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Research paper

Striking a Trade Deal With President Trump? an Assessment of The Potential of Bilateral Free Trade Agreement (FTA) between the Republic of Indonesia and the United States of America

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Abstract

The US President Donald Trump announced that US would have some bilateral trade consent, as averse to multilateral trade deal such as the Trans-Pacific Partnership (TPP). This research study investigates empirically the economic potential of bilateral Free Trade Agreement (FTA) between Indonesia and the US. The goal is to calculate the maximum savings potential for exporters. The savings potential is defined as duties that have been paid by any WTO exporter countries to another country based on the combination of its exports and the duties that not reduce at FTA based. The "maximum savings" is the from the presumption of all export products from the country origin will have zero tariff to enter another country who have an FTA. By using this measurement, country could have ex ante scenarios close to the real calculation tariff without FTA. The data is collected from the UNCOMTRADE and applied tariff rate (ATR) from the WTO. In this research, the level of analysis is the Harmonized System Code (HS Code) 6 digit level. The research findings show that duties of foodstuffs (HS Code 16-24) Indonesian import from the US is the biggest duties compare to other import item products. On the other side the biggest duties export from Indonesia to the U.S is mainly textile (HS Code 50-63). Therefore, the potential saving from striking a trade deal would be considerable for both side countries. This research study gives more insight about the savings potential for mutual trade bilateral agreement for both countries. Once both countries agree on trade deal, it would encourage more export, raise the competitiveness level for some companies then lead to the economic growth.

***Keywords**: Bilateral trade; FTA, Indonesia; United States of America.*

1. Introduction

The General Agreement on Tariffs and Trade (GATT) is one global consent between some countries to reduce or eliminating barriers of trade. (1) explained that GATT fosters trade with liberalization and frees trade from tariff rate restriction to avoid protectionism. GATT persuades some global countries to lower their tariff rate in order to raise export trading and rapid economic global growth. In 2001, GATT has been replaced under the WTO. It forces some countries to consider the FTA.

1.1. Research Background

In the globalization era many countries in the world consider to negotiate trade agreements in order to grow economy in each country. Association of Southeast Asian Nations (ASEAN) is one zone in Southeast Asia have consent in ASEAN economic community zone. ASEAN countries members have considered the importance of ASEAN Economic Community (AEC) integration. AEC encourages on some identities as a merged market and productivity base, rising competitive economic zone, a zone of fair economic evolution, and a zone fully unified in global economic zone. Free flow of goods has goal to become a merge market and productivity base can be attained through ASEAN Free Trade Area (AFTA). AFTA has eliminated tariff, eliminate non-tariff barriers, trade facilitation, custom integration, standards and technical barriers to trade. ASEAN also accommodates ASEAN as a single window. It means ASEAN performs standardized trade and customs, standard measurement of simplifying, harmonizing, processing procedures and implementing system of Information Communication Technology (ICT) in all zone linked to trade in ASEAN area.

Another largest regional trade partnership is Trans-Pacific Partnership (TPP). TPP members consist of US, Vietnam, Brunei, Malaysia, New Zealand, Peru, Chile, Japan, Canada, Mexico, Australia and Singapore. US is one of the countries that encourage the existence of the TPP. In fact under the President Donald Trump, the U.S has been withdrawn from the TPP agreement since 23rd of January 2017.

The *Trans-Pacific Partnership Agreement (TPPA)* is commerce consents that having been negotiated between twelve nations of the countries and regions bordering the Pacific Ocean. TPPA has some goals to intensify trade and investment among the TPP members, at encourage transformation, economic escalation and development, and reinforce the creation and retention of jobs.

Based on (2) TPP has some goals to be compromised. Those goals are easy market entrance such as financial services, telecommunications, textiles, investment, agriculture, and facilitation of business.

Based on (3) President Donald Trump would strike several bilateral trade agreement. This decision is at the opposite of the multilateral agreement such as TPP. In another side, (4) explained that

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President Joko Widodo wants bilateral relations between Indonesia and the US would be continued to be tighten each other. President Joko Widodo feels optimistic that Indonesia and the US will have a good relationship that could give benefit for both countries. Therefore, this research study examines the saving potential based on the bilateral agreements between the US and Indonesia. This research study gives an assessment of potential benefit of bilateral trade agreement.

1.2. Research Questions

This research study is developed from some literature reviews about the important of potential mutual bilateral agreement between two countries. Some of the countries who have the bilateral mutual agreement could exploit the benefit from FTA. Therefore this research study is developed based on the following research questions:

1. How much values of the potential saving of a bilateral FTA for Indonesia and US?
2. What export items that can be beneficial for Indonesia to be negotiated in FTA?

