

Analysis Of The Competitiveness Of Indonesian And Malaysian Palm Oil Exports In The China Market

Muhammad Cesar Pratama¹, Mahananto², Agung Prasetyo²

1 Undergraduate Student, Agribusiness Department, Agriculture Faculty, Tunas Pembangunan University, Surakarta, Indonesia

2 Agribusiness Department, Agriculture Faculty, Tunas Pembangunan University, Surakarta, Indonesia

* E-mail: cesarpratama34@gmail.com

ABSTRACT

This study analyzes the competitiveness of Indonesian and Malaysian palm oil exports in the Chinese market during the period 2013–2023. The research was conducted using a descriptive quantitative approach by applying the Revealed Comparative Advantage (RCA) and Market Share Index (MSI) methods. The analysis is based on secondary data related to palm oil export volumes and values categorized under HS code 15119000. The results show that both countries have a comparative advantage, as reflected by RCA values above one; however, Indonesia demonstrates a stronger position with an average RCA of 42.22 compared to Malaysia's 15.87. In terms of market share, Indonesia also dominates, recording an average MSI of 61%, while Malaysia's share averaged 27%. These findings highlight Indonesia's greater competitiveness, supported by its larger plantation areas, lower production costs, and growing export volume. Meanwhile, Malaysia's strength lies in its higher productivity per hectare. The study concludes that Indonesia holds a superior competitive position in the Chinese palm oil market and emphasizes the importance of strengthening this advantage to maintain market dominance.

KEYWORDS: comparative advantage; market share; MSI; RCA

INTRODUCTION

Indonesia is a country blessed by God Almighty with abundant natural resources. As an agricultural country, this character has been closely attached to the nation's identity. The vast land area makes the agricultural sector the mainstay for people in earning income. Not only does it act as a source of livelihood, the agricultural sector also has great potential to drive national economic growth (Yudha & Nugraha, 2022). According to data from the Central Statistics Agency (BPS, 2024), the contribution of the agricultural sector to Gross Domestic Product (GDP) reached 12.53 percent, placing it in third place after the Manufacturing Industry sector at 18.67 percent and the Wholesale and Retail Trade and Car and Motorcycle Repair sectors at 12.94 percent.

The agricultural sector plays a crucial role in economic activities in Indonesia. With tropical climate conditions, Indonesia has abundant natural resources, one of which comes from the agricultural sector (Patone et al., 2020). Among the various subsectors in agriculture, the plantation subsector is one that has great potential. In 2021, this subsector showed an increase in yield of 8.34 percent and contributed around 30.27 percent to the entire agricultural sector. This achievement was influenced by the increasing production of various plantation commodities such as palm oil, coffee, cocoa, and sugar cane (BPS, 2022). Palm oil is one of the mainstay commodities in the plantation subsector because of its ability to produce vegetable oil which is greatly needed by the industrial sector (Saban & Novianti, 2023). As global demand for palm oil increases, Indonesia, as one of the world's major producers and exporters of crude palm oil (CPO), plays a crucial role in maintaining food security

both domestically and in importing countries (Prasetyo et al., 2017). Crude Palm Oil (CPO) is the main product of the palm oil plantation sector whose production has shown an increasing trend over the past three decades, with an average growth of 10.13 percent (Yudha & Bagaskara, 2024).

The palm oil industry in Indonesia shows positive development prospects and tends to experience sustainable growth. This is reflected in the increase in plantation area and production volume recorded from year to year (Prayitno & Widyawati, 2021). Based on the data in Table 1, it can be seen that the area of oil palm plantations has increased every year throughout the period 2014 to 2023, although there was a decrease in production in 2019. In 2014, the area of oil palm plantations was recorded at 10,754,801 hectares with a total production reaching 29,278,189 tons. Ten years later, namely in 2023, the area increased to 15,928,712 hectares with a production volume reaching 47,084,299 tons. In general, these data show a positive relationship between the increase in plantation area and the increase in production volume, where the wider the area of oil palm plantations, the production produced also tends to increase.

Table 1
Area of Indonesian Palm Oil Plantations and Production

Year	Area (Ha)	Palm Oil Production (Ton)
2014	10.754.801	29.278.189
2015	11.260.276	31.070.015
2016	11.201.465	31.487.986
2017	12.383.101	34.940.289
2018	14.326.350	42.883.631
2019	14.456.612	47.120.247
2020	14.586.597	45.741.845
2021	14.621.693	45.121.480
2022	15.338.556	46.819.672
2023	15.928.712	47.084.299

Source: Badan Pusat Statistik (2023)

