CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

This study aims to find out how the development of intra-industrial trade in IIT Indonesia with several partners in the Asian region, as well as estimating the factors that influence intra-industry trade. Calculations are carried out with the amount of exports and imports between Indonesia and partner countries to calculate the size of the IIT index based on the calculation of the Grubel-Llyod index. The amount of export and import values is obtained from the total commodities grouped in the 1 digit SITC category.

GDP difference has a negative and significant effect on Indonesian intra-industry trade with some of its trading partners, this can be seen from the coefficient of -36.52769, and probability of 0.0087.

The difference in GDP per capita has a negative and not significant effect on Indonesia's intra-industrial trade with some of its trading partners, where the coefficient value is -26.94406 with a probability of 0.1253.

FDI has a positive and significant effect on Indonesian intra-industry trade with several trading partners, where the coefficient value is 0.717253 with a probability of 0.0341.

The exchange rate for Indonesian intra-industrial trade with trading partners has a negative and not significant effect, it can be seen from the results of the study that the coefficient value is -0.313772 with a probability of 0.7702.

The calculated F value is 3.969238 with a probability of 0.004098. The probability value is less than 0.05 so it can be concluded that the independent

variables include: the differences in GDP and FDI have a significant effect on intra-industry trade, while differences in GDP per capita and exchange rates have no significant effect on Indonesia's intra-industrial trade with trading partners in the Asian Region year 1991 - 2017. Changes that occur in intra-industrial trade can be explained by the variable GDP difference (DGDP), the difference in GDP per capita (DGDPC), FDI and exchange rate (DEX) of 07.9434% while the cost of 92.0566% is explained by other variables outside the model.

6.2. Recommendations

GDP differences negatively affect the intra-industry trade index. Therefore, a strategy for industrialization and an increase in technology in various industries is needed, this can encourage domestic industries to increase production output. The increase in production output can increase GDP, create product differentiation, creativity and product innovation, and encourage Indonesian exports. The higher Indonesia's exports to trading partner countries indicate the existence of market expansion so as to achieve economic of scale it has the potential to increase intra-industry trade.

Community income plays an important role in increasing the IIT index. Communities need high income to be able to continue to consume different or differentiated goods so that a higher economy with a wider reach will be created. Although Indonesia is still in the category of middle-income countries, a strategy is needed to encourage both large companies and companies in the micro, small and medium category to be able to produce more diverse goods. This is done so that the goods are not only for export needs or domestic fulfillment.

FDI affects Indonesia's intra-industrial trade with its trading partners. For this reason, there is a need to increase the opportunity for foreign investment to invest in the country, because with the increase in the value of FDI, it will increase exports and imports. Where with a lot of capital to produce so that it can produce various kinds of products.

Currency exchange affects Indonesia's intra-industrial trade with its trading partners. For this reason, it is necessary to make efforts so that the exchange rate of the domestic currency against the value of the US dollar will not weaken, because with the increase in the exchange rate against the dollar, it will increase exports and imports. Thus, Indonesia's intra-industry trade will increase where the availability of products to meet people's needs is increasingly widespread.

The recommendations for researchers as a reference for future research are as follows:

1. Calculation of the IIT index in more detail For further research, it is expected to better illustrate intra-industrial trade, for example by calculating the more detailed SITC category, for example 2 or 3 digit SITC. Calculation of the SITC category in more detail will provide clearer results regarding which industries play a role in inter-country trade, especially intra-industrial trade. In addition, in further research, it is expected to be able to describe research for countries incorporated in an economic agreement such as APEC, AFTA, and AEC, so that the agreement will increase the flow of trade between countries.
2. Adding independent variables

Addition of other independent variables allows you to get results that better reflect which factors influence the dependent variable.