

V. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

Based on the results of the analysis conducted in this study, several conclusions can be drawn regarding the contribution, policy impact, and competitiveness of Indonesia's palm oil exports during the period 2005–2024.

1. The export-share analysis demonstrates that palm oil exports consistently contributed to Indonesia's national economic performance throughout the study period. Although the share fluctuated from year to year due to changes in global commodity prices, international demand, and market conditions, palm oil remained one of Indonesia's major export earners and a strategic commodity in the external sector. The findings indicate that the palm oil industry continues to function as an important source of foreign exchange and supports national output through its role in export revenues, industrial linkages, and trade balance stability. Therefore, palm oil exports can be considered a structurally important contributor to Indonesia's GDP during 2005–2024.
2. The dummy regression results show that the EUDR policy variable has a negative coefficient, indicating that the introduction of the regulation tends to be associated with a decline in Indonesia's palm oil export value to the European market. Economically, this negative relationship is consistent with the nature of environmental regulations acting as non-tariff trade barriers that impose stricter requirements related to traceability, legality verification, and deforestation-free production standards, which may increase compliance costs and create adjustment pressures for exporters.

However, the statistical results indicate that the EUDR variable is not significant at the 5 percent level, meaning that the study does not find sufficient empirical evidence that the policy significantly affected exports during the observation period. This outcome is logically explained by the timing of implementation, since the regulation becomes fully enforceable only after 2025 while the dataset ends in 2024. Thus, the model primarily captures the early transition and announcement phase rather than the full enforcement effect. Based on this result, $H0_1$ is accepted.

3. The RCA calculations consistently produce values greater than one across the study period, indicating that Indonesia possesses a strong revealed comparative advantage in palm oil exports in the global market. The sustained RCA values confirm that Indonesia's palm oil sector benefits from structural competitive strengths, including abundant natural resources, suitable climatic conditions, large-scale plantation systems, established downstream processing capacity, and long-standing export networks. The results imply that despite facing regulatory pressures and sustainability requirements in international markets, Indonesia's palm oil industry remains highly competitive relative to other exporting countries. Therefore, the hypothesis stating that Indonesia has a comparative advantage in palm oil exports is supported, meaning $H0_2$ is rejected and $H1_2$ is accepted.

5.2 Suggestions

Based on the findings of this study, several recommendations can be proposed for policymakers, industry stakeholders, and future researchers.

1. The Indonesian government should strengthen support for the palm oil sector by improving export facilitation, trade diplomacy, and market diversification. Given the importance of palm oil exports to the national economy, maintaining stable export performance should remain a strategic priority.
2. In response to the implementation of the EUDR policy, policymakers and industry actors should accelerate efforts to improve supply-chain transparency, traceability systems, and sustainability certification. Strengthening monitoring mechanisms and assisting smallholders in meeting international environmental standards will be crucial to maintaining market access to the European Union in the post-implementation period.
3. Palm oil exporters should enhance competitiveness not only through production volume but also through efficiency improvements, technological adoption, and sustainability compliance. Investment in digital traceability systems, certification programs, and environmentally sustainable practices will help reduce regulatory risks and improve long-term export stability.
4. Future researchers are encouraged to extend this study by incorporating post-2025 data to capture the full enforcement impact of the EUDR policy. Further research may also include additional explanatory variables such as trade agreements, sustainability certification levels, or firm-level export performance in order to provide a more comprehensive understanding of the determinants of palm oil exports.