Based on BPS (2024), exports of palm oil production from the plantation industry are classified according to the Harmonized System (HS) code, including Crude Palm Oil (HS-15111000), Other Palm Oil (HS-15119000), Crude Oil of Palm Kernel (HS-15132110), and Other Palm Oil Kernel (HS-15132900). Among the four categories, the largest exports in 2023 came from the Other Palm Oil (HS-15119000) group, which contributed 81.83 percent of Indonesia's total palm oil exports. Followed by Crude Palm Oil (HS-15111000), Other Palm Oil Kernel (HS-15132900), and Crude Oil of Palm Kernel (HS-15132110), each contributing 13.06 percent, 4.97 percent, and 0.14 percent. In terms of volume, palm oil exports showed a downward trend from 2019 to 2022. However, in 2023 there was an increase in export volume. The most significant decrease in volume occurred in 2020, which was 27.63 million tons or down 8.55 percent compared to the previous year.

Indonesia not only plays a role as a producing country, but also occupies a position as one of the main exporters of palm oil and its processed products in the world, with Malaysia in the next position (Tiara et al., 2023). Based on Trademap data quoted by the Kementerian Pertanian (2024), in 2019 and 2023, the five main exporting countries with HS code 1511 contributed around 87 percent of the total value of global palm oil exports. In 2023, Indonesia and Malaysia still dominate as the two largest exporting countries, contributing 52.55 percent and 27.60 percent respectively. With almost comparable production levels, Malaysia has great potential to become Indonesia's main competitor in the palm oil industry.

Most of Indonesia's palm oil production is intended for the export market, while some is marketed domestically. Indonesian palm oil has reached five continents, namely Asia, Africa, Australia, America, and Europe, with Asia as the main market (Pratomo & Saputra, 2022). Based on BPS (2024), throughout 2012 to 2023, the main destination countries for Indonesian palm oil exports include

India, China, Pakistan, the Netherlands, and the United States. During the 2019 and 2023 period, Indonesian palm oil exports with HS code 1511 to major importing countries such as India, China, and the United States experienced an increasing trend. However, when compared between 2022 and 2023, there was a decrease in exports to India by 15.13% and to the United States by 13.584%, while exports to China increased slightly by 1.13% (Kementerian Pertanian, 2024). In major markets such as India, China, Pakistan and the Netherlands, Indonesia faces competition from other producing countries such as Malaysia and Thailand (Prasetyo et al., 2017).

Global trade requires each country to have specialization and strong competitive advantages in order to dominate the international market. The level of market dominance of a country reflects its ability to compete in certain commodities (Patone et al., 2020). Based on the data and information explained previously, further analysis is needed regarding the competitiveness of Indonesian and Malaysian palm oil exports in the main destination countries, especially China. Therefore, this study aims to evaluate the competitiveness and market share of the two countries as the main exporters of palm oil in the Chinese market. This study is expected to provide meaningful input to strengthen the competitive position of Indonesian palm oil in the global arena, especially considering the tight competition in the palm oil industry.

This study aims to analyze the level of competitiveness of Indonesian and Malaysian palm oil exports in the Chinese market. In addition, this study also focuses on efforts to identify the market share of each country in palm oil commodities, considering that Indonesia and Malaysia are two major exporters that compete directly in the market.

METHODOLOGY

Research Design

This study uses a descriptive method with a quantitative approach. This approach emphasizes objective measurements and statistical, mathematical, or numerical data analysis, obtained through various instruments such as surveys, polls, and questionnaires, and supported by computational techniques in processing and modifying available statistical data (Waruwu et al., 2025). This quantitative approach is applied to examine the competitiveness of Indonesian and Malaysian palm oil exports in the Chinese market, using the Revealed Comparative Advantage (RCA) and Market Share Index (MSI) analysis methods.

Research Location

The determination of the research location was carried out intentionally (purposely) by taking place in Indonesia. The object studied in this study is the competitiveness of Indonesian and Malaysian palm oil exports in the Chinese market during the period 2013–2023. The selection of Malaysia as a comparative country is based on its position as one of the world's main producers and exporters of palm oil. Meanwhile, China was chosen as the destination country because it is one of the main markets for Indonesian palm oil exports, where Malaysia is also Indonesia's main competitor in the market.

Data Collection Techniques

This study uses secondary data in the form of time series data for the period 2013 to 2023. The data collected includes the volume and value of palm oil exports from Indonesia and Malaysia to the export destination country, namely China. The focus of the analysis is on the export value classified based on the Harmonized System (HS) code 151190 in international trade data. Secondary data sources are obtained from various official agencies and related institutions, such as the Central Statistics Agency (BPS), the United Nations Commodity Trade Statistics Database (UN Comtrade), and supported by scientific journals and other relevant literature.

Tools or Instruments Used

The instruments used in this study consist of analysis tools and software relevant to the research objectives. To analyze the competitiveness of Indonesian and Malaysian palm oil exports in the Chinese market, the study employed Revealed Comparative Advantage (RCA) and Market Share

Index (MSI) as analytical methods. These tools are instrumental in measuring comparative export performance and market share dynamics over time.