1.3. Research Objective

This research study examines of how much values of the potential saving of a bilateral FTA between Indonesia and the US. This research calculates the maximum saving potential for exporters in Indonesia. The results of the calculation will be used to define the beneficial export items that could be considered for FTA negotiation between Indonesia and US.

1.4. Research Scope

There is a limitation of the scope for this research. This research mainly focuses on Indonesia and the US.

1.5. Research Contribution.

This research study will give more insight about the benefit and potential saving of mutual trade bilateral agreement between Indonesia and the US. Another contribution is the research finding will give illustration for the decision maker in Indonesia and the US about the "maximum" potential values by having bilateral trade deal.

2. Literature Reviews

Free trade agreements (FTAs) play an important role in the globalization epoch. FTA is declining the export barriers to another partner country which both of them agree upon it. The lower tarif rate could raise more stable and transparent trading investment. Some companies could raise the competitiveness level and productivity from low import tarif rate of the product or services at lower cost. Then, they could sell it at the competitive price.

(5) research study found that Lao PDR has some bilateral and multilateral FTAs, those agreement has great contibution to the greater market, efficient in production, economies of scale in production and FDI inflows. (6) explained that Swiss and European Union (EU) trading volume has raised to 6% in the past ten years. They stated that Swiss industry trading value equal to 132 billion Swiss francs to the EU. Swiss imported from EU trading value is equal to 154 billion Swiss francs. The growth of the trading value is under the FTA.

Based on(7) research found that FTA with a trade coalition has an impact on perceived external export barriers. (8) explained that Canadian-U.S FTA foster to lower trade-weighted tariffs. Their research shows robust verification to sustain integration's continuing impact on the export diversification import. (9) examined the effect of trade facilitation on export variations. Their research study found that there is a positive impact of trade acceleration agreement on the large margins of trade.(10) study found that Middle East and North Africa (MENA) FTA with 30 Organization for Economic Cooperation Development (OECD) partners has a positive impact on the export.

3. Methodology of Ex Ante FTA Evaluations

3.1. Method

First method was used to calculate the maximum saving potential. According to (11) the saving potential is duties that has been paid by any WTO countries exporter to another country based on the combination of its exports and the duties that not reduce at FTA based. The model was country 1 (C1) which has trading with country 2 (C2). Trading values of exporter C1 multiplied with the applied tariff rate of C2. This tariff including the Most Favoured Nation (MFN) applied rate. The applied tariff rate is the tariff that is more than zero. The calculation included all MFN applied rates, including tariff lines that are MFN=0. Thus, the method could calculate the maximum FTA saving potential in every year as based of each estimation or evaluation year.

Second, the "maximum saving" is the estimation from the presumtion of all export products from the country origin, which will have zero tariff to enter another country who has an FTA eventhough this assumption seems to be unrealistic. By using this measurement, a country could have ex ante scenarios close to the real calculation tariff without FTA.

The US has some scenarios for different condition of the country. The US has different system duties policies for some countries with different economic conditions. Some countries will have policies under the Generalized System of Preferences (GSP). Based on(12) GSP Scheme gives the duty-free for 4,800 import items from some developing countries, including 44 Least Developed Beneficiary Developing Countries (LDBDCs). Indonesia, Cambodia, Thailand, and the Philippines are the developing countries that get the preferences under the GSP scheme. Third step was used to calculate the potential saving for Indonesia with the GSP Scheme. This calculation was used in order to calculate the potential saving for Indonesia under the GSP scheme. Third calculation was calculated with the GSP scheme after calculated the duties under the MFN applied tariff rate scenario. The reason to calculate in some steps was not all import items under the GSP scheme that gave special tariff rate from all tariff rates. Thus, the third step was used to calculate to the closer potential saving estimation.

This research study uses the Harmonized System Code (HS Code) 6 digit level. The harmonized commodity explanation and the coding method are known as harmonized system or HS. World Customs Organization (WCO) developed "HS" as a multi function international product nomenclature(13).

3.2. Unit of Analyses

In this study, the unit of analysis is the individuals whose characteristics are sought to be described. The units of analysis are the Indonesian export value items to the US and US export value items to Indonesia. This research uses total export trade values in US dollar.

The export items used in this research is the 6 digits HS code as the following table:

Table 2: HS Code for the Export Items Criteria

HS Code	Export Items
15 to16	Vegetable Products, and Animal Products
16 to 24	Foodstuffs
25 to 27	Mineral Products
28 to 38	Chemicals and Allied Industries
39 to 40	Plastics or Rubbers

41 to 43	Raw Hides, Skins, Leather, & Furs
44 to 49	Wood & Wood Products
50 to 63	Textiles
64 to 67	Footwear or Headgear
68 to 70	Stone or Glass
72 to 83	Metals
84 to 85	Machinery or Electrical
86 to 89	Transportation
90 to 96	Miscellaneous

There are four items excluded in the calculation. These four items are HS code number 71, 93, 97, and 99. The items for HS code number 71 are precious metals, natural, metals clad with precious metal, cultured pearls; precious, semi-precious stones and articles thereof; coin and imitation jewelry. The items for HS code number 93 are ammunition and arms; accessories thereof and parts. The items for HS code number 97 are antiques**,** collectors' pieces and, works of art. The items for HS code number 99 commodities are not specified according to the kind.

