's non-tariff barriers that affect bilateral trade and investment in priority areas, including exempting US companies and originating goods from local content requirements; accepting vehicles built to US federal motor vehicle safety and emissions standards; accepting FDA certificates and prior marketing authorizations for medical devices and pharmaceuticals; removing certain labeling requirements; exempting US exports of cosmetics, medical devices, and other manufactured goods from certain requirements; taking steps to resolve many long-standing intellectual property issues identified in USTR's Special 301 Report; and addressing US concerns with conformity assessment procedures. Indonesia will work to address barriers for US exports, including through the removal of import restrictions or licensing requirements on US remanufactured goods or their parts; the elimination of pre-shipment inspection or verification requirements on imports of US goods; and the adoption and implementation of good regulatory practices.
- e. The United States and Indonesia have also committed to address and prevent barriers to US food and agricultural products in the Indonesian market, including exempting US food and agricultural products from all import licensing regimes, including commodity balance requirements; ensuring transparency and fairness with respect to geographical indications; providing permanent Fresh Food of Plant Origin (FFPO) designation for all applicable US plant products; and recognizing US regulatory oversight, including listing of all US meat, poultry, and dairy facilities and accepting certificates issued by US regulatory authorities.
- f. Indonesia has committed to address barriers impacting digital trade, services, and investment. Indonesia will provide certainty regarding the ability to transfer personal data out of its territory to the United States. Indonesia has committed to eliminate existing HTS tariff lines on "intangible products" and suspend related requirements on import declarations; to support a permanent moratorium on customs duties on electronic transmissions at the WTO immediately and without conditions; and to take effective actions to implement the Joint Initiative on Services Domestic Regulation, including submitting its revised Specific Commitments for certification by the World Trade Organization (WTO).

- g. Indonesia commits to join the Global Forum on Steel Excess Capacity and take effective actions to address global excess capacity in the steel sector and its impacts.
- h. Indonesia commits to protecting internationally recognized labor rights. Indonesia will, among other commitments, adopt and implement a prohibition on the importation of goods produced by forced or compulsory labor; amend its labor laws to ensure that workers' rights to freedom of association and collective bargaining are fully protected; and strengthen enforcement of its labor laws.
- i. Indonesia commits to adopt and maintain high levels of environmental protection and to effectively enforce its environmental laws, including by taking measures to improve forest sector governance and combat trade in illegally harvested forest products; encourage a more resource efficient economy; accept and fully implement the WTO Agreement on Fisheries Subsidies; and combat illegal, unreported, and unregulated fishing and illegal wildlife trade.
- j. Indonesia will remove restrictions on exports to the United States of industrial commodities, including critical minerals.
- k. The United States and Indonesia are committed to strengthening economic and national security cooperation to enhance supply chain resilience and innovation through complementary actions to address unfair trade practices of other countries, and through cooperation on export controls, investment security, and combatting duty evasion.
- l. In addition, the United States and Indonesia take note of the following forthcoming commercial deals between US and Indonesian companies:
 - 1) Procurement of aircraft currently valued at 3.2 billion USD.
 - 2) Purchase of agriculture products, including soybeans, soybeans meal, wheat, and cotton with an estimated total value of 4.5 billion USD.
 - 3) Purchases of energy products, including liquefied petroleum gas, crude oil, and gasoline, with an estimated value of 15 billion USD.

In relation to these agreed key points, the public noticed that the obligations of the US and Indonesia were significantly imbalanced. Indonesia only received a tariff reduction to 19%, despite having numerous trade-offs in response to the previous tariff rate. Many also wondered about how the negotiation led Indonesia to agree to such a position, by offering so much while obtaining minimal returns. Given the imbalanced outcome, it is crucial to identify the underlying negotiation dynamics that shaped the outcomes. To do so, this study will use negotiation theory and drama theory to uncover Indonesia's dilemmas, reveal the negotiation dynamics, and evaluate alternative approaches that could have produced more balanced outcomes within the same or similar negotiation.

