

SUMMARY

The maximization of international trade is a key strategy to improve economy and people's welfare. The analysis of trade in both export and import is important to determine the influence of its determinants. Indonesia as a developing country is one of the biggest trade contributors from its population and production. Accordingly, the purpose of this research is to investigate the determinants of trade in both export and import and assess the simultaneous link between export and import.

The research covers the annual time series data set from 1975 to 2014 and focuses mainly on Indonesia. Two Stage Least Square (2SLS) is used to examine the factors determining model in two structural equations. 2SLS method is more appropriate to be used for simultaneous analysis, considering all the variables in this analysis are taken into account by the system as a whole.

The results show that in export model, import, exchange rate and foreign income have positive and significant influence, while lag of foreign income has negative and significant influence to export. Meanwhile, in import model, national domestic income and lag of domestic income have positive and significant influence, while exchange rate is insignificant.

Keywords: international trade, exchange rate, foreign income, domestic income