3.3. The Type of Research Data & Data Collection Technique

The data that is used in this study is secondary data. Secondary data is data that has been collected by someone else or organizations or companies, other than the user. The data for the export and import trade values was collected from the UN Comtrade database. (14) serves free access to the international trade data as the official international trade statistics and pertinent analytical tables. The period of the export uses latest trade values data that available in the UN Comtrade. The latest period that available for all countries that is examined is 2015 export-import trade data.
The data for the applied tariff rate was collected from the(15) for trade and tariff data. World Trade Organization (WTO) statistics trade and tariff data website is the website that contributes quantitative relevant information to economic and policy issues. This website provides access to the trade movement, tariff, non-tariff measures (NTMs) and value trade in total.

4. Results

This section describes about the calculation results. The calculation total results from Indonesian import and US import trading values is explained in this section part by part. The total trading values calculation excludes HS code number 71, 93, 97 and 99. The total items with HS code six for Indonesian import from the US are equal to 3,283 items in 2015. The total items US import from Indonesia are equal to 1,807 items in 2015. This total import items exclude HS code number 71, 93, 97 and 99.

4.1. Indonesian Import from the US

Indonesia has more import items from the US than Indonesian export items to the US. The “bigger total items of import” doesn't mean that total trade value of Indonesian import value is bigger than total trade value of Indonesian export to the US. This research shows that Indonesian export trade value to the US is 40,917,850,937 USD. Indonesian import value from the US is 7,556,904,452 USD. The total duties value of Indonesian import from US is 539,181,126 USD. The total duties value of US import from Indonesia is 794,992,426 with the GSP scheme. The figure 1 below shows the duties of Indonesian import from the US.

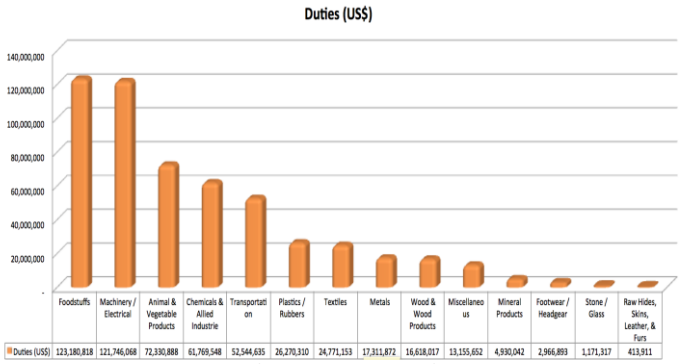

Fig. 1: Duties of Indonesian Import from US

The calculation results show the total duties from fourteen criteria of the export items based on the each HS code. The calculation results for Indonesian import from the US are shown in the following table 3:

Table 3: Indonesian Import Duties Rank from the US

No	Rank	HS Code	Average Duties	Trade Values	Duties (US$)
1.	Foodstuffs	16-24	13%	702,045,807	123,180,818
2.	Machinery / Electrical	84-85	5%	1,934,343,874	121,746,068
3.	Animal & Vegetable Products	01-15	5%	1,494,085,942	72,330,888
4.	Chemicals & Allied Industry	28-38	5%	986,480,656	61,769,548
5.	Transportation	86-89	15%	547,059,807	52,544,635
6.	Plastics / Rubbers	39-40	9%	413,708,429	26,270,310
7.	Textiles	50-63	14%	466,250,844	24,771,153
8.	Metals	72-83	9%	230,508,570	17,311,872
9.	Wood & Wood Products	44-49	5%	374,223,749	16,618,017
10.	Miscellaneous	90-96	7%	245,114,101	13,155,652
11.	Mineral Products	25-27	4%	113,079,482	4,930,042
12.	Footwear / Headgear	64-67	10%	24,113,276	2,966,893
13.	Stone / Glass	68-70	7%	16,497,624	1,171,317
14.	Raw Hides, Skins, Leather, & Furs	41-43	12%	9,392,291	413,911
	Total			7,556,904,452	539,181,126

