

12-26-2019

## Indonesia and United States General System of Preference (US-GSP): Eligibility of Indonesia as a Beneficiary Country

Achmad Ismail

*Department of International Relations, Institute of Social and Political Sciences (IISIP) Jakarta,*  
ismailachmad@rocketmail.com

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### Recommended Citation

Ismail, Achmad (2019) "Indonesia and United States General System of Preference (US-GSP): Eligibility of Indonesia as a Beneficiary Country," *Global: Jurnal Politik Internasional*: Vol. 21 : No. 2 , Article 1.

DOI: 10.7454/global.v21i2.401

Available at: <https://scholarhub.ui.ac.id/global/vol21/iss2/1>

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**INDONESIA AND UNITED STATES GENERAL SYSTEM OF  
PREFERENCE (US-GSP):  
ELIGIBILITY OF INDONESIA AS A BENEFICIARY COUNTRY**

**Achmad Ismail**

**Department of International Relations  
Institute of Social and Political Sciences (IISIP) Jakarta  
ismailachmad@rocketmail.com**

**Abstrak**

*Setelah 3 tahun, tepatnya tahun 2018, Amerika Serikat meninjau kelayakan Indonesia dalam menerima fasilitas General System of Preference (GSP) Amerika Serikat. Menariknya adalah hasil dari tinjauan tersebut hingga saat ini belum terbit. Hal ini terjadi karena Amerika Serikat berasumsi bahwa Indonesia menerapkan beragam hambatan perdagangan dan investasi yang membawa dampak negatif bagi Amerika Serikat, salah satunya karena kebijakan aturan pembatasan impor produk hortikultura, pemberlakuan Gerbang Pembayaran Nasional (GPN) dan sebagainya. Lantas dengan kondisi saat ini, bagaimana kelayakan Indonesia jika ingin menerima fasilitas GSP. Oleh karenanya, artikel ini berargumen bahwa Indonesia tetap melakukan upaya-upaya untuk memastikan kelayakan Indonesia sebagai beneficiary country dengan cara memenuhi beberapa persyaratan GSP yang ditentukan oleh Amerika Serikat. Artikel ini menggunakan metode penelitian kualitatif dengan pendekatan studi kasus dengan teknik pengumpulan data yaitu studi pustaka serta wawancara. Artikel ini berkesimpulan bahwa upaya-upaya yang dilakukan oleh Indonesia dapat dijadikan sebagai bargaining power sekaligus memastikan kelayakan Indonesia dalam menerima fasilitas GSP Amerika Serikat.*

**Kata Kunci:**

*GSP, Bargaining Power, Kelayakan, Amerika Serikat, Indonesia*

**Abstract**

*After 3 years, precisely in 2018, the United States reviewed Indonesia's eligibility in receiving US-General System of Preference (US-GSP) facilities. Interestingly, the results of the review have not yet been published. This happens because the United States assumes that Indonesia implements various trade and investment barriers that have a negative impact on the United States, one of which is due to the policy of limiting imports of horticultural products, the implementation of Gerbang Pembayaran Nasional (GPN) and so on. Then with the current conditions, how about the eligibility of Indonesia if it wants to receive GSP facilities. Therefore, this article argues that Indonesia still makes efforts to ensure Indonesia's eligibility as a beneficiary country by fulfilling the GSP requirements set by the United States. This article uses qualitative research methods with a case study approach with data collection techniques is literature study and interview. This article concludes that Indonesia's efforts can be used as bargaining power while at the same time ensuring Indonesia's eligibility to receive the US-GSP facilities.*

**Keywords:**

*GSP, Bargaining Power, Eligibility, United States, Indonesia*

## **INTRODUCTION**

Every country has national interests, so their effort to achieve national interests that must be proved by seriously. One fulfillment is through trading activities which have a positive spill-over effect at the local to global level. Absolutely, international trade have a significant positive effect on economic growth and development (Stiglitz & Charlton, 2005). The majority of developing countries get some positive effects from trade by utilizing the US unilateral policy namely Generalized System of Preferences -hereinafter abbreviated as GSP. By definition, the WTO (N.d.) explains that "GSP is a program by developed countries granting preferential tariffs to imports from developing countries". While in historical coherence, the idea of the GSP was first expressed at the 1964 United Nations Conference on Trade and Development (UNCTAD) in Geneva by Raul Prebisch.

The developing countries group, known as "the 77 group" voiced it. Sefriani (1994) explained that they voiced it based on dissatisfaction with the international trade system and several prevailing conventions. As stated in article 1, the provisions of the General Agreement of Tariffs and Trade (GATT) - now changed to the World Trade Organization (WTO) in which there is the principle of Most Favored Nations (MFN). Each GATT member country has to open its domestic market fairly to all countries without exception. However, in the practice if a country agrees with a trading partner to reduce the tariff as part of the exchange for reducing the tariff in other fields, it automatically applies to other countries. From the above provisions, it is clear that products from both developing and developed countries are subject to similar tariffs. So that it will be difficult for developing countries to develop their industries because the products cannot compete with the products of developed countries with their high technology.