METHOD

This study uses drama-theoretical approach to analyse potential dilemmas that arise during the reciprocal trade negotiation between Indonesia and the US. First, this study will do a position-and-threats negotiation simulation between Indonesia – the US. Second, this study will find the *Nash equilibrium* using payoff-matrix. Third, this study will analyse the six dilemmas that possibly occur in the negotiation.

For data collection, this study uses a qualitative approach, that is obtained from official government publications from Indonesia and the US, media reports, academic literature, and

policy documents. Materials and data are collected through a systematic literature review and document analysis, focusing on drama theory and the publicly available data of the US reciprocal trade policy. Analysis will be conducted using comparative analysis to re-create negotiation positions and dynamics, and drama theory analysis to identify the dilemmas that had shaped the negotiation outcome.

According to (Bryant & Bennett, 2021) negotiators typically face dilemmas of belief and credibility during the build-up phase, because at that stage negotiators communicate their stances to each other. At the climax, emotion may make a character willing to act against its own pre-existing preferences, making negotiators act irrationally and causes longer-term changes in preference. In this phase, more radical transformation can occur and such transformation cannot be predicted in specific terms, since they involve redefining the boundary of the scene.

When trying to achieve different outcomes due to the influence of irrational thinking, negotiators face dilemmas like making believable threats, preventing others from enforcing sanctions, and convincingly rejecting proposals. At the point of tentative agreement, a common position may emerge but participant struggle to trust that promises will be kept. In this phase, both positive and negative emotions are used: negative emotions to maintain threats and positive emotions to strengthen agreements. Nevertheless, it is always uncertain how believable these emotional signals or commitments really are (Bryant & Bennett, 2021).

Drama theory uses a method known as confrontation or dilemma analysis, to examine characters' dilemmas more formally and explore their possible consequences (Bryant & Bennett, 2021). Considering this study focuses on negotiation between Indonesia and the US, we will apply position-and-threats negotiation model and focus on dilemmas that arise during the negotiation process. Position-and-threats negotiation model views negotiation as a dynamic sequence in which negotiators build momentum from the pre-play stage toward achieving a consistent agreement, which will be referred to as *dramatic solution* (Hermawan et al., 2008). When negotiation only involves two negotiators, dramatic solution is consistent with *Nash equilibrium* (Hermawan et al., 2008).

This study will use a simulation of two-party position-and-threat negotiation simulation in order to analyze the negotiation dynamics between Indonesia – US reciprocal tariff negotiation. Two-party position-and-threat negotiation is categorized as non-cooperative bargaining game in game theory, as each party seeks to maximize its own payoff by using position and threats to influence the other party. According to (Hermawan et al., 2008) in two-party position-and-threat negotiation simulation, negotiator i and negotiator j each make a proposal consisting of two elements:

- 1) A position, what they want for themselves and the other party to do; and
- 2) A threat, what they will do if the other party doesn't comply. If both carry out their threats at the same time, it will lead to threatened future (t_i, t_j) .

(Hermawan et al., 2008) further stated that the *Nash equilibrium* (or consensus reached) between two parties in a positions-and-threats negotiation model is achieved at the time n^* if i 's position $(p_{(in^*)}^i, p_{(jn^*)}^i)$, j 's position is $(p_{(in^*)}^j, p_{(jn^*)}^j)$, or threatened future $(t_{(n^*)}^i, t_{(n^*)}^j)$. If we put Indonesia as i and the US as j , it means that consensus will be reached at the time when:

- 1) Indonesia’s proposal, both Indonesia’s interests and what it expects from the US, become the outcome;
- 2) The US’ proposal, both the US’ interests and what it expects from Indonesia, become the outcome; or
- 3) The threatened future, which reflects Indonesia and the US’ actions that they would take of negotiation fails, become the stable outcome.

RESULT AND DISCUSSION

In this study, we use the Indonesia and the US reciprocal tariff negotiation. The payoff matrix will illustrate both countries’ strategies and payoffs. The outcomes from the matrix will further be analyzed using drama theory to see the dilemmas that shaped the negotiation.