This result table shows that foodstuffs Indonesian import from the US is the biggest duty compare to other import item products. The foodstuffs import from US total trade value is 702,045,807 USD less than Machinery trade value with the total trade value of 1,934,343,874 USD. The foodstuffs average duty is 13% higher than the average duty for Machinery or electrical product at 5%.
The foodstuffs show the significant biggest duty compare to other categories. The total duty for the foodstuffs is 123,180,818 USD. The foodstuff biggest duty is the HS code 230990 devising of kind used in animal feeding with the total duty of 65,318,620 USD. The duty charge for this category is at 36%. Some of the biggest value duties above 1,000,000 USD in the commodities in foodstuff categories are in the following table:

Table 4: Highest Duties of Foodstuff Categories Indonesian Import from US

No.	HS Code	Commodity	AV Duties (%)	Trade Value (US$)	Duties
1.	230990	Residues and waste from the food industries; prepared animal fodder	36%	183,350,511	65,318,620
2.	210690	Miscellaneous edible preparations: Food preparations	29%	115,702,219	33,853,612
3.	230310	Remaining part and waste from the food industries; prepared animal fodder	5%	108,941,199	5,447,060
4.	240120	Tobacco and manufactured tobacco substitutes	9%	41,747,934	3,826,894
5.	230330	prepared animal fodder: Brewing or distilling dregs and waste	5%	62,596,960	3,129,848
6.	230110	prepared animal fodder: Flours, meals and pellets, of meat or meat offal; greaves	5%	44,753,176	2,237,659
7.	230400	prepared animal fodder: Oil-cake and other solid residues, whether on ground or not or in the form of pellets, resulting from the extraction of soybean oil.	5%	43,856,893	2,192,845

The total trading value for the machinery or electrical is 1,934,343,874 USD. This cluster shows the biggest trading value but not the biggest duty as the average duty is at 5%. The second biggest duty cluster is machinery or electrical with the total duty of 121,746,068 USD. The biggest duties commodities above 1,000,000 USD for the machinery or electrical are shown in the following table:

Table 5: Highest Duties of Machinery or Electrical Categories Indonesian Import from US

No.	HS Code	Commodity	Duties	Trade Value (US$)	Duties
1.	854239	Electronic integrated circuit	10%	80,556,879	8,055,688
2.	840610	Turbines for marine propulsion	10%	71,696,487	7,169,649
3.	841480	Nuclear reactors, boilers, machinery and mechanical appliances: Other	10%	67,257,654	6,725,765
4.	851770	Telephone sets, including telephones for cellular networks or for other wireless networks parts	10%	58,649,025	5,864,903
5.	841391	Nuclear reactors, boilers, machinery and mechanical appliances;Pumps for liquids	11%	45,820,146	5,040,216
6.	843143	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	5%	98,310,426	4,915,521
7.	850300	Electrical machinery and equipment and parts thereof; Parts suitable for use solely or principally with the machines	10%	48,157,051	4,815,705
8.	841199	Turbo-jets, turbo-propellers and other gas turbines	5%	65,976,939	3,298,847
9.	853710	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus	12%	26,120,949	3,047,444
10.	841490	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters	10%	28,999,926	2,899,993
11.	841182	Turbo-jets, turbo-propellers and other gas turbines: Other gas turbines	5%	47,750,472	2,387,524
12.	843149	Parts suitable for use solely or principally with the machinery	6%	37,233,837	2,171,974
13.	848180	Nuclear reactors, boilers, machinery and mechanical appliances; other appliances	6%	37,352,129	2,142,254
14.	851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus	6%	29,812,172	1,863,261
15.	850213	Generating sets with compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	5%	36,675,433	1,833,772
16.	843141	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof: Buckets, shovels, grabs and grips	15%	8,213,106	1,231,966
17.	847989	Nuclear reactors, boilers, machinery and mechani-	5%	24,599,632	1,229,982

		cal appliances; parts thereof Other machines and mechanical appliances			
18.	853690	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits for a voltage not exceeding 1,000 volts; connectors for optical fibres, optical fibre bundles or cables: Other apparatus	5%	24,067,680	1,203,384
19.	848140	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves: Safety or relief valves	8%	13,930,851	1,160,904
20.	842911	Bulldozers and angledozers: Track laying	5%	22,779,291	1,138,965
21.	841370	Pumps for liquids, whether or not fitted with a measuring device; liquid elevators: Other centrifugal pumps	6%	18,711,859	1,105,701
22.	854449	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors: Other electric conductors, for a voltage not exceeding 1,000 V: Other	5%	18,761,706	1,016,259

The third biggest duty is the animal and vegetables products. The total trade value is 1,494,085,942 USD at the 5% average duty. The total duty for the animal and vegetables products is 72,330,888 USD. The following table describes about some of the biggest duties above 1.000.000 USD for the animal and vegetables import products.