This proposal became an interesting discussion in the next UNCTAD assembly in New Delhi, India in 1968. At the end, the GSP facility for developing countries was agreed by the GATT countries in June 1971 with a period of 10 years and could be extended. Next, the time period is determined based on policies made by donor country. Thomas Graham (1978) explained that the benefits of the promised GSP facility through "trade rather than aid" is to increase exports and purchasing power of beneficiary countries in the near future and to diversify the economies of the Less Development Country (LDC) countries for a long time through strengthening industrial promotion and accelerating economic growth. In general, GSP has a work system that has two main objectives. Sefriani (1994) explained that, firstly, to ensure that beneficiary countries of GSP get better prices that have an impact on increasing the value

of exports. The next is to help the process of developing new industrial capacity in beneficiary countries.

One of the biggest GSP donor country is the United States, among others are Australia, European Union, Japan, Russia, Turkey and other developed countries. Initially, the United States refused to provide facility related to reduce import duty to developing countries until by 0 %, due to it will have a negative impact on the US domestic companies. However, on January 1, 1976, the President of the United States at that time, President Johnson changed his mind by giving the US-GSP facility to the beneficiary countries. General System of Preference for US has definition that “GSP is a US unilateral policy regarding special access given to industrial and agricultural products from developing countries to enter the US market”. Essentially, this GSP is a unilateral policy, so in giving process, the United States has several requirements or domestic conditions for beneficiary countries to fulfill. Tthe United States independently determines requirement for countries that are eligible to receive the US-GSP facility.

As a unilateral policy, the granting of GSP by the United States has several requirements that must be fulfilled by beneficiary countries. The United States has the rights to determine the requirements that must be fulfilled and countries that are eligible to receive the United States GSP. For example, Sefriani (1994) said that the United States requires beneficiary countries to have to open their domestic markets, reduce trade barriers of goods, services and investments, guarantee the protection of Intellectual Property Rights (IPR), protect labor rights in accordance with international regulations. Even the United States did not give its GSP policy to countries that have an ideology of communism. Then it can be seen that the requirements made by the United States lead to beneficiary countries having more open trade and market policies.

One of the beneficiary countries of the US-GSP is Indonesia. Since of 1980, Indonesia as a beneficiary country of the US-GSP at the same time received benefits from GSP. This indicates that Indonesia has fulfilled the requirements of beneficiary country determined by the United States as a donor country as well as agreed that Indonesian trade and market policies are more open by removing restrictions on foreign capital, sale and trade in several sectors. Absolutely, the condition of market and trade openness utilized by the United States to market its domestic products as widely. This moment was appropriate when President Soeharto wanted to reform the economy by signing a tariff bounds agreement with the United States. The benefits of the US-GSP unilateral policy continue to be used by Indonesia to improve their economy. Pablo (2018) stated that there are at least 3,547 Indonesian products that receive a cut in US import duties on the positive impact of the GSP policy. Especially in 2017, Indonesia

became the fourth largest beneficiary country of the US-GSP worth USD 1.95 billion, after India, Thailand and Brazil (Andri et.al., 2018).

Dynamically, the United States had stopped giving GSP facility to Indonesia in 2013. It was due to the United States Senate decided not to extend the GSP program for several times. But in 2015, the United States decided to continue providing the GSP facility to Indonesia. After running for 3 years, precisely in 2018, President Trump decided to review Indonesia's eligibility in receiving the GSP facility with several considerations. In fact, this discussion became headline news in various national online newspaper. Indeed, a review of the eligibility of a beneficiary country is carried out periodically every 3 years. Starting with a press release from United States Trade Representative (USTR), April 12, 2018, stated that Indonesia received a GSP eligibility review from the United States based on concerns related to compliance with GSP market access criteria and GSP services and investment criteria, more than that, Indonesia also applied various trade and investment barriers which creates a negative effect on US trade (ustr.gov, nd).

Interestingly, the problem identification in this case is that until now these results have not been decided. However, Indonesia through the Ministry of Trade still do diplomacy by meeting with several US senators and industrialists in the United States who need imported products from Indonesia with the aim that Indonesia still continue to get the US-GSP facilities. Then the question becomes interesting, how is Indonesia's effort to ensure its eligibility in receiving the US-GSP facility (beneficiary country)? Therefore, this article argues that Indonesia is still to make efforts to ensure Indonesia's eligibility as a beneficiary country by fulfilling the GSP requirements set by the United States. These efforts can be made by Indonesia as a maximum bargaining power in order to achieve eligibility to receive the US-GSP facility. In addition, this article also explains the benefits of the US-GSP facility for the Indonesian economy which is one of the answers to why the Indonesia's efforts are so serious.

