

# I. INTRODUCTION

## 1.1 Background

International trade is an activity of exchanging goods, services, and other factors of production that involves more than one country and crosses regional borders. This activity not only plays an important role in meeting needs that cannot be produced domestically, but also has a major impact on a country's economy. For developing countries such as Indonesia, international trade is one of the important pillars in supporting economic growth, increasing foreign exchange, and opening up job opportunities. In addition, involvement in global trade also encourages the increase in the competitiveness of domestic products to be able to compete in the world market (Radifan, 2014). International trade has been going on for centuries and involves almost all countries in the world. Along with the times, technological advances have increasingly encouraged the intensity of trade between countries because it simplifies the process of distributing goods and services. In this context, foreign exchange is one of the important factors that support the sustainability of international trade, where export and import activities play a direct role in influencing a country's foreign exchange reserves. Exports have a positive relationship with foreign exchange because the higher the export value, the greater the foreign exchange reserves owned by the state. Therefore, the role of international trade is not only limited to the exchange of goods and services, but is also closely related to the economic stability of a country (Hotma, 2024a).

Indonesia is known as an agrarian country with abundant biodiversity and vast agricultural land, where most of its population depends on the agricultural sector. This sector not only plays a role in maintaining food security and absorbing

labor, but also becomes one of the main pillars of national economic growth through its contribution to gross domestic product (GDP). Of the various existing subsectors, the plantation subsector is one of the leading because it produces a variety of commodities with good quality and abundant quantities, such as palm oil, rubber, coffee, cocoa, and tea. The role of this subsector is not only important in meeting domestic needs, but also in encouraging international trade, considering that many Indonesian plantation commodities are highly competitive in the global market. With its large contribution to the country's foreign exchange, the plantation subsector can be said to be one of the main driving forces of national exports, so its role is very crucial both in the national and international economies (Brahmana and Novianti, 2022). One of Indonesia's leading commodities in the plantation sector is palm oil. Oil palm (*Elaeis guineensis Jacq*) is one of the main plantation commodities in Indonesia that plays an important role in the national economy. This plant is known to have high productivity and is able to grow well in tropical regions, making Indonesia one of the largest palm oil producers in the world. The vast area of oil palm plantations in various regions makes this commodity not only important for international trade, but also contributes greatly to the welfare of the community through job creation and increased income in the agricultural sector (Aprina, 2014).

Table 1.1 Indonesian Plantation Commodity Production 2022-2024 (Thousand)

<b>Commodities</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Kelapa Sawit	52.518.781	52.087.006	51.794.263
Karet	2.262.088	2.240.826	2.717.081
Kopi	807.578	758.725	774.961
Kakao	632.702	632.117	650.612
Tebu	2.465.514	2.271.009	2.405.907
Teh	124.961	116.506	124.661
Tembakau	353.386	286.510	221.925

Source: Badan Pusat Statistik, 2025

Based on the 2022–2024 Indonesian Plantation Commodity Production Table, it can be seen that oil palm is the highest-produced commodity compared to other plantation commodities. In 2022, palm oil production was recorded at 51,794,263 tons and will continue to increase to 52,518,781 tons in 2024. This figure is much larger than other commodities such as rubber which only reached 2,262,088 tons, coffee 807,578 thousand tons, and cocoa 632,702 tons. This condition shows that oil palm is still the main support of the plantation subsector, not only in meeting domestic needs but also as an important export commodity that brings in foreign exchange for the country. In addition, the high production of palm oil also opens up great opportunities in producing *Crude Palm Oil* (CPO) as the main processed product that has a high demand in the global market. *Crude Palm Oil* or crude palm oil exported using HS code 151110 (Radifan, 2014).