Table 6: Highest Duties of Animal & vegetables Categories Indonesian Import from US

No.	HS Code	Commodity	AV Duties %	Trade Value (US$)	Duties
1.	120190	Oil seeds and oleaginous fruits: Soya beans	5%	1,006,209,674	50,310,484
2.	040210	Dairy produce; Milk and cream, In powder, granules or other solid forms	5%	92,950,732	4,647,537
3.	100199	Cereals: Wheat and meslin.	3%	118,982,858	3,569,486
4.	080610	Edible fruit and nuts: Grapes, Fresh	5%	44,670,849	2,233,542
5.	080810	Edible fruit and nuts; Apples	5%	35,007,253	1,750,363
6.	040410	Dairy produce: Whey and modified whey	5%	33,962,649	1,698,132

The explanation above shows the third biggest duty of Indonesian import from the US and the breakdown of some biggest duties import products. The Indonesian exporter could use the third biggest duty products as the preferences for the consideration items. There are some more possible items to be discussed as the most important items for the Indonesian exporters because of the duties that should be paid by Indonesian exporters. The table below shows the 15 biggest ranking of the Indonesian import duties items from the US:

Table 7: Fifteen Biggest Duties Item Indonesian Import from the US

No.	HS-CODE	Commodities	Duties	Trade Values	Duties
1.	230990	Preparations of kind used i animal feeding	36%	183,350,511	65,318,620
2.	120190	Oil seeds an oleaginous fruits: : Soy beans	5%	1,006,209,674	50,310,484
3.	210690	Miscellaneous edible preparations/Food preparations	29%	115,702,219	33,853,612
4.	520100	Cotton, not carded or combed	5%	349,754,152	17,487,708
5.	860719	Parts of railway or tramway locomotives o rolling-stock	50%	27,485,176	13,742,588
6.	860210	Diesel-electric locomotives	15%	68,650,605	10,297,591
7.	854239	Electronic integrated circuits	10%	80,556,879	8,055,688
8.	283620	Disodium carbonate	5%	160,396,617	8,019,831
9.	840610	Turbines fo marine propulsion	10%	71,696,487	7,169,649
10.	841480	Nuclear reactors boilers, machinery and mechanical appliances	10%	67,257,654	6,725,765
11.	381121	Miscellaneous chemical products , Additive for lubricatin oils	8%	88,239,227	6,617,942
12.	321490	Tanning or dyeing extracts indoor walls floors, ceilings	150%	4,301,739	6,452,609
13.	860791	Parts of railway or tramway locomotives o rolling-stock	50%	11,983,830	5,991,915
14.	85177	Electrical ma	10%	58,649,025	5,864,903

	0	chinery an equipment an parts thereof; fo communication in a wired o wireless networ (such as a loca or wide are network)			
15.	87089 9	Vehicles othe than railway o tramway rolling stock, and part and accessorie thereof	22%	25,238,923	5,468,433

The table above shows the fifteen highest duties import items of Indonesian import from the US. The duties show range from 5% up to 150%. The food item HS-Code number 120190 shows the biggest trade value total of 1,006,209,674 USD at 5% duty. The table 7 shows that the highest duty is tanning or dyeing extract for indoor walls, floors, and ceiling at 150% from the HS code 321490. The HS code 321490 duty value is bigger than the trade value at 4,301,739 USD.

4.2. US Import from Indonesia

The total trade value of US import from Indonesia is 40,917,850,937 USD. Indonesia is one of developing countries that get the preferences of duty-free policy for 4,800 import items under the GSP scheme. This policy gives less duty charge compare to MFN scheme. The first step calculation for the maximum potential saving for Indonesia is to calculate the maximum potential saving under the MFN scenario. The second step is to change the calculation of average duties into the duties charge according to the GSP scheme. The figure below shows the duties of US import from Indonesia in 2015.

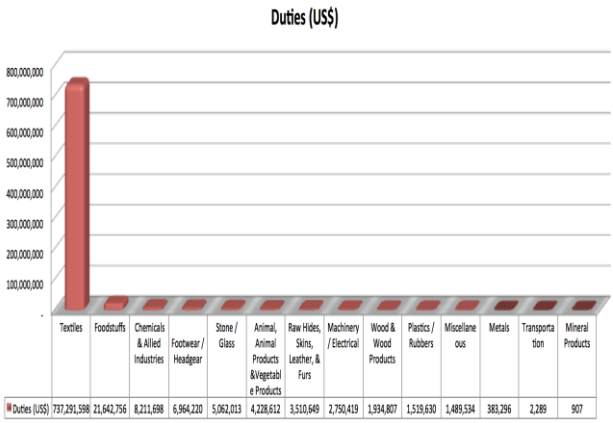

Fig. 3: Duties of US Import from Indonesia

The biggest duty export from Indonesia to the U.S is mainly textile with the total trade value of 6,083,480,132 USD and the duty for textile is 739,587,413 USD. Table 8 below shows the duties ranking of product imported from Indonesia to US.

