

ABSTRACT

Indonesia is one of the world's largest producers and exporters of crude palm oil. To explain the value of bilateral trade and barriers that limit the international trade, this research used a gravity model approach. This study was conducted to analyze the effect of variables on Indonesia's crude palm oil exports. The variables of this study such as, GDP and distance as representation of the gravity model, exchange rate and CPO global prices as factors that influence Indonesia's CPO export.

This research used secondary data from BPS, World Bank, IFS, GAPKI and related websites from 2010 – 2019. The analysis technique in this research used gravity model approach and panel data regression methods using Eviews 10. Panel data regression has three phases: common effects model, fixed effects model, and random effects model. These phases are designed to determine the most suitable model to use in this research before interpreting the results.

The results of this research indicate that all the independent variables such as GDP, economic distance, exchange rate, and CPO global prices, have significant impact simultaneously on Indonesia's CPO export. Both Indonesia's GDP and destination countries (India, China, Netherlands, Spain, and Italy) have positive impact and significance on Indonesia's CPO export. In addition, economic distance, exchange rate, and CPO global prices have a negative impact on Indonesia's CPO export.

Keyword: CPO Export, Gravity Model, Exchange Rate, CPO global price