The article presents a fundamental debate about the presence of the GSP for a beneficiary country, especially Indonesia. Some literatures agree that the presence of the GSP for Indonesia has a positive impact on the economy, one of which is in terms of exports of Indonesian marine and fishery products (Rikrik Rahadian et al, 2016; Yohanes & Wayan Sudirman, 2018). An increase in exports of marine and fishery products received by Indonesia in the United States market, can not be separated from the existence of Indonesia as a beneficiary country of the US-GSP into group A, so that some of the conveniences are received by Indonesia in exporting marine and fishery products by reducing tariffs import duty (Rikrik Rahadian, 2016). There are at least 34 Indonesian fishery products that utilize this GSP facility.

Meanwhile, Yohanes & Wayan Sudirman (2018) also believes that the US-GSP on the competitiveness of Indonesia, Thailand and Filipina tuna processed products in the United States market in 2005 - 2017 has a positive impact. Simultaneously, the presence of the US GSP, price and FDI significantly influence the export value of Indonesian tuna processed products to the United States market, while when measured partially with the US-GSP variable has a positive and significant effect on the export value of Indonesian tuna processed products on the US market.

This debate arises, when other literature such as (Sefriani, 1994; Herz & Wagner, 2010; Matto et al, 2003) argue that the US-GSP policy has a negative impact on beneficiary countries such as an intervention tool to the domestic level and is even harmful in the long term. The US-GSP policy tends to encourage the development of exporting countries in the short term but hamper it in the long term. In addition, the US-GSP scheme is criticized because it is not so much an instrument to promote the exports of developing countries but more the means to improve the trade position of industrialized countries (Matto et al, 2003). Taken together, the US-GSP does not appear to be a suitable instrument to promote sustainable economic growth and the development of low-income countries. On the other hand, the United States used its unilateral GSP policy to influence labor conditions in Indonesia, arguing that Indonesia must improve labor conditions if it wanted to continue to receive the US-GSP benefits (Sefriani, 1994). So, it is appropriate that the Indonesian government improve labor conditions not for reasons to receive GSP facilities, but it is a responsibility of the Indonesian government itself.

Based on the literature debate above, there is only discussion on the limited presence of the US-GSP as having good and bad impacts for the beneficiary country, especially Indonesia. However, none of the articles analyzed Indonesia's efforts to ensure Indonesia's eligibility to receive the US-GSP facilities and then correlate with the positive benefits of the US-GSP for Indonesia. Therefore, this article fills the literature gap that the US-GSP against Indonesia is being reviewed for eligibility, but Indonesia is still eligible to receive the US-GSP facilities as proven by Indonesia's efforts to ensure its eligibility by fulfilling several requirements determined by the United States as a unilateral policy.

### ***ANALYTICAL FRAMEWORK***

This case should be resolved quickly, one of them by showing that Indonesia has bargaining power toward the United States. Absolutely, with the bargaining power possessed by Indonesia and used as a platform of diplomacy with the United States, it is possible that Indonesia is still

eligible to receive US-GSP facilities. Therefore, Indonesia can utilize it well in the context of fulfilling national interests by providing this US-GSP facilities.

In general definition, bargaining power is the capacity that possessed by one party to dominate other party through their influence, power, size, or status, or through a combination from other persuasion tactic (businessdictionary.com, 2019). In other words, there is relative power from each party, with the aim to influence the bargaining position of each other. Khasan Ashari (2015) explains in this relative context that the position of country can be higher than other low countries, at the same time the country is in a weaker position compared to countries with a stronger position. At this step, one party identifies the power they have as an important platform in starting an effort to raise bargaining position that leads to the achievement of national interest.

A country must be accurate in accumulating sources of power that they have as a main platform of bargaining power that leads to their position becoming more calculated for opponents. Khasan Ashari (2015) explains that there are at least three sources that can be used as power: (a) natural resources, natural condition of a country, such as area, geographical location, mineral, coal etc; (b) tangible sources, visible to the eye such as industrial progress, infrastructure, agreement; and also (c) intangible sources, that are not visible to the eye such as image, leadership, public support, skill negotiator etc. All of the above sources become important platform for a country to become a source of its bargaining power in order to get a higher position.

Meanwhile, Bailer (2010) also identifies that power sources related with the country are relatively easier to measure and observe by other parties, while power sources inherent in individual negotiators, such as strategy, negotiation skills are relatively more difficult to understand empirically. Thus natural sources and tangible sources are relatively more easily observed and accumulated by other parties. While intangible sources are relatively more difficult to accumulate empirically by other parties. Once more, the state must be smart in categorizing the sources of power as bargaining power to get a more favorable position. Khasan Ashari (2015) states that the higher of the bargaining position of one country towards another party then the greater the chance to make other countries act in accordance with their interests. So, with the maximum utilization of bargaining power, it is not impossible that the predetermined goals can be achieved. Through this theory, this article seeks to identify the power possessed by Indonesia as a bargaining power as well as Indonesia's efforts to ensure eligibility in receiving the US-GSP facilities and to be utilized for the advancement of the Indonesian economy.

