ABSTRACT

The fisheries sector is a potential sector in Indonesia from year to year, which has contributed to the national GDP is likely to increase each year. The continuous increase in exports indicates that the fisheries sector can improve Indonesia's economy in the long run. According to the theory of Marshall Lerner Condition, the performance of trade balance can be improved in the long term when there is depreciation or devaluation if sum of price elasticities of export and import demand exceeds unity in absolute numbers. This study examined the elasticity of demand for exports and imports and the validity of the Marshall Lerner Condition at commodity level of Indonesian fisheries on the period 2004 to 2013, based on the clacification of the International Standard Statistical Classification of Aquatic Animals and Plants (ISSCAAP), by utilizing cointegration analysis and Error Correction Model (ECM) panel data in the form of natural logarithma to see the elasticity. The research variables are the world income, Indonesian domestic income and world price of fisheries against the volume of exports and imports of Indonesian fisheries. The estimates reveal that Indonesian fisheries sector is inelastic, then Marshall Lerner Condition was not achieved.

Keywords : Marshall Lerner Condition, Cointegration, Error Correction Model (ECM)