ABSTRACT

TITIEN KRISTININGSIH. Effect of Exchange Rate on Natural Rubber Exports to United States and Japan. Under the Supervision of DEDI BUDIMAN HAKIM and YUSMAN SYAUHAT.

Natural rubber is one of prospective tropical plants for industry commodity product. This study examines the effect of the exchange rate on natural rubber exports to the United States and Japan quarterly over the period of 1996-2010. This study then presents how the exchange rate effects the natural rubber exports in the short and long term. All variables used in this study are stationary at first difference and there is cointegration among variables, therefore we used VECM method. Using the VECM, we find that export volume and export price affects the natural rubber exports to the United States in the short term. Export volume affect the natural rubber exports to Japan, but export price, real exchange rate, international price, competitor price, and real GDP does not. In the long term, real exchange rate, international price and competitor price significantly affects natural rubber exports to the United States. The main conclusion is that the exchange rate has no significant effect on natural rubber exports to the United States and Japan in the short term, but has significant effect on natural rubber exports to United States in the long term.

Keywords: exchange rate, export, natural rubber, VAR, VECM