### ***RESEARCH METHOD***

This article uses qualitative research methods by literature review approach to fill the gap of several scientific articles that have been reviewed by other authors and case study approach in order to provide space for further analysis of one case. According to Neuman (2014) case study approach intensively investigating one or a group of small cases, focusing in many details in each case and context. This article uses literature study and interview data collection techniques. The data collecting techniques uses literature study that obtained from books, scientific journals, documents and online media related to Indonesia's eligibility to receive US-GSP facilities. And also, direct interview with Sulisty Widayanto, Head of the Sub-Directorate of IPR Negotiations, Investment, Environment and Development (Trade Policy Analyst), Directorate of Multilateral Negotiations, Directorate General of International Trade Negotiations, Ministry of Trade of the Republic of Indonesia.

### ***DISCUSSION***

In this section, the article attempts to comprehensively examine the efforts of Indonesia to ensure Indonesia's eligibility to receive the US-GSP facilities (beneficiary country). This is proven by Indonesia's bargaining power sources as a platform for increasing bargaining positions and influencing the United States to provide GSP facility. The sources of bargaining power are identified in the form of points of the US-GSP facility and other requirements determined by the United States in general. And in the final section, it explains the benefits obtained by Indonesia from the US-GSP facility. The granting of the US-GSP facility is certainly a unilateral policy of the United States itself, and also determines the points as a requirement for beneficiary country.

#### **Natural Resources as Bargaining Power of Indonesia**

This sub-section examines Indonesia's power sources that are seen physically or measurably can be used as Indonesia's bargaining power as part of Indonesia's efforts to ensure their eligibility to receive the US-GSP facilities. These resources include natural conditions and resources, raw materials so on. In this context, natural resource products owned by Indonesia and needed by the United States can be used as Indonesia's bargaining power toward the United States.

The condition of Indonesia's natural resources as a tropical country allows the plant grows perfectly, such as Indonesia's rubber natural resources that become Indonesia's good commodity. This is proven in that the area of Indonesian rubber plantations continues to



increase, in 2012 Indonesia had an area of 3,506,000 hectares and increased in 2018 to an area of 3,679,000 hectares, while the level of Indonesia's rubber production also increased from 3,012,000 tons in 2012 to 3,774,000 tons in 2018 (gapkindo.org, 2019). This shows that Indonesia's rubber production is large enough to fulfill for international demand. Even in 2014, Indonesia became the second largest natural rubber producing country after Thailand with a total of 3,200,000 tons (indonesia-investments.com, 2019). While in the context of the United States, the United States is the largest destination country of Indonesia's rubber export commodities with a value of USD 1,711.4 thousand, after which there are China and Japan (Prasetyo, 2018). This indicates that the United States needs imported rubber from Indonesia. Surely this is for the sustainability of the US processed rubber industry getting certainty in the supply of goods processed into tires, shoes and so on.

Another case is shrimp and also textile and textile product (TPT). Shrimp becomes a good commodity for Indonesia as an export product. Total shrimp exports at the end of 2018 was predicted to be able to reach USD 1.8 billion or Rp. 26.3 T (katadata.com, 2018). The United States is the main market share of Indonesian shrimp export products. The Ministry of Trade Republic of Indonesia (2018) noted that The United States as the largest destination country of shrimp export commodities from Indonesia with a value of USD 1.026,7 thousand (in Prasetyo, 2018). Even in 2015, Indonesia became the largest shrimp supplier to the United States. Absolutely, this is supported by the high consumption of shrimp by The United States citizens, on the other hand, shrimp is not produced in the United States. Meanwhile, Indonesian textiles and textile products (TPT) are still needed by the United States. Syamsul Hadi (2014) suggested that almost 60% of Indonesian textile products were absorbed by the US market. Becoming strategic when this TPT is part of a product that receives GSP facilities. Moreover, TPT from Indonesia has the support from United States importers to continue to get import duty reduction facilities in the GSP scheme (Andri, 2019). This is part of the consequence that Indonesia imports US cotton products, while the United States imports TPT from Indonesia. In addition, the United States did not produce as well as the effects of a trade war with China, which had been a supplier of textile supplies to the United States

Looking this condition, Indonesia increasingly has a good bargaining power to get the US-GSP facility back, due to the rubber, shrimp also textile and textile product are products that are included in the US-GSP goods list. Therefore, Indonesia can use the rubber, shrimp also textile and textile product issue to get the US-GSP facility back as its bargaining power, on the other hand the processed industry in US requires certainty in the supply of cheaper goods

because the US-GSP facility is for sustainable production and the level of shrimp consumption is high and not produced in the United States.

### **Tangible Sources as Bargaining Power of Indonesia**

This sub-section explains the same thing as in the previous sub-section, namely the sources of power that are physically visible or can be measured to become a beneficiary country. The difference in this sub-section which is used as sources of bargaining power such as infrastructure, agreements, supremacy of law and so on. In the context of this article, the achievement of US-GSP requirement points by Indonesia can be used as Indonesia's bargaining power toward the United States, such as,

First, the beneficiary country of the US-GSP must uphold the values of Human Rights because they are in line with the United States which gives attention to human rights issues. As explained by Imam Pambagyo (in liputan6.com, 2018) who explained that to get the United States GSP facility there are several parameters, one of which is human rights. This is correlated with democratic values held strictly by the United States, even the emergence of human rights originated in the west.

