UNIVERSITAS ANDALAS

THE EFFECT OF TRADE LIBERALIZATION ON TRADE BALANCE IN ASEAN COUNTRIES

THESIS

Rizky Saputra Anwar

(1710513023)

Thesis Advisor

Prof. Dr. H. Werry Darta Taifur, SE, MA

FACULTY OF ECONOMICS AND BUSINESS

DEPARTMENT OF ECONOMICS

PADANG

2022

THE EFFECT OF TRADE LIBERALIZATION ON TRADE BALANCE IN ASEAN COUNTRIES

By:

Rizky Saputra Anwar

1710513023

Submitted to the Department of Economics

On August, 22th 2022 in partial fulfilment of the requirements in achieving degrees

Bachelor of Economics

Abstract

Trade liberalization is a form of free trade cooperation that aims to reduce or eliminate tariffs and non-tariff barriers on trade goods. Indonesia and other countries in Southeast Asia implement the trade liberalization through the AFTA policy with the aims to boost economic competitiveness in the ASEAN and promote cooperation in the economy, social, cultural affairs, and regional stability. This research has several objectives, namely: to find out the effect of trade liberalization on trade balance in ASEAN countries; to determine whether variable GDP, REER, TOT, and TO affect the trade balance; and to determine which countries among ASEAN member countries experienced an increase/decrease in the trade balance. This study uses a pooled least square (PLS) regression technique using panel data in 10 ASEAN countries from 2012–2020. Based on the study's results, trade liberalization, the TOT variable, and the TO variable negatively affect the trade balance. The GDP variable and REER variable have a positive effect on the trade balance. In addition, Singapore experienced the largest increase in trade balance while Laos experienced the largest decrease in trade balance.

Keywords: Trade Liberalization, Trade Balance, GDP, REER, TOT, TO

Thesis Advisor: Prof. Dr. H. Werry Darta Taifur, SE, MA