Data Analysis Methods

The data collected in this study were analyzed using a quantitative approach. This approach utilizes two analysis methods, namely Revealed Comparative Advantage (RCA) and Market Share Index (MSI). Data processing is carried out with the support of Microsoft Excel software to facilitate the calculation and analysis process.

RESULTS AND DISCUSSION

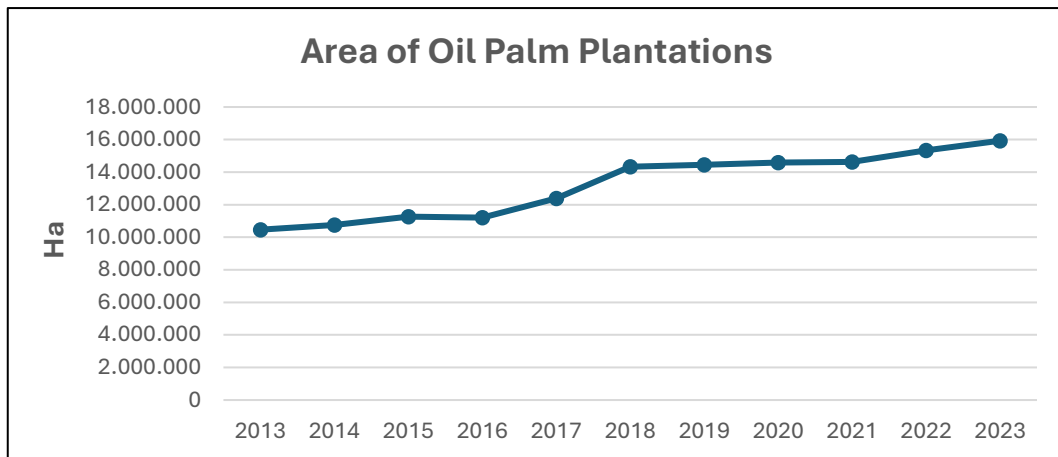
Oil palm is one of the important plantation commodities that is the main source of raw materials in the agricultural and industrial sectors, especially in the manufacture of palm oil which has high economic value. In general, there are two types of oil palm that are most widely cultivated commercially, namely *Elaeis guineensis* and *Elaeis oleifera*. Each has its own advantages, where *Elaeis guineensis* is known for its high productivity, while *Elaeis oleifera* has the advantage of a lower plant height, making it easier to harvest. Therefore, hybridization efforts were made between the two species to produce oil palm varieties that are not only productive but also easy to harvest. This plant grows well in tropical climates and has spread to various countries, with Indonesia and Malaysia as the two main producers of palm oil in the world. In Indonesia, oil palm plants are found in many areas such as Sumatra, Kalimantan, Sulawesi, and Papua, which strengthens the country's position as an important actor in the global palm oil industry (GAPKI, 2024).

According to data from the BPS (2024), oil palm plantations in Indonesia are spread across 26 provinces, covering all provinces on the islands of Sumatra and Kalimantan, as well as several other regions such as West Java, Banten, Central Sulawesi, South Sulawesi, Southeast Sulawesi, West Sulawesi, Gorontalo, Maluku, North Maluku, Papua, and West Papua. In that year, Riau Province became the region with the largest oil palm plantation area, reaching 3.40 million hectares or around 21.36% of the total national oil palm area, with crude palm oil (CPO) production of around 9.22 million tons. In addition, Central Kalimantan and West Kalimantan also have significant areas, amounting to 2.17 million hectares and 2.13 million hectares respectively.

Oil palm plantations in Indonesia are classified into three categories based on their management status, namely smallholder plantations (PR), large state plantations (PBN), and large private plantations (PBS). In 2023, the largest management is still dominated by large private plantations (PBS) with a land area of 8.61 million hectares or around 54.08% of the total area. Meanwhile, smallholder plantations (PR) manage around 6.74 million hectares (42.29%), and the rest, 0.58 million hectares or 3.63%, is under the management of large state plantations (PBN).