Likewise, Indonesia upholds the protection of human rights. This was showed after the Post-Soeharto order (reform) until now. In the Soeharto era, Indonesia was seen as an authoritarian nation, ignoring human rights, especially in many cases of human rights violations that occurred at that time. But after the Soeharto era (Post-Soeharto), issue of human rights protection became a headline issue. This was showed by the Act No. 39 of 1999 concerning Human Rights (HAM) while also mandating the National Human Rights Commission (Komnas HAM) as an independent institution at the level of state institutions to research, study, and monitor the development of national human rights. In addition, Indonesia also has other legal products that guarantee the protection of human rights, such as Act No. 26 of 2000 concerning human rights courts.

In the contemporary context, some human rights case at the past was still not clear and still happen until now. Erdianto (2018) quoted the opinion of Amnesty International which noted that the last four years of human rights enforcement in Indonesia suffered a setback because the government was more focused on economic development. Absolutely this condition is a lesson for the government to stay focused on the protection of human rights. As Stefanie (2018), quoting President Joko Widodo's statement in his speech in front of the House of Representative (DPR), said that Indonesia must also give the best attention to efforts of respect, protect, fulfill and enforce human rights. Nurjiyanto (2018) also stated that through the

statement of the Director General of Human Rights, the Ministry of Law and Human Rights also considered that the enforcement of human rights should not only be seen in terms of human rights prosecution, but the fulfillment of the protection and development of the people including in the enforcement of human rights.

Therefore, efforts to protect human rights values are not only limited to the aspect of human rights prosecution, but also efforts to fulfill human rights values such as education, health, people's development and so on. The government has and continues to strive to fulfill human rights protection from various aspects. Absolutely, this is supported by efforts to enforce Act No. 39 of 1999 on Human Rights and the promise of the President Joko Widodo which will focus on the issue of human rights. The quality of human rights protection by the government becomes an important source of bargaining power to influence the United States that Indonesia has a focus on one of the points required as the beneficiary country of the US-GSP facility.

Second, the protection of labor rights is one of the points set by the United States to the beneficiary country of the US-GSP. As explained by Sefriani (1994) which explains that to get the US-GSP facility, the country must protect labor rights in accordance with international regulations. Furthermore, this point is in line with the values of liberal democracy adopted by the United States. The United States gives attention to guarantee labor rights as evidenced by the signing of the National Labor Relations Act in 1935, as the first modern labor law of the United States. It aims to create the right for most employees to organize without harming through unfair labor practices while also aiming to correct the "bargaining power inequality" between employees and entrepreneur, especially entrepreneur "organized in companies or other forms of ownership association".

It is not different from Indonesia. Indonesia also focuses on the protection of labor rights in Indonesia. Historically, this has been proven since the Soeharto era with the formation of the Department of Manpower -currently the Ministry of Manpower of the Republic of Indonesia- which is a channel for the government to concentrate on labor. However, modern Indonesian legal products related to labor are marked by the signing of Act No. 13 of 2003 concerning employment which regulates agreements between workers and employers that contain terms of employment, rights and responsibilities of the parties. Surely, this Act becomes an important platform for workers as a guarantee of all their rights being fulfilled legally, so that they are no longer worried when doing their work. There is no longer any discrimination towards workers' rights in various ways. Dira Tiarasari Fabrian (2015) cited from the website of [cia.gov](http://cia.gov), it was noted that Indonesia had a labour force of 113.3 million (in

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2009) which had implications for Indonesia's productivity, thus encouraging the Indonesian economy to become better.

In recent years, the labor conditions in Indonesia have experienced problems such as the existence of underage workers employed in the palm oil sector, which has caused dispute with the European Union (EU). In addition, Gerintya (2018) noted the violence carried out by the police against protests of minimum wages in PP No. 78 of 2015 in October 2015 using water cannon and tear gas to disperse demonstrators. Additionally, the discourse on revision of Act No. 13 of 2003 concerning Labor by the House of Representatives (DPR) which makes workers worried. However, this has become an important sign for Indonesia to be more serious in protecting labor rights in Indonesia. As a statement by President Jokowi who promised to improve the welfare of workers' rights with educational policies, provincial minimum wages, employment guarantees, the use of foreign workers (Hantoro, 2019). The above conditions also serve as a warning for the government to uphold Act No. 13 of 2003 concerning employment.

Therefore, the enforcement of Act No, 13 of 2003 concerning employment, government agency that concentrate on labor issues through the Ministry of Labor and President Joko Widodo's statement promising to improve workers' welfare as protection of labor rights is an important source of bargaining power for Indonesia. Surely this point becomes an important platform to improve the bargaining position of Indonesia and at the same time influence the United States that Indonesia is eligible to receive US-GSP facilities.

