

ABSTRACT

The global value chain is a process to produce one finished product that involves several countries, from production to marketing. Global Value Chains can play a role in encouraging increased employment and economic growth as well as improving a country's standard of living. In Indonesia, the electronics industry is one of the industries that play a significant role in international trade.

This study aims to analyze the effect of international trade integration on the Gross Domestic Product of two countries, labor intensity, FDI, global value chain participation, and Indonesia's effective distance with major trading partners (Japan, Singapore, United States, Thailand, France, Malaysia, China, Hong Kong, the Philippines, and South Korea) in the electronics industry for the 2014-2020 period. Moreover, to find out the effect of forwarding linkages and forward linkages and backward linkages as well as the impact on the workforce of global value chain participation in the Indonesian Electronic Industry with five main trading partners (China, France, Japan, South Korea, the United States) and Rest of America partners. The World. This analysis will use the Gravity Model and World Input-Output by aggregating it into 34 sectors, five major trading partner countries (China, France, Japan, South Korea, and the United States), and the Rest of The World partners.

The results show that the Effective Distance (DIST) and Foreign Investment (FDI) variables have a positive and significant effect on the five percent actual degree of international trade integration. The Labor Intensity variable has a negative and significant impact on an actual degree of five percent. Furthermore, the variable GDP difference between the two countries (MZ) has a positive but insignificant effect at the five percent significance level. Meanwhile, the global value chain participation variable (TIVA) has a negative and insignificant effect on the actual degree of five percent. Based on the estimation results, it is known that the value of backward linkages and forward linkages by sector in the Indonesian electronics industry has more than one, meaning that the electronics industry can encourage other industries from upstream and downstream. The estimation result of the influence of global value chain participation on the workforce is relatively low, and this is because the electronics industry is an industry with capital-intensive and high technology in producing goods.

Keywords: International Trade Integration, Global Value Chain Participation, GDP Difference, Foreign Investment, Effective Distance, Labor Interaction, Electronic Industry, Forward Linkage, Backward Linkages.