PATTERNS AND DETERMINANTS OF INTRA INDUSTRY TRADE OF INDONESIA WITH SEVEN ASIAN COUNTRIES TRADING PARTNERS PERIOD OF 1991-2017

THESIS

Prepared and submitted to fulfillment of the requirements to achieve the degree of Bachelor of Economics in the Department of Economics Faculty of Economics, Andalas University

By:
Tannia Ulfazia
1410542010
Thesis Advisor : Abdul Khaliq, SE, MA

STUDY PROGRAM S1 ECONOMICS
FACULTY OF ECONOMIC
ANDALAS UNIVERSITY
PADANG
2019
Abstract

This research aims to analyze the degree of integration and determinants of intra industry trade in Indonesia and seven trading partners (China, Japan, Thailand, Singapore, Korea, Malaysia, and India) in 1991-2017. Degree of market integration was calculated by using Intra-Industry Trade Index (Grubel-Lloyd Index) and using gravity model and panel data with random effect model analysis to explain determinants of intraindustry trade in Indonesia and some country trading partners. Based on the test result showed that the differences in GDP and FDI has a significant effect on Intra-Industry Trade. While the differences in GDP per capita and exchange rate has insignificant effect on Intra-Industry Trade between Indonesia and its seven Asian trading partners.

Keyword: Integration, Intra Industry Trade, Intra Industry Trade Index (Grubel-Lloyd Index), Difference GDP, Difference GDP Per Capita, Foreign Direct Investment, Exchange Rate Trading Partner.