Indonesia – US Payoff Matrix

To better analyze the potential outcomes of the Indonesia – the US reciprocal tariff negotiation, we will try to illustrate the possible scenarios through the matrix below:

Table 1. Indonesia – US Payoff Matrix

Indonesia / US	Reject offer and stick with 32% tariff rate for Indonesia	Accept Indonesia's offer and give lower tariff rate
Offer payoffs for a lower tariff rate	(3,4)	(5,5)
Collaborate with other countries (ASEAN)	(2,4)	(4,4)

According to news portals and published data, we assume that Indonesia and the US have a position which represented by Table 1 as common knowledge. Numbers on each cell represents outcome caused by a pair of strategies between Indonesia and the US. In each cell, the number on the left show payoff for Indonesia, while the number on the right represents payoff for the US. In this matrix, we use range of numbers 1 – 5, with the lowest payoff is represented with number 1 and the highest payoff is represented with number 5. The bigger the number, the more desirable the outcome.

Indonesia’s Positions

Indonesia’s initial response of 32% reciprocal tariff that was imposed by the US was to pursue bilateral negotiation (CNN Indonesia, 2025). According to Tempo (2025), Indonesia, represented by the Coordinating Minister of Economic Affairs as the lead negotiator, also announced that ASEAN will not withdraw from the negotiation with US. Indonesia held several bilateral meetings with the Prime Ministers of ASEAN member states, such as Singapore, Malaysia, and Cambodia (Tempo, 2025). These facts justified why Indonesia’s both options are to negotiate and unlikely to withdraw from the negotiation. On top of that, according to TINA trade simulation, if the 32% tariff rate from the US apply for Indonesia, Indonesia would lose export opportunities by US\$21.06 billion. This potential loss justifies why the assigned point for Indonesia if the US reject the offer is significantly lower.

Despite Indonesia’s both options are still to negotiate, more point is placed on pursuing bilateral deal than collaborating with ASEAN. This is because the applicability of the ASEAN coalition remains uncertain, due to one of its member states, Singapore, already has a bilateral trade agreement with the US (United States Trade Representative, n.d.). This may result in

less significant impact on Singapore, compared to other ASEAN member states. Considering ASEAN is using consensus system, where all decision under the name of ASEAN required approval of each member states, there is a risk that the coalition could not happen if one member country refuse to do it. Therefore, collaboration with ASEAN have lower point than Indonesia's bilateral approach.

The US' Positions

The US seems to have two strategies, which to reject offer and stick with 32% tariff rate for Indonesia or accept Indonesia's offer and give lower tariff rate. The reason for the US has the strategy to reject or to accept the offer is because according to Newsweek (2025), the US appears to have rejected Viet Nam's early offerings. This suggest that the US is likely to reject any trade-off that is not in their favor, and bilateral negotiation on reciprocal tariff could have not reach a consensus.

In Table 1, the US has a lower payoff if it rejects the offer from Indonesia (not reaching a consensus) because the 32% tariff rate will also impact the US economy. Numerous economists analyzed that if high reciprocal tariff rate still apply, the US' economy will grow more slowly than if the reciprocal tariffs had not been in place, even after accounting for benefits of the trade deals (Investopedia, 2025). According to Kang et al. (2025), high US reciprocal tariff rate will reduce US trade deficit by about 1.5% of GDP, it could boost the US's national income in nominal terms by up to 3.3%, but create significant declines in real GDP by 1.5%. The significant decline in the US real GDP is caused by reduced exports, imports, and investment. The negative impact of high tariff on the US is relatively smaller compared to the impact on partner countries. Therefore, the assigned point for the US position in rejecting the offer is smaller, because despite the estimated decline in real GDP, the US still benefit through gains in national income and reduction in the trade deficit. The assigned point for the US in accepting the offer through regional (ASEAN) approach is also lower, due to the applied reciprocal tariff are intended for individual countries rather than regional coalition, except for the European Union who acts as one in international trade based on its laws and regulations.

Negotiation Analysis

The *Nash equilibrium* from Table 1 seems to represent the actual outcome of the Indonesia – US reciprocal tariff negotiation. The reason is because the US had agreed to lower Indonesia's tariff rate to 19%, upon a set of commitments that needs to be executed by Indonesia. Although it is unclear whether those commitments came from Indonesia's proposal or were required by the US, Indonesia's acceptance indicates that there are, indeed, trade-offs from Indonesia.

Since the outcome of the negotiation is the same as the *Nash equilibrium*, it means that the agreed position was still in the Zone of Possible Agreement (*ZOPA*). This is proven through the overlap between the reservation points of Indonesia and the US, through a *ZOPA* diagram below:

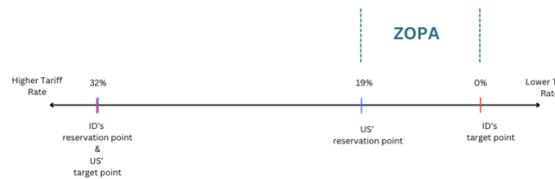


Figure 1. ZOPA Arrangement of Indonesia – US Reciprocal Tariff Rate

The horizontal axis of Figure 1 illustrates the negotiated tariff rates, ranging from the higher on the left to lower on the right. Indonesia's reservation point is positioned on the left, which represents the 32% tariff rate, and its target point was anywhere near 0% to represent lower tariff rate that could possibly happen. In contrast, the US' target point is assumed to align with the 32% tariff rate, because at the moment there was no indication that the US intended to impose tariff higher than those already published. The US' reservation point is located closer to the middle, suggesting a willingness to reduce tariff rate. These positions created a ZOPA, that is located in between the US' reservation point and Indonesia's target point, as the zone where both parties' interests overlap and negotiations took place.

Based on the Joint Statement, compromises that Indonesia gave are not only in a form of reducing tariff rate for the US, but also in a form of buying commitments and reducing non-tariff barriers. This indicates that Indonesia and the US negotiation was integrative, that resulted in level 3 integrative agreement (Thompson, 2012). According to Thompson (2012), level 3 integrative agreements are settlements that lie along the *Pareto-optimal* frontier of agreement. When a negotiation outcome lies in the *Pareto-optimal* frontier of agreement (*Pareto-efficient*), it means that both parties have reached the boundary of what is feasible, so no deal could make one side better off without worsening the other. Settlements located along the *Pareto-optimal* frontier do not necessarily mean that the settlements are fair or balanced for both parties.

In this case, the US ended up with a result that is located on its reservation point (19%), while Indonesia settles relatively far from its target, which was supposed to be 0% tariff. This indicates that both Indonesia and the US avoid *Pareto inefficiency*, but the negotiation outcomes are unevenly distributed to the advantage of the US. From Indonesia's perspective, the outcome is not optimal but can still be considered efficient. This was because Indonesia had succeeded in avoiding the worst-case scenario to remain at 32% tariff rate, but it could not push the negotiation closer to the desired target. Indonesia also had to agree on many compromises just to be on that level of efficiency. This *Pareto-efficient* yet imbalanced agreement clearly reflects the imbalance of negotiating power between Indonesia and the US.

Thompson (2012) had emphasized that it is important for a negotiator not to overlook distributive dimension of a negotiation at the process to achieve an integrative agreement. Negotiators must ensure they claim a fair share of resources, otherwise the benefits of expanding the pie will only be accumulated to one party (the counterpart). In this regard, Indonesia seems to have overlooked the distributive dimension of the reciprocal tariff negotiation, as the negotiation outcomes requires significant compromises on Indonesia's side while the US made only a single concession, with the agreed outcome located on the US'

reservation point. The reason behind Indonesia's misjudgement will be analyzed further using Drama-theoretic Dilemma Analysis.

Dilemma Analysis

According to Table 1, the *Nash equilibrium* is for the US to accept Indonesia's offer and give lower tariff rate. However, in reality, positions and threats are often put forward independently, without regard to the Nash equilibrium. This study will further examine the dilemmas that may arise during the negotiation.

Dilemma of Cooperation

According to (Hermawan et al., 2008) *i* faces dilemma of cooperation if *j* cannot believe with credibility that *i* will really carry out *i*'s declared position P_i^i when *j* takes P_j^i . *i* might take X_i for a more preferable outcome as far as *j* takes p_j^i . Hence, *j* cannot expect with credibility that *i*'s position p_i is really realized.

In reference to Table 1, Indonesia does not face dilemma of cooperation, because in both strategies Indonesia still choose to negotiate, either bilaterally or with ASEAN. This means that Indonesia does not have a more preferable option that contradicts its cooperative stance. The US also does not face a dilemma of cooperation because preferable option for the US is to still cooperate by giving lower tariff rate and accept Indonesia's offer.

Dilemma of Trust

According to (Hermawan et al., 2008), *i* faces dilemma of trust if *i* cannot trust *j*'s announcement of acceptance of *i*'s position (*i* does not propose a future that is attractive enough for *j*). In this case, *j* has no incentive to follow *i*'s position p^i and if *j* promises *i* to carry out *i*'s position, *i* cannot trust *j*'s commitment.

In this case, Indonesia faces dilemma of trust because the US had shown its ability to reject offers by turning down Viet Nam's offerings (Newsweek, 2025). Given that Viet Nam has a comparable economic power to Indonesia, this undermined Indonesia's confidence that the US would accept its offer. On the other hand, the US did not face a dilemma of trust, because Indonesia does not have a strategy that will hurt the US and causing less payoff for the US.

Dilemma of Positioning

(Hermawan et al., 2008) explain that an actor *i* faces a dilemma of positioning if *i* finds that *j*'s position is more attractive than *i*'s own position for *i*. This dilemma happens because *i* might have some reasons not to accept *j*'s position. *i* might see that *j*'s position is unrealistic for *i* to implement, even though it is desirable.

In this case, Indonesia and the US do not face a dilemma of positioning because both believe that their positions are reasonable enough for them to implement. Both Indonesia and the US's position are strong enough for them to maintain, including Indonesia's position to keep negotiating no matter what the outcomes would be.

Dilemma of Persuasion

(Hermawan et al., 2008) explain that *i* faces a dilemma of persuasion if *i* has a problem that his/her threat does not lead *j* into any pressure to accept *i*'s position. This happens because *j* has a better payoff with the consequences by letting *i* implement his/her threat and realizing the threatened future rather than following *i*'s position p^i .

In this case, Indonesia faces a dilemma of persuasion because the threat to collaborate with ASEAN does not hold that much pressure for the US. On the other hand, the US does not

face dilemma of persuasion because its threat could lead to significantly lower payoff for Indonesia. Even if Indonesia apply its threat to collaborate with ASEAN, the US would still generate higher payoff compared to Indonesia.

Dilemma of Rejection

According to (Hermawan et al., 2008), *i* faces a dilemma of rejection if *i* prefers *j*'s position to the threatened future. In other words, *i* has difficulty forcing his/her threat, because *i* see *j*'s position is more attractive. In this case, it is hard for *j* to believe that *i* will really implement his/her threat.

In this case, Indonesia faces a dilemma of rejection because Indonesia still prefers the US to accept their bilateral offer rather than to collaborate with ASEAN. On the other hand, the US did not face dilemma of rejection because Indonesia will try to negotiate either way, and has no intention to defer from the negotiation.

Dilemma of Threat

According to (Hermawan et al., 2008), *i* faces a dilemma of threat if *i* has a strategy that improves *i*'s payoff from the threatened future. In other words, *i* has an alternative improvement more preferable to the threatened future.

In this case, Indonesia faces a dilemma of threat because Indonesia has one strategy with a better payoff, which is to do it bilaterally with the US. The US however did not have dilemma of threat because it has no alternative improvement that is more preferable to the threatened future.