Third, the protection of Intellectual Property Rights/IPR is another point that becomes the criteria for a beneficiary country of the US-GSP facility. This is based on the GSP Guidebook (2015) explaining the extent of the country providing adequate and effective protection of intellectual property rights. As a country that has high technology, the United States feels the need to protect their intellectual property rights. In a country with weak IPR protection, it can impact toward acts of plagiarism/theft of the right to a technology and results in economic losses for the act. Therefore, the United States does not want to provide GSP facilities to countries with weak IPR protection which leads to plagiarism of the United States' intellectual property rights which results in violations of the law and economic losses.

In the Indonesian context, protection of IPR has seen serious improvement. Previously, the results of the Global Innovation Policy Center (GIPC) study in 2018 explained that Indonesia ranked 43 out of 50 countries that were low in the IPR system, Indonesia position was even below Singapore, Malaysia, Brunei (cnbcindonesia.com, 2018). While the results of the GIPC study in 2019, cited by Yuniartha (2019) explained that Indonesia's position declined by two ranks that Indonesia ranked 45th out of 50 countries. This indicates that Indonesia is

still not serious in handling IPR protection issues. Seeing this condition is a warning for Indonesia to improve its IPR protection efforts. This is interesting, because Indonesia has made various efforts to improve IPR protection both in multilateral and bilateral scheme. In multilateral, Beginda Pakpahan (2014) said that Indonesia as an APEC member, synergizes with other members try to apply sanctions for violations of law and organized crime to protect IPR. While in bilateral, Indonesia is collaborating on IPR protection with the United States. Reily (2018) said that in the cooperation Indonesia-US agreed to encourage the creation of IPR awareness in the development of national industries. Ismail (2019) said that IPR cooperation in the short term, would help Indonesia get out of the Priority Watch List (PWL)<sup>1</sup> which was useful as a consideration for investors in investing their investments in the country. In other words, the enforcement of IPR does not only impact on GSP points as a condition as a beneficiary country, but also has benefited investment in Indonesia and Indonesia can get out from PWL.

When analyzed in more depth, the cooperation between Indonesia and the United States related to the creation of IPR awareness is a follow-up to one of the points of agreement (MoU) made by them to resolve disputes on the clove cigarette trade. Absolutely, Indonesia can use this MoU to warn the United States in order to assist Indonesia's efforts to protect IPR that lead to the fulfillment of criteria as a beneficiary country of the US-GSP facility. Therefore, this can be used as a source/basis for Indonesia's bargaining power to influence the United States so that they will continue to give Indonesia the US-GSP facility as beneficiary country.

Fourth, the next point is that the beneficiary country of the US-GSP facility must open domestic markets (market-shares) while reducing trade barriers. The GSP Guidebook (2015) explained that the country has taken policy to reduce trade that make distortion investment practices and policies, including export performance requirements, and to reduce or make zero barriers to trade in services. In general, every country wants to trade with countries that are reducing trade barriers. This aims to facilitate the trading activities of goods and services of both parties. Especially the United States as liberalism country does not want barriers in implementing its trading activities. The same thing still to be pursued by Indonesia. Indonesia has made various efforts to reduce trade barriers, among others, simplifying rules/permits, reducing tariffs, providing tax incentives, opening widely market access and so on with many countries.

When examined in more depth, this point becomes interesting to examine where this point has relevance to the results of the US-GSP review for Indonesia that has not yet published. Lately, trading between Indonesia and the United States is heating up which is considered a

trade barrier. Some of them, Indonesia sued the United States through the WTO in case of clove cigarettes which ended in 2014 with mutually agreed solutions. In 2018, the United States sued Indonesia through the WTO related to restrictions on imported horticultural goods from the United States, even the United States wants to retaliate toward Indonesia worth USD 350 million/Rp 5 trillion (Fauzie, 2018). However, in this case the United States asked the WTO to postpone retaliation sanctions toward Indonesia. In the end, Indonesia revised the rules of imported horticultural goods in accordance with the WTO recommendations that were the origin of the United States to submit this case to the WTO. The existence of this case can be said to be one of the reasons for the United States's consideration of the unfinished US-GSP review for Indonesia. The reason is, when Indonesia is determined to get the eligibility of the US-GSP review results with criteria to open market access and reduce trade barriers, at the same time the United States complained Indonesia to the WTO with the case of restrictions on imported horticultural products.

More interesting issue to examine is in the same year, Bank of Indonesia inaugurated the National Payment Gate (*Gerbang Pembayaran Nasional/GPN*). The National Payment Gateway (GPN) is an integrated system in every interbank transaction. The GPN system aims to support the interconnection and interoperability of national payment system. In addition, the GPN is also useful in saving transaction costs with Electronic Data Capture (EDC) devices up to Rp. 1.8 T per year, cutting the value of domestic payment transactions that have been through foreign parties by Rp. 17.7 billion per day (Movanita, 2018). The launching of GPN by Indonesia, made other countries feel disadvantaged. The United States sees that the presence of GPN provides potential lost experienced by switching companies operating in Indonesia, namely Visa and Mastercard. Allegedly two companies from the United States has loss of Rp. 25 billion. In addition, according to Bank of Indonesia regulations, switching companies can only invest 20 percent of shares if they want more, so they must join with other investors.

