

ABSTRACT

Trade between countries that occurred today is not only characterized by trade in different products (inter-industry), but also involve products from the same industry (intra-industry). The purpose of this study is to analyze the level of intra-industry trade and the effect of average country size, average per capita income, difference in per capita income, distance, and average tariff on intra-industry trade of cosmetic commodities between Indonesia and nine trading partners (Singapore, Malaysia, Thailand, Philippines, India, China, Hong Kong, Japan, and South Korea) from 2004-2018. This study uses a Grubel-Llyod Index to determine the level of intra-industry trade of cosmetic commodities and statistic panel data to see the effect of independent variables on the level of intra-industry trade of cosmetic commodities.

The result shows that the level of intra-industry trade of cosmetic commodities between Indonesia and each of its trading partners in Asian region (except India) still tended to be low where the average of IIT index values were below 50 percent. The estimation result shows that the average country size, average per capita income and average tariff have a positive and significant effect on the level of intra-industry trade, meanwhile the difference in per capita income and distance have a negative and significant effect on the level of intra-industry trade.

Keywords: Intra-Industry Trade, Grubel-Llyod Index, Cosmetic, Average Country Size, Average Per Capita Income, Difference in Per Capita Income, Distance, Average Tariff.