

ABSTRACT

ANALYSIS OF RELATIONSHIP THE TRADE BALANCE WITH REAL EXCHANGE RATE (STUDY COMPARISON BETWEEN INDONESIA-JAPAN AND INDONESIA-CHINA)

By

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This study aimed to analyze the relationship between trade balance with the real exchange rate and comparison of the relationship between Indonesia-Japan and Indonesia-China. The analysis tool is an Error Correction Model (ECM). This study using time series data with research period 2007: Q1- 2014: Q4. Results from this study indicate that the real exchange rate variable take a negative and significant effect on the trade balance between Indonesia and Japan in the long and short run, while to variable real exchange rate is not significant effect to Indonesia-China trade balance in the short and long run. Variable GDP of Indonesian take a negative and significant effect on bilateral trade balance between Indonesia- Japan and Indonesia-China in the short and long run. Variable GDP of Japan is not significant in the short run, but in the long run have a positive and significant impact on the trade balance between Indonesia and Japan. Variable GDP of China take a positive and significant effect in the short long run on the balance of bilateral trade between Indonesia and China.

Keywords: Indonesia-Japan Trade Balance, Indonesia-China trade balance, the real exchange rate, GDP of Indonesian, GDP of Japan, and GDP of China