

ABSTRACT

This study aims to look at the impact that occurs on the economic integration of AFTA and ACFTA on textile commodities in Indonesia in 2005-2013. This research use Gravity Model approach to look at the trade flows that occur between countries.

The population in this study are members of AFTA and ACFTA countries and some countries outside of AFTA and ACFTA members in 2005-2013. Total sample of this study is 135. This study analyzes the impact of trade creation or trade diversion by the method of Random Effect Model. Data analysis was performed with the classical assumption and hypothesis testing in linear regression method of data panel.

The results showed that the AFTA and ACFTA lead to trade creation effect on Indonesian textile commodities . Gross domestic income countries, the economic distance , the population does not significantly influence Indonesian textile imports . Domestic gross domestic income countries and three variables that explain the impact of trade creation and trade diversion significantly influence Indonesian textile imports .

Keywords: Trade Creation, Trade Diversion, Economic Integration, AFTA, ACFTA, Textile.