In other words, the existence of GPN is the reason for the United States to review the eligibility of 124 export products from Indonesia in receiving the US-GSP facility. As statement of the Minister of Economic Coordinator Republic of Indonesia, Darmin Nasution explained that the United States government included GPN as an effort to evaluate the US-GSP facility for Indonesian products (Situmorang, 2018). Even the United States clearly wrote a request to review GPN if Indonesia still wanted to receive the US-GSP facility. But it seems excessive when the United States made GPN one of the reasons for reviewing its GSP facilities for Indonesia. Indef economist, Eko Listianto said that if GPN was considered as a barrier to cooperation with the United States it would be strange, because along with the increase in GPN,

in general Indonesia's economic potential would be more attractive to all domestic and foreign economic actors, including the United States, especially Visa and MasterCard to join and cooperate with GPN, so they will get more benefit from greater economic scale (Zuraya, 2018).

In other words, the point that has become a problem by the United States that has implications for Indonesia's eligibility review in receiving the GSP facility, namely the Indonesia-United States dispute related with the case of restrictions on imports of horticultural products by Indonesia is not fundamental anymore. This is due to the United States asking the WTO to impose retaliation sanction towards Indonesia as well as Indonesia has made adjustments to its legal products based on the results of WTO recommendations. While GPN points which are other causes are fairly wrong. The reason is precisely with the presence of GPN, Indonesia's economic potential becomes more attractive to domestic and foreign economic actors, especially when the United States (Visa and MasterCard) establish cooperation so that economics benefit of scale become wider. Therefore, it is not appropriate if Indonesia does not fullfil the requirements on the point of reducing trade barriers and Indonesia can use this point as a bargaining power platform to influence the United States that Indonesia is eligible to receive the US-GSP facility.

In addition to all of this, to show that Indonesia is eligible to receive the US-GSP facility due to support of importers in the United States who request that products from Indonesia continue to receive the US-GSP facility. In his press conference, the Minister of Trade of Republic of Indonesia said that Indonesia hope the result of GSP review would not interfere with Indonesian exports and would not have an impact on the US domestic industry (Pablo, 2018). This point is important because many industry players need imported production materials from Indonesia through the GSP scheme. Absolutely, if the US-GSP facility is not given anymore to goods from Indonesia as their production material, then automatically the price will increase as impact of the import duty. The further implication is that the price of goods in the United States' domestic industry automatically increases, so that it is feared that people's purchasing power will decrease, the difficulty of marketing the product because of the high price also widespread implications. For example, in an interview with Sulisty Widayanto (2019) Indonesia was given a GSP of rubber products, so that the US rubber processing industry (tires, shoes, etc.) had a certainty of supply of goods and 0% import duty because it was needed by the industry and the selling price of processed products became cheaper, and their exports will be continued.

Not to mention, Indonesia and the United States agreed to the MoU as the end of clove cigarettes trade dispute in 2014. One of the points contained is that the United States would

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extend the GSP facility for Indonesia. So that Indonesia can take advantage of the MoU to make the United States to implement the MoU, namely the points related to the provision of GSP facilities to Indonesia. Indeed, the MoU is not legally binding, but this is a sign that all parties have the intention to implement according to the MoU agreement, especially legally recognized. Indonesia certainly hopes that the United States will continue to fulfill the MoU that has been reached.

### **Intangible Sources as Bargaining Power of Indonesia**

This last sub-section identifies sources of bargaining power that Indonesia had that is invisible or unmeasured power sources as a source of Indonesian bargaining power to get the US-GSP facility. These sources include image, leadership, public support, skill negotiators and so on. In this context, one of the US-GSP requirements points and several other points achieved by Indonesia can be used as Indonesia's bargaining power toward the United States.

First, beneficiary country of the US-GSP does not adhere to the ideology of communism. This is in line with the GSP Guidebook (2015) which explains that the beneficiary country of the US-GSP facility is not a Communist country, unless the country receives Normal Trade Relations (NTR) treatment, is a member of the World Trade Organization (WTO) and a member of the International Monetary Fund (IMF), and is not dominated or controlled by international communism. This is based on the United States which adheres liberalism, where the understanding of liberalism is contrary to communism and has a struggle for influence for a long time. In the official document of the United States Trade Representative (USTR) (2018) it does not contain countries of communism ideology, such as North Korea, Laos, Cuba and Vietnam as beneficiary country of the US-GSP facility.

Indonesia is not a country that adheres communism ideology, but Indonesia adheres Pancasila ideology. As stated at Act No. 12 of 2011 concerning *Pembentukan Peraturan Perundang-undangan (UU P3)* article 2 which places Pancasila as the basic and ideology of Indonesia as well as the philosophical basis of Indonesia. Therefore, Indonesia fulfills the requirements listed at this point that the beneficiary country of the US-GSP facility does not adhere communism ideology.