Table 8: US Import Duties Rank from Indonesia Calculated with MFN

Rank	Commodities	HS Code	Average Duties	Trade Values	Duties (US$)
1.	Textiles	50-63	9.17%	6,083,480,132	739,587,413
2.	Animal, Animal Products &Vegetable Products	01-15	0.99%	2,313,739,844	96,577,905
3.	Machinery / Electrical	84-85	1.21%	3,040,961,830	44,149,420
4.	Foodstuffs	16-24	13.37%	761,222,245	40,996,329
5.	Miscellaneous	90-96	2.12%	22,512,577,484	31,277,042
6.	Chemicals & Allied Industries	28-38	2.42%	1,213,193,572	27,342,145
7.	Plastics / Rubbers	39-40	3.00%	679,409,036	20,337,287
8.	Metals	72-83	1.95%	1,043,636,307	18,101,241
9.	Footwear / Headgear	64-67	6.77%	69,122,228	12,509,596
10.	Wood & Wood Products	44-49	0.94%	2,792,103,503	11,596,861
11.	Stone / Glass	68-70	4.27%	136,295,456	10,296,738
12.	Raw Hides, Skins, Leather, & Furs	41-43	5.30%	243,486,766	9,613,095
13.	Transportation	86-89	1.49%	6,938,536	135,135
14.	Mineral Products	25-27	0.89%	21,683,998	12,660
	Total			40,917,850,937	1,062,532,868

The table 8 above shows that the total duties value under the MFN for Indonesian export is 1,062,532,868. The biggest duty charge is textile with total value at 739,587,413 USD compare to other categories of import items commodities. By using MFN scheme, it doesn't show the closer valuation of maximum potential saving. Then, the second step is to change the duties charge according to GSP scheme. The table below shows the duties calculation under the GSP scheme.

Table 9: US Import Duties Rank from Indonesia Calculated with GSP

Rank	Commodities	HS Code	Average Duties	Trade Values	Duties (US$)
1.	Textiles	50-63	9.05%	6,083,480,132	737,291,598
2.	Foodstuffs	16-24	7.97%	761,222,245	21,642,756
3.	Chemicals & Allied Industries	28-38	0.84%	1,213,193,572	8,211,698
4.	Footwear / Headgear	64-67	4.41%	69,122,228	6,964,220
5.	Stone / Glass	68-70	1.61%	136,295,456	5,062,013
6.	Animal &Vegetable Products	01-15	0.21%	2,313,739,844	4,228,612
7.	Raw Hides, Skins, Leather, & Furs	41-43	3.73%	243,486,766	3,510,649
8.	Machinery / Electrical	84-85	0.08%	3,040,961,830	2,750,419
9.	Wood & Wood Products	44-49	0.12%	2,792,103,503	1,934,807
10.	Plastics / Rubbers	39-40	0.32%	679,409,036	1,519,630
11.	Miscellane-	90-	0.34%		1,489,534

	ous	96		22,512,577,484	
12.	Metals	72-83	0.14%	1,043,636,307	383,296
13.	Transportation	86-89	0.71%	6,938,536	2,289
14.	Mineral Products	25-27	0.17%	21,683,998	907
	Total			40,917,850,937	794,992,426

The table 9 above shows that there are some differences of the values of the average duties percentage and the duties values. The duties values are decreasing as the average duties are also decreasing. The total duties decrease from 1,062,532,868 USD to 794,992,426 USD. The different total value of the duties under the GSP scheme is 267,540,442 USD. It shows that under the GSP scheme, the duties charge could decrease lower than under the MFN scheme. The calculation under GSP scheme also changes some other commodities rank to the different level rank.

The biggest duty commodity at the first rank position is textile. The total value of the textile commodity is 737,291,598 USD with the average duty at 9.05%. This value is slightly less than duty value under the MFN scheme. The proportion of the textile duty is 92.7% from all commodities of the total duties. The proportion for the textile commodities items is described in the following table.