The profitable prospects of palm oil encourage industry players in this sector to continue to expand plantation areas in Indonesia. These expansion efforts are reflected in the increasing area of palm oil plantations which has increased every year. The graph below shows the trend of the development of the area of palm oil plantations in Indonesia throughout the period 2013 to 2023:

Figure 1
Area Of Oil Palm Plantations

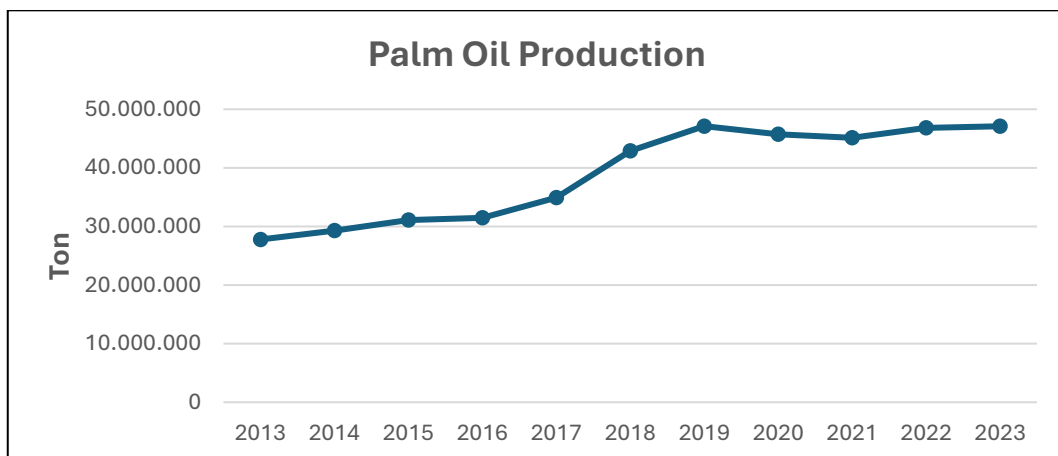


Source: Badan Pusat Statistik (2023)

Referring to the graph in Appendix 2, the area of oil palm plantations in Indonesia shows an increasing trend during the period 2013 to 2023, with the exception of 2016 which experienced a decline. In 2013, the land area was recorded at 10,465,020 hectares and continued to increase to reach 15,928,712 hectares in 2023. The average increase each year is around 4 percent. The most significant increase occurred in 2018, with a jump of 16 percent from 12,383,101 hectares in 2017 to 14,326,350 hectares the following year.

The increase in the area of oil palm plantations has a direct impact on the increase in the volume of palm oil production. The graph below illustrates the trend of palm oil production growth in Indonesia over the period 2013 to 2023:

Figure 2
Palm Oil Production



Source: Badan Pusat Statistik (2023)

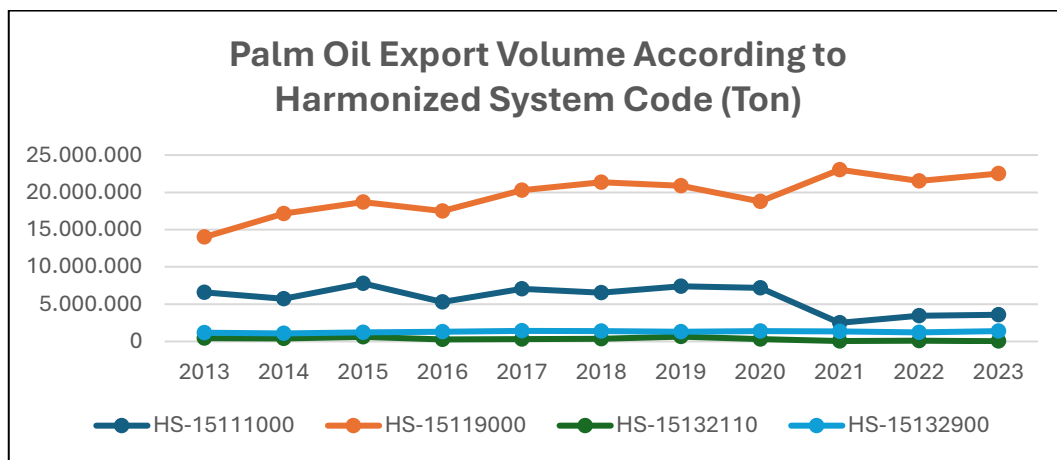
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During the period 2013 to 2023, palm oil production in Indonesia fluctuated, with an average annual growth of around 6 percent. In more detail, palm oil production showed a stable upward trend from

2013 to 2019, with an average growth of 9 percent per year. However, the impact of the Covid-19 pandemic that began in early 2020 is thought to have caused a decline in production in 2020 and 2021. However, palm oil production began to show recovery in 2022, with production reaching 46.82 million tons. 2018 was the moment of the highest growth in the decade, namely 23 percent, which was influenced by the expansion of the scope of palm oil company administration.

Palm oil export and import activities are grouped based on the Harmonized System (HS) code, which includes Crude Palm Oil (HS-1511000), Other Palm Oil (HS-15119000), Crude Oil of Palm Kernel (HS-15132110), and Other Palm Oil Kernel (HS-15132900). A country's palm oil production capacity usually reflects its export potential. The greater the production volume, the higher the country's opportunity to export in large quantities. The following graph presents the development trend of Indonesia's palm oil export volume throughout 2013 to 2023:

