ABSTRACT

This study examines the bilateral trade and investment relations between Indonesia and Singapore during the period 2015–2019, tracing the evolution of their collaboration from uncertainty to robust cooperation. Using international trade theory, including the augmented gravity model and RCA-CMSA, the research analyzes various factors influencing trade flows, such as GDP, distance, GDP per capita, regional trade agreements, and common language. The dataset covers the years 1948 to 2019, with a specific focus on the recent period.

Findings indicate positive correlations between GDP and trade flows, with Indonesia exerting a stronger influence. Distance negatively impacts trade, while similarities in GDP per capita favor bilateral trade. Regional trade agreements and common language enhance trade relations. In 2015, both countries optimized their trade flows, with untapped trade potential reaching $863 trillion USD by 2019, suggesting opportunities for further growth. The study identifies potential trade products and investment opportunities, with Singapore showing greater potential for investment in Indonesia compared to vice versa. Overall, the findings underscore the mutually beneficial nature of Indonesia-Singapore relations and the potential for sustained collaboration in trade and investment.

Keywords: Bilateral Trade, Indonesia, Singapore, Augmented Gravity Model, RCA-CMSA