ABSTRACT

This study analyzes the pattern of intra-industrial trade between Indonesia and several trading partner countries with a case study of the machinery and transportation equipment sector (SITC code 7). The main objectives of this study; (1) to analyze the degree of intra-industrial trade integration between Indonesia and its trading partners, (2) and analyze the effect of differences in GDP per capita in Indonesia with its trading partner countries, FDI, economic distance, and trade openness to Indonesian intra-industry index in the machinery and transportation equipment sector.

Diverse human needs may not necessarily be fulfilled by the country. Limited resources are one reason for a country to trade with other countries to meet the needs of their country. The products produced by a country are not only based on comparative advantage factors, but also beginning to enter into trade in the same industry (Intra Industry Trade). This study uses the intra-industry trade panel data regression analysis method between Indonesia and its 7 trading partner countries for the period 2012-2016. Analysis of trade data uses the Grubel-Lloyd index approach to determine the degree of intra-industrial trade integration, which then uses the estimation of the Fixed Effect Model (FEM).

Based on the results of this research estimation, it is shown that the difference in GDP per capita and trade openness has a positive and significant effect on the index of intra-industrial trade in the machinery and transportation equipment sector. FDI has a positive but not significant effect on the intra-industrial trade index. While economic distance has a negative and significant effect.

Keywords: Intra-Industry Trade, Grubel-Lloyd Index, difference in GDP per Capita, FDI, distance, trade openness