Second, the image of Indonesia is well recognized by the United States. It is important for Indonesia to show that Indonesia is still considered an important partner for the United States, thus this good image is used by Indonesia to fulfill its national interests. Among three countries that are being reviewed for eligibility of the US-GSP, only Indonesia is invited directly to meet with USTR about GSP issue (republika.com, 2018). This indicates that



Indonesia has a good image for USTR. Absolutely, the opportunity for a direct meeting with USTR must be maximized by Indonesia to show a high bargaining position for Indonesia and also the level of Indonesia's bargaining power in order to get the US-GSP facility.

Third, the existence of public support, leadership and skillful negotiator are other important points as a source of Indonesia's bargaining power to get the US-GSP facility. Public support for Indonesia does not only occur in Indonesia, public support for Indonesia also occurs in the United States. Support arises from importers in the United States who require supply of raw materials from Indonesia using the GSP scheme, otherwise their production prices will be expensive because raw materials are subject to higher import duties (do not get the US-GSP facilities) (republika.com, 2018). In the similar context, the negotiator's skill or the status of the negotiator becomes another influence. When the United States Trade Representative (USTR) invited Indonesia to discuss the GSP issue, Indonesia immediately delegate the Minister of Trade, Enggartiasto Lukita as an envoy to attend the meeting. The presence of the Minister of Trade directly at the meeting, indicated that Indonesia delegate the important people in Indonesia's trade affairs as well as very serious in resolving the GSP issue. This must be utilized maximally as a source of Indonesia's bargaining power to influence the United States that Indonesia is eligible as a beneficiary country.

Once again, although the granting of the US-GSP facility is a unilateral policy, it is not impossible for Indonesia to get the GSP facilities, of course, by using the above points maximally. Therefore some of the points that explained above can be used as a platform for Indonesia as a source of Indonesian bargaining power to the maximum while refuting the assumption used by USTR that Indonesia implements various trade and investment barriers that have a negative impact on the United States. That way the final goal desired to influence the results of the US-GSP eligibility review by the United States can be achieved. Moreover, Indonesia has several export products that are included in GSP products and are needed by industries in the United States and are still relevant for Indonesia to receive the US-GSP facility. As Sulisty (2019) said that as long as Indonesia has the commodities in the GSP list, Indonesia is still relevant for obtaining quotas.

The diplomatic efforts undertaken by the Indonesian government at this time to get the US-GSP facilities from the United States are not unreasonable. Due to the US-GSP facility providing more benefits for Indonesia. Generally, in 2017, Indonesian products using the US-GSP scheme worth USD 1.9 billion. This achievement is far below other beneficiary countries of the US-GSP such as India, which worth USD 5.6 billion; Thailand USD 4.2 billion; and Brazil USD 2.5 billion (Ministry of Trade, 2018). More specifically, Prasetyo (2018) said that

Indonesia gets benefit from 3,547 Indonesian products that received import duty discounts from the United States. Specifically, Rikrik Rahadian et al (2016) said that the US-GSP facilities can be utilized by Indonesia to improve the export performance of Indonesian fishery products to the United States, especially for secondary/processed commodity products. Therefore, Indonesia focuses on the industrialization export policy of the fisheries sector. Absolutely, not only in the fisheries sector, the Indonesian government must also improve the performance of export goods from every item included in the GSP scheme. So, by providing the US-GSP facility, Indonesian export products have competitiveness in the United States domestic market.

### ***CONCLUSION***

Since 2018, the United States has reviewed Indonesia's eligibility to receive GSP facilities. This is a routine that every three years for the beneficiary country of the US-GSP conducts an eligibility review. What makes it interesting is that the GSP review process has not yet been published. This is closely related to some USTR assumptions that Indonesia implements various trade and investment barriers that have a negative impact on the United States.

Indonesia has showed their efforts to ensure their eligibility to receive the US-GSP facility, this can be measured through several points of the requirements of beneficiary country. It is also refuting that the assumptions used by USTR were incorrect. This is according to several points that serve as a source of Indonesia's bargaining power, such as natural resources in which there are rubber and shrimp export products from Indonesia to the United States. Furthermore, tangible sources such as upholding human rights, upholding labor rights, protecting IPRs and opening up domestic markets and reducing trade barriers. The last, intangible sources consist of the country is not a communism, have a good image, good negotiation skill, leadership and overall public support.

In essence, the provision of GSP facilities by the United States is a unilateral policy of the United States. He can give to any country that he wants. But it certainly doesn't make it impossible for Indonesia to get the US-GSP facility back. The points above as a condition of the beneficiary country of the US-GSP facility that are fulfilled by Indonesia can certainly be used as a bargaining power of Indonesia to conduct diplomacy against the United States with the main goal that the review results say that Indonesia is eligible to receive the US-GSP facility.

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**NOTES:**

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<sup>1</sup> *Priority Watch List (PWL)* is a list of assessments made by the US government towards their trading partners and their spill-over effects on the development of the economic industry.