Based on the six dilemmas analysis, Indonesia faced some dilemmas during the negotiation of reciprocal tariff rate with the US. The dilemmas that Indonesia faced are: 1) dilemma of trust; 2) dilemma of persuasion; 3) dilemma of rejection; and 4) dilemma of threat. The dilemma of trust indicates issues within Indonesia's credibility to deliver and implement its stance, and dilemmas of persuasion, rejection, and threat indicate a weakness in Indonesia's threat. Each type of dilemma has influenced the Indonesia – US negotiation process in different ways and contributed to shaping Indonesia's decisions and negotiated outcomes during the negotiation. The different impact of the dilemmas is provided below:

Impact of the Absence of Dilemmas of Cooperation and Positioning

Based on the Drama-theoretic Dilemma Analysis, Indonesia and the US do not face dilemma of cooperation and the dilemma of positioning. The absence of dilemma of cooperation partly explains why the negotiation could reach an agreement that is consistent with the *Nash equilibrium* and not meeting a dead-end. The absence of dilemma of positioning indicates that both parties acknowledged that both their positions are reasonable,

Impact of the Dilemma of Trust

The dilemma of trust that was faced by Indonesia indicates that there was an issue regarding Indonesia's credibility to deliver and implement its stance. The reason why the dilemma of trust occurred for Indonesia is because the US could achieve more credible option if it rejects Indonesia's offer. This is reflected in Table 1, which shows that the US could receive a higher payoff compared to Indonesia, if it rejects Indonesia's proposal and maintain the 32% tariff rate. This situation had weakened Indonesia's confidence that the US would accept its proposal. This diminished confidence may have caused Indonesia to pay less attention to the distributive dimension of the negotiation and led Indonesia to accept such imbalanced negotiation outcomes. Due to the lack of trust, Indonesia continued to focus on

expanding the pie without sufficient strategic reasoning. This caused Indonesia to fail to secure a fair share of resources, and the benefits of expanding the pie accumulated to the US.

Impact of the Dilemmas of Persuasion, Rejection, and Threat

The dilemmas of persuasion, rejection, and threat indicate that Indonesia had a relatively weak threat. The threat was indeed weak, due to the uncertainty that it could really happen in the first place. Due to the weak threat, Indonesia had no strong impact that could persuade US to be in Indonesia's favor. The weak threat also caused Indonesia to become highly dependent on the success of the bilateral approach, making Indonesia was willing to do anything to keep the negotiation on the table. On top of that, Indonesia's threat to collaborate with ASEAN was publicly announced on 7 April 2025 according to Tempo (2025), which at which point the negotiation had not yet started. This situation is equivalent of Indonesia having displayed its threat, that might be Indonesia's possible *BATNA* or reservation point, prior to the negotiation. By being aware of Indonesia's intent to collaborate with ASEAN prior to the negotiation, the US holds more power to exploit Indonesia through a broader range of commitments because they knew the bilateral deal would still be more advantageous for Indonesia compared to the regional deal. On top of that, the publicly announced regional coalition from Indonesia does not include major US competitors like China or Canada, making it less threatening for the US. These dilemmas were validated by the result that the negotiation-outcome is *Pareto-efficient* but the pie was distributed unevenly to the advantage of the US. The agreed point was also located in the US' reservation point (19%) rather than on Indonesia's target point (0%), proving that the agreed outcomes was truly in the US' favor.

CONCLUSION

Based on the drama-theoretic analysis of the Indonesia–US reciprocal tariff negotiation, Indonesia occupied a structurally weaker bargaining position that gave rise to four key dilemmas trust, persuasion, rejection, and threat each of which eroded its negotiating leverage and contributed to a *Pareto-efficient* but deeply imbalanced outcome heavily favoring the US. Indonesia's weak threat, rooted in the uncertain viability of ASEAN coalition-building and prematurely disclosed negotiating intentions, left it with little credibility to resist US demands, ultimately compelling it to accept sweeping concessions in exchange for only a modest tariff reduction. To mitigate such vulnerabilities in future negotiations, Indonesia must invest in strengthening its *BATNA* through robust pre-negotiation research, scenario planning, and credible coalition strategies particularly with RCEP partners while carefully concealing its reservation point and building the diplomatic resilience needed to withstand pressure from more powerful counterparts. Future research could extend this drama-theoretic framework to multi-party asymmetric negotiations, such as ASEAN's collective engagement with major trading powers, to examine how coalition dynamics and shared dilemmas interact across a broader set of actors and whether coordinated *BATNA* development among weaker states can produce more equitable trade outcomes at the regional level.

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