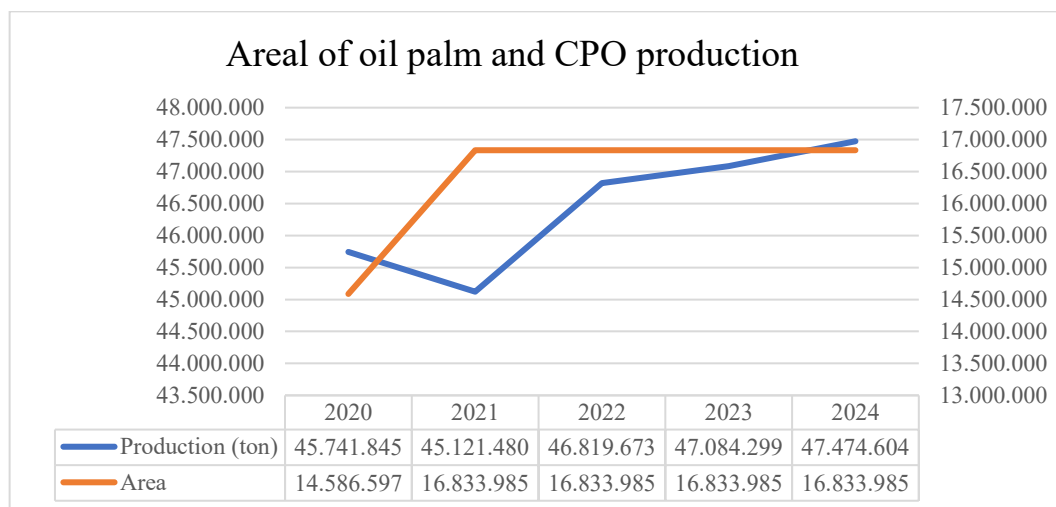


Figure 1. 1 CPO Production and Area of Oil Palm  
Source: Kementerian Pertanian, (2025)

Figure 1.1 above shows the development of oil palm area and *Crude Palm Oil* (CPO) production in Indonesia during the period 2020 to 2024. In 2020, Indonesia's CPO production was recorded at 45,741,845 tons with an area of 14,586,597 hectares. In 2021, the area increased significantly to 16,833,985

hectares, but production actually decreased slightly to 45,121,480 tons. From 2022 to 2024, the area of oil palm is relatively stable at 16,833,985 hectares. Meanwhile, CPO production experienced an upward trend, namely 46,819,673 tons in 2022, increasing to 47,084,299 tons in 2023, and reaching 47,474,604 tons in 2024. Based on average data from 2020 – 2024, Indonesia's palm oil production centers mainly come from seven provinces, namely, Riau 19.06%, Central Kalimantan 17.60%, West Kalimantan 11.56%, North Sumatra 11.05%, East Kalimantan 8.63%, South Sumatra 8.30% and Jambi 5.46% (Kementan, 2025). Patone *et al.*, (2020) stated that the availability of plantation land and increased productivity are great potential in expanding Indonesia's oil palm area.

Global trade is basically a buying and selling activity between countries that involves import and export processes. Exports themselves can be understood as trading activities by selling goods or services from within the country to abroad. In the economy, exports play an important role because they are indicators that show the development of a country in reaching the international market (Wahyuni *et al.*, 2021). Indonesia itself is one of the countries that is active in international trade activities, both as an exporter and importer. As an exporter, Indonesia sells its excess resources to other countries, while as an importer, Indonesia buys goods and services from abroad to meet domestic needs. In general, Indonesia's export commodities are divided into two major categories, namely oil and gas and non-oil and gas. Oil and gas commodities include mining products in the form of petroleum and gas, while non-oil and gas commodities include agricultural, forestry, fisheries, processing industries, and mining products other than petroleum and gas. With this diversity of commodities, Indonesia has a strategic position in global trade, as well

as a great opportunity to increase the competitiveness of products in the international market (Sadiah and Ginting, 2024).

By looking at the large role of exports, it is important to know how Indonesia's export performance from time to time, especially in strategic commodities that make a significant contribution to the national economy, namely Crude Palm Oil. The development of Indonesia's CPO exports not only reflects the competitiveness of the plantation sector, but also reflects the dynamics of global demand and international market conditions. Therefore, the following is a graph of the development of Indonesia's CPO exports in 2019-2023 which can strengthen understanding of the contribution of CPO to the national economy.

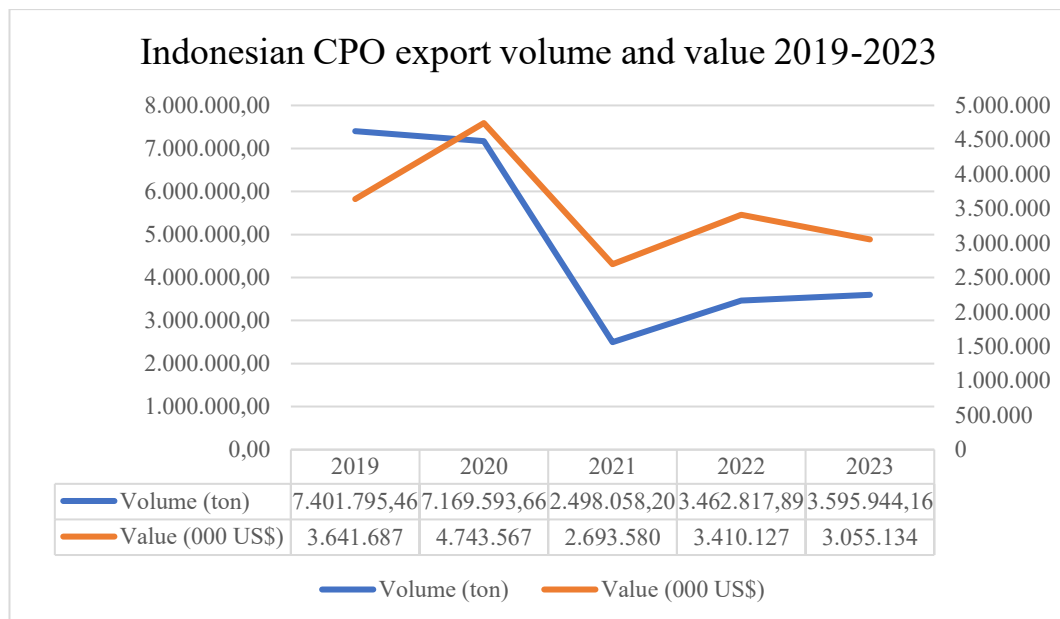


Figure 1.2 Development of Indonesia's CPO Export Volume and Value in 2019-2023

Source: (Comtrade, 2025)

Figure 1.2 above shows the development of Indonesia's *Crude Palm Oil* exports over a five-year period, namely 2019 to 2023. In 2019, the CPO export volume reached 7,401,795.46 tons with an export value of US\$ 3.6 billion. In 2020, the export volume fell to 7,169,593.66 tons and the export value increased to US\$

4.7 billion. However, in 2021 Indonesia's CPO exports experienced a significant decline. The export volume fell to 2,498,058.2 tons, while the export value also decreased to US\$ 2.6 billion. In 2022, conditions began to improve, with export volumes increasing to 3,462,817.89 tons and export value reaching US\$ 3.4 billion. However, in 2023 the export value decreased slightly to US\$ 3.05 billion, while the export volume increased to 3,595,944.16 tons. The decline in the value and volume of CPO exports occurred due to Covid-19 and government policies, namely the ban on CPO exports (Azida *et al.*, 2023). In 2022, the government imposed a policy of banning CPO exports due to the scarcity of cooking oil in the domestic market caused by rising international CPO prices (Peraturan Menteri Perdagangan No 22 Tahun 2022). The increase in CPO prices in the international market makes cooking oil producers tend to prefer to export their products because they see the potential for greater profits. As a result, domestic CPO supply has become limited, which has led to scarcity and pressure on cooking oil prices in the domestic market (Pratiwi *et al.*, 2023). This export ban policy has been successful in increasing the availability and lowering the price of cooking oil in the country, but it has a negative impact on the national palm oil industry, both in terms of producers, exporters, and the state. This export ban has led to a decrease in oil palm farmers' income and reduced state income globally (Haq, 2024). Indonesia's *Crude Palm Oil* exports are carried out to several countries, including India, Italy, Kenya, the Netherlands, and Spain.

Table 1.2 Volume and Value of Indonesia's Crude Palm Oil (CPO) Exports to the Country Key Objectives 2022-2023

Negara	Volume (ton)		Nilai (US\$)	
	2022	2023	2022	2023
India	2.883.818,68	3.118.192	2.851.528.273	2.630.254.727
Italy	145.162,89	144.509,92	141.203.981	133.690.382
Kenya	88.397,42	65.640,4	85.456.576	57.347.483
Belanda	81.665,18	74.916,52	74.165.527	66.913.838
Spanyol	68.078,5	39.172,41	64.238.840	34.220.216

Source: (Comtrade, 2025)

Based on table 1.2 above, it can be seen that Indonesia's CPO exports to several main destination countries showed a decline from 2022 to 2023. India has become the main destination country for Indonesia's CPO exports in 2023 with an export volume of 3.11 million tons and an export value of US\$2.63 billion. Furthermore, there is Italy which occupies the second position with an export volume of 144.5 thousand tons with an export value of US\$ 133.6 million. The third position is occupied by the Netherlands with an export volume of 74.9 thousand tons and an export value of US\$ 66.9 million. Next in order is Kenya with an export volume of 65.6 thousand tons and an export value of US\$ 57.3 million. Spain occupies the last position with an export volume of only 39.1 thousand tons and an export value of US\$ 34.2 million, which shows a significant decrease compared to the previous year.

