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THE RISE OF CHINA AND ITS IMPLICATION ON INDONESIA-UNITED STATES TRADE

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ABSTRACT

The purpose of this study is to analyze the impact of Chinese renminbi exchange rate againts the United States (US) dollar, on the bilateral export of Indonesia to the US. Johansen cointegration test and Ordinary Least Square (OLS) regression are employed to examine one impact. This research is limited only in the long-run aspect. The Johansen test shows that there are long-run relationships amongs variables involved such as GDP, Real Exchange Rate (RER), RER Volatility, and dummy variables. Empirical test result shows that there are positive significant impacts of the Chinese renminbi on the Indonesia's exports to the US, implying that the relationship between Chinese exports and Indonesia export are complementary in the US market.

Keywords: *Indonesia, China, the United States, renminbi, cointegration, OLS*

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