ABSTRACT

This research aims to apply dynamic panel data regression analysis using the Arellano-Bond Generalized Method of Moment (GMM) approach to model Indonesia's consumer goods trade performance towards its 43 trading partner countries by adopting a gravity model. The data in this research was obtained from the World Bank, International Monetary Fund, World Government Index and FTA Center for 2010-2021 covering the variables GDP per capita, population, quality of financial development, quality of government performance and free trade agreements. Through this research, the government and business players are expected to know trade performance based on economic size, financial development and institutional aspects so they can make policies according to the findings. The model in this research has fulfilled the autocorrelation test (Arellano-Bond test), heteroscedasticity test (Sargan J test), multicolinearity test and unbiased test. There are several t test results which show that there is no significant influence, among others, the institutional quality and financial development of partner countries (GOV_j, FD_j) on the performance of Indonesian consumer goods exports ($EXCG_{ij}$). However, a significant negative influence was shown by the Indonesian population variable (POP_i) on $EXCG_{ij}$. Likewise, free trade agreements (FTA) also have a negative effect on $EXCG_{ij}$. Meanwhile, other variables show a positive influence, indicating that there is a mutually necessary and supportive trade relationship between Indonesia and its 43 partner countries.

Keywords: exports, economic size, financial development, institutions, FTA.