Table 1. 3 Crude Palm Oil (CPO) Export Competitors 2020-2023

Country	Value (US\$)			
	2020	2021	2022	2023
Indonesia	4.743.567.000	2.693.580.000	3.410.127.000	3.055.134.000
Malaysia	2.928.961.161	4.953.335.498	4.491.560.163	3.020.622.571
Belanda	157.643.679	246.471.934	266.765.309	173.840.508
Thailand	114.342.121	644.914.934	1.160.858.639	732.392.150
Guatemala	410.335.48	617.048.392	825.193.147	760.228.658

Source: Comtrade, (2025)

Table 1.3 shows that Indonesia experienced a sharp decline in the value of CPO exports in 2021, from US\$ 4.74 billion in 2020 to US\$ 2.69 billion. At the

same time, Malaysia actually recorded a very significant increase, from US\$ 2.92 billion in 2020 to US\$ 4.95 billion in 2021. This large increase made Malaysia successfully surpass Indonesia and occupy the top position in world CPO exports in 2021. Other countries such as the Netherlands, Thailand, and Guatemala recorded much lower export values than Indonesia and Malaysia. This shows that world CPO exports are not only dominated by Indonesia, but also by other countries that continue to strengthen their position in the international market.

Based on the previous explanation, it can be seen that Indonesia's CPO exports in recent years have undergone considerable changes. These changes are not only influenced by international market demand, but also by fluctuations in CPO prices at the international level which are highly dependent on the world vegetable oil market conditions. In addition, competition with other countries such as Malaysia and Thailand is getting tighter, potentially reducing Indonesia's opportunities in the international market. This situation has pressured Indonesia's competitiveness even though the value and volume of exports are still relatively large. Currently, the condition of Indonesia's CPO exports is becoming more complex because the government has increased export tariffs from 7.5% to 10% through PMK Number 30 of 2025, while at the same time export destination countries are also tightening entry rules, especially related to sustainability and environmental issues. Pressure from these two sides shows that Indonesia's CPO exports are very vulnerable to policies, both from within the country and abroad. This condition makes Indonesia must have a strategy to remain competitive and not be left behind by other countries. Therefore, competitiveness analysis is very important because it can show the extent to which Indonesia is able to maintain its

position. Comparative advantage can be seen through the Revealed Comparative Advantage (RCA) method, while competitive advantage is analyzed with the Export Competitiveness Index (ECI) which compares Indonesia's export performance with other countries.

In addition to competitiveness, CPO exports are also influenced by macroeconomic factors that can be explained through *the Gravity Model*. This model states that trade between countries is influenced by the size of the economy (GDP), the number of population, and the economic distance between countries. In this study, the larger the GDP of a country, the greater the potential demand for Indonesian CPO. The population is also an important indicator because oil consumption tends to increase as the population grows. The rupiah exchange rate and CPO prices abroad affect income from exports, while distance between countries is directly related to transportation costs that can reduce competitiveness (Abdullah and Akbariyah, 2024).

Seeing these conditions, this research is important to find out how competitive Indonesia's CPO is in the international market and what factors affect its export performance. Thus, this study is titled "*Analysis of Competitiveness and Factors Affecting Indonesia's CPO (Crude Palm Oil) Exports in the International Market.*"

## **1.2 Problem Formulation**

1. What are the comparative advantages of *Indonesian Crude Palm Oil* exports in the International Market?
2. What is the competitive advantage of *Indonesia's Crude Palm Oil* exports in the International Market?

3. What factors affect Indonesia's *Crude Palm Oil* exports in the International Market?

### **1.3 Research Purpose**

The objectives of this study include:

1. Analyzing the comparative advantages of Indonesia's *Crude Palm Oil* exports in the International Market
2. Analyzing the competitive advantage of Indonesia's *Crude Palm Oil* exports in the International Market
3. Analyze the factors affecting Indonesia' s *Crude Palm Oil* exports in the International Market

### **1.4 Significance**

The results of this study are expected to provide benefits in several ways, namely, as follows:

1. For Researchers

The results of this study are expected to add insight and knowledge in the field of competitiveness of Indonesian CPO exports and can be used as a reference for further research related to the export of other plantation commodities. In addition, this research can contribute to the development of literature on international trade.

2. For Colleges

This research is expected to be able to be a source of reference that adds insight and knowledge, especially for student writing. The findings of this research can be recommended in the university environment and used as a reference in the preparation of similar scientific papers. This research is also

expected to motivate students to be more active in conducting research and producing valuable academic writings, so as to support the improvement of the quality of education in higher education.

### 3. For The Government

The results of this study can be used as a source of information in formulating strategies to improve CPO export performance. The government can use the findings of this research as a consideration in formulating appropriate policies in an effort to expand market share and maintain export stability.