CHAPTER V

CONCLUSION

5.1 Conclusion

Research in this study focuses on analyzing the impact of trade liberalization on the trade balance in ASEAN member countries,which consists of 10 ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, and Cambodia).

The result of this research study is trade liberalization, which is represented by the dummy CEPT variable, and the TO variable has a negative and insignificant impact on the trade balance in ASEAN. At the same time, the GDP variable has a positive and significant influence on the trade balance. Then, the TOT variable has a negative and significant influence on the trade balance, and the REER variable has a positive but not significant influence on the trade balance.The value of R square was found very low, because of the regression explains only 10% of the variation, and the rest is due to an error. It is concluded that the trade balance owned a role that is influential but for the REER, CEPT, and TO with no significant levels on ASEAN. Only has a significant influence on GDP per capita and TOT.

Based on the data from ASEAN Statistical Yearbook 2020, the countries that has increased in the trade balance are Philippines, Malaysia, Vietnam, and Singapore. In contrast, the countries that has decrease in the trade balance are Indonesia, Thailand, Myanmar, Brunei Darussalam, Laos, and Cambodia. Singapore is the country that has the largest average increase in the trade balance among other ASEAN countries, and the Laos is the country with the largest decrease in the trade balance among other ASEAN countries.

5.2 Recommendation

Based on the results of this study, only two variables that have positive effect to the trade balance, that are GDP and REER. Other variables that areTOT, trade liberalization, and TO have negative effect to the Trade Balance. For the ASEAN countries that has decrease in trade balance, such as Indonesia, Thailand, Myanmar, Brunei Darussalam, Laos, and Cambodia have to improve their TOTto produce cheaper goods, thus making the demand for exports increase and eventually a surplus in the trade balance. Then, the government should to increase the REERto make the domestic currency depreciate.Then, the price of exported goods will become more competitive, export demand will increase, and finally, the trade balance will increase.

Each country needs to increase its specialization and value-added goods to increase the exports and also reduce competitive pressure in ASEAN. Therefore, they can compete with imported products whose prices will be lower when the tariff is removed due to the trade liberalization.

Another recommendation is that the government of each countries take a role in the elasticity of demand where it affects the amount of demand for goods. The lower the price, the higher the demand for goods. Furthermore, when a country more open in the trade, it easier for foreign goods to enter the domestic market, and the price of these goods is also cheaper than before. This will have a bad impact on the trade balance. The implication for further research is to add more variables and longer research time that are considered quite influential on the trade balance and to deepen research on the effect of ASEAN economic integration (AFTA) on the economy of a country or other researchers can also evaluate AFTA trade policies.