

ABSTRACT

The purpose of this study is to empirically analyze the effect of real effective exchange rate (REER) on the fourth ASEAN countries (Indonesia, Malaysia, Thailand dan Philipinnes) with its two major trading partner, namely: Cina and Japan. This study analyzes both in the short-run and in the long-run. This study uses quarterly time series data over the periods of 2007.1 to 2015.4. Short-run and long-run impact of the depreciation of currencies on the trade balance between fourth Southeast Asia countries and its major trading partners are estimated by Error Correction Model (ECM). The empirical results indicate that : (i) in the long-run, there is a J-Curve phenomenon on the Malaysia, and Philipinnes trade balance with Cina, and for Japan J-Curve phenomenon holds on Indonesia and Thailand. (ii) in the short-run J-Curve phenomenon only holds on Indonesia and Thailand with Cina.

Keyword : Real Effective Exchange Rate, Bilateral Trade Balance, J-Curve, Error Correction Model.