Table 10: The Top 20 Higest Rank Duties for Textile Items

No.	HS Code	Commodity	Duties	Trade Value (US$)	Duties
1.	611231	Men's or boys' swimwear: Of synthetic fibres	26%	568,820,009	147,324,382
2.	621133	Other garments, men's or boys': Of man-made fibres	16%	799,313,860	127,890,218
3.	620892	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles- Other: Of man-made fibres	16%	533,115,373	85,298,460
4.	611239	Men's or boys' swimwear: Of other textile materials	13%	442,041,033	58,349,416
5.	620453	Women's or ls' Skirts and vided skirts:Of nthetic fibres	14%	292,003,097	41,075,102
6.	620433	Women's or girls' Jackets and blazers:Of synthetic fibres (other than swimwear).	12%	176,156,763	21,843,439
7.	620452	Women's or girls': Skirts and divided skirts Of cotton	8%	260,894,793	21,132,478
8.	620891	Women's or girls' similar articles. Other:Of cotton	9%	158,888,041	14,856,032
9.	540769	Man-made filaments: Other woven fabrics, containing 85 % or more by weight of polyester filaments: Other	11%	116,468,721	12,392,272
10.	610832	Women's or girls' nightdresses and pyjamas: Of man-made fibres	16%	68,712,564	10,994,010
11.	620799	Men's or boys': Other: Of other textile materials	8%	112,124,581	9,007,341
12.	611420	Other garments, knitted or crocheted: Of cotton	11%	72,656,246	7,846,875
13.	620191	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles: Of wool or fine animal hair	9%	80,898,005	6,876,330
14.	540600	Man-made filament yarn (other than sewing thread), put up for retail sale.	8%	91,510,324	6,863,274
15.	620791	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles: Of cotton	7%	93,154,116	6,753,673
16.	611599	Panty hose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example, stockings for varicose veins) and footwear without applied soles, knitted or crocheted: Other: Of other textile	11%	57,956,504	6,505,618

		materials			
17.	611241	Track suits, ski suits and swimwear, knitted or crocheted. Women's or girls' swimwear: Of synthetic fibres	25%	25,626,477	6,380,993
18.	520526	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale. Single yarn, of combed fibres	12%	51,211,674	6,145,401
19.	621111	Track suits, ski suits and swimwear; other garments. Swimwear: Men's or boys'	13%	37,135,939	4,864,808
20.	611610	Gloves, mittens and mitts, knitted or crocheted. Impregnated, coated or covered with plastics or rubber	10%	45,513,544	4,774,371

The biggest duty from the textile shows that men's or boy's swimwear duty value is 147,324, 382 USD at 26% duty charge. The second biggest duty value for textile is garments for men or boy. The value for this item is 127,890,218 at 16% duty charge. The third biggest duty for the textile commodity category is women's or girls' of man-made substance formed of threads or filaments with 16% duty at total value of 85,298,460 USD. Some other commodities of textile above duties range from 7% to 25%.

The other commodities excluding textile category shows only 7.3% from all the total duties. The rest of 93.7% is mainly textile category. The proportion of the all duties excluding textile shows in the following figure:

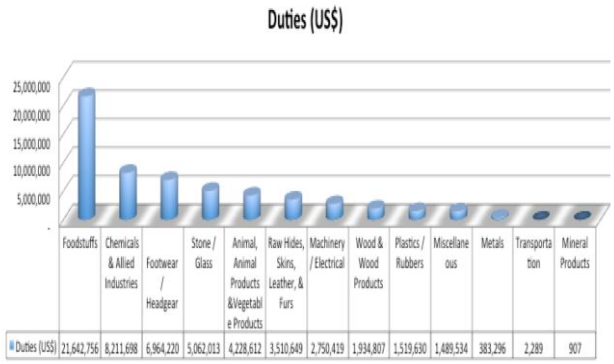

Fig. 4: Duties of US Import from Indonesia with GSP Scheme Without Textile Cluster

The figure above shows that the foodstuff category is the highest compared to other commodities excluding textile. The second rank is followed by chemical and allied industries. The third is footwear categories.

The proportion of the all-highest duties excluding textile is described in the following table:

Table 11: Highest Duties Rank Excluding Textile

No.	HS Code	Commodity	Duties	Trade Value (US$)	Duties
1.	160419	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates: Fish, whole or in pieces, but not minced	3%	242,887,393	6,533,671
2.	170490	Sugars and sugar confectionery: (including white chocolate), not containing cocoa.	5%	109,121,393	5,914,380
3.	240391	Tobacco and manufactured tobacco substitutes Homogenisedâ or âœreconstitutedâ tobacco	175%	2,451,366	4,289,891
4.	640299	Footwear, gaiters and the like; parts of such articles: Other footwear with outer soles and uppers of rubber or plastics.	20%	21,036,817	4,174,493
5.	140190	Vegetable plaiting materials; vegetable products not elsewhere specified or included: Vegetable materials of a kind used primarily for plaiting	2%	178,823,078	3,934,108
6.	240110	Unmanufactured tobacco; tobacco refuse: Tobacco, not stemmed/stripped	50%	6,233,076	3,116,538
7.	852869	Electrical machinery and equipment and parts thereof: Projectors	2%	128,156,054	2,434,965
8.	691110	Ceramic products: Tableware, kitchenware, other household articles	5%	41,010,209	2,042,308
9.	640420	Footwear, gaiters and the like; parts of such articles: Footwear with outer soles of leather or composition leather	21%	9,358,784	1,949,747
10.	292800	Organic chemicals: Organic derivatives of hydrazine or of hydroxylamine.	1%	240,742,214	1,733,344
11.	460219	Manufactures of straw, of esparto or of other plait-	2%	74,852,898	1,556,940

		ing materials; basketware and wickerwork: Of vegetable materials			
12.	291736	Organic chemicals:-romatic polycarboxylic acids, their anhydrides, halides, peroxides, peroxyacids and their derivatives: Terephthalic acid and its salts	7%	21,770,593	1,415,089
13.	293220	Organic chemicals: Heterocyclic compounds with oxygen hetero-atom(s) only: Lactones	2%	81,428,273	1,327,281
14.	381090	Miscellaneous chemical products: Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or welding powders and pastes consisting of metal and other materials; preparations of a kind used as cores or coatings for welding electrodes or rods.	4%	34,577,924	1,325,487
15.	290517	Organic chemicals: Dodecan-1-ol (lauryl alcohol), hexadecan-1-ol (cetyl alcohol) and octadecan-1-ol (stearyl alcohol)	5%	25,797,061	1,289,853
16.	420232	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut): Articles of a kind normally carried in the pocket or in the handbag: With outer surface of plastic sheeting or of textile materials	5%	24,271,792	1,196,599
17.	701328	Glass and glassware: Stemware drinking glasses, other than of glass-ceramics	13%	8,447,275	1,113,834
18.	701337	Glass and glassware: drinking glasses, other than of glass ceramics: Other	13%	8,067,791	1,063,796
19.	961900	Miscellaneous	7%	15,079,471	
		manufactured articles: Sanitary towels (pads) and tampons, napkins and napkin liners for babies and similar articles, of any material.			1,055,563

The table 11 above shows that foodstuff category is higher than other commodities categories. The trade value of the biggest foodstuff category is 242,887,393 USD. The duty charge for the biggest category is at 3% with the duty value of 6,533,671 USD. Some foodstuff category duties are range from 2%-5%. The foodstuff trade value commodity categories are bigger than other categories in this table. The highest duty is for tobacco at 175% and 50%. The second biggest category in this table is footwear. The duties are range from 20% and 21%.

5. Conclusion

The calculation of this research shows the total trade value of Indonesian export to the US is 40,917,850,937 USD. US total trade value export to Indonesia is 7,556,904,452 USD. The calculation of this research excluded four items commodities. These commodities are the HS code number 71, 93, 97, and 99.

Indonesia and the US still keep tax barrier for the entry of some import items commodities. This research shows that there is a big amount of FTA potential benefit for both countries. The total duties value for Indonesian import commodities from the US is 539,181,126 USD. On the other side, total duties value for US import from Indonesia is 794,992,426 USD under the GSP scheme. The "maximum saving" potential estimation, based on zero tariffs to enter another country is 539,181,126 for the US export and for the Indonesian export is 794,992,426 USD export. Even tough the zero tariffs assumption seems to be unrealistic but both countries could have any consideration to exploit the best benefit from FTA scenario.

Some scenario could be considered based on the calculation for the best benefit for both side. In this regards, both countries could compromise for some items of commodities that show significant value to be declined or eliminate to zero tariff.

US biggest total export trade value commodity is machinery or electrical items. The total trade value for the machinery or electrical items is 1,934,343,874 USD at 5% duty tariff equals to 121,746,068 USD duty value. The second biggest trade value is animal and vegetable products with the total trade value of 1,494,085,942 USD. This total trade value charges at 5% duty tariff equals to 72,330,888 USD. The third biggest trade value is chemicals and allied industries with total trade value of 986,480,656 USD charge at average 5% duty tariff equals to 61,769,548. These three top biggest categories with charge at average 5% duty tariffs are not the biggest duty value. In this research calculation, the biggest duty value is foodstuff categories with the total trade value of 702,045,807 USD. This trade value charge at average 13% duty tariffs equals to 123,180,818 USD. Thus, the biggest duty from some export items commodities from the US to Indonesia is foodstuffs categories.

Indonesian biggest total export trade value commodity is textile categories. The total trade value for textile categories is 6,083,480,132 USD at the average 9.05% duty tariffs. The total duty for the textile categories is 737,291,598 USD. The textile duty categories take 92.7% proportion from all total duties of other commodities. The rest commodities categories show only 7.3% proportion from all total duties.

The biggest duty from the textile categories: the first is men's or boy's swimwear at 26% duty charge equals to 147,324, 382 USD; the second is garments for men or boy at 16% duty charge equals to 127,890,218; the third is women's or girls' of man-made a sub-

stance formed of threads or filaments at 16% duty charge equals to 85,298,460 USD.

Therefore, both countries Indonesia and the US could consider FTA. Bilateral FTA for Indonesia and the US would give great potential saving benefit. This benefit could encourage exporters to export more items export commodities for both countries.

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