# *ABSTRACT*

*Indonesia, as the world's largest crude palm oil (CPO) producer and exporter, faces export volatility driven by external shocks such as geopolitical risks, substitute commodity price fluctuations, and domestic policy interventions. This study aims to analyze the effects of geopolitical risk, soybean oil price substitution, developed countries' industrial activity, nominal exchange rate, and export ban policies on Indonesian CPO export volume. Using monthly time-series data from 2009 to 2023, this research employs the Two-Stage Least Squares (2SLS) method with Heteroskedasticity and Autocorrelation Consistent (HAC) standard errors to address endogeneity issues arising from the simultaneous determination of price and export volume, utilizing Malaysian CPO production as an instrumental variable. The results indicate that global geopolitical risk, substitute prices, industrial activity, nominal exchange rates, and global CPO prices significantly affect export volume. Notably, the domestic export ban policy has a highly significant negative impact, reflecting the disruptive effect of extreme non-tariff barriers. Furthermore, geopolitical risk negatively impacts exports, indicating that logistics friction dominates precautionary hoarding. This study concludes that global demand fundamentals and domestic trade policies are more dominant in determining CPO export performance than geopolitical sentiments alone. These findings imply the importance of maintaining market credibility by avoiding blanket export bans and utilizing more measured fiscal instruments, such as variable export taxes or Domestic Market Obligations (DMO), to secure domestic supply without severing global trade flows.*

*Keywords: CPO exports, geopolitical risk, substitution effect, Two-Stage Least Squares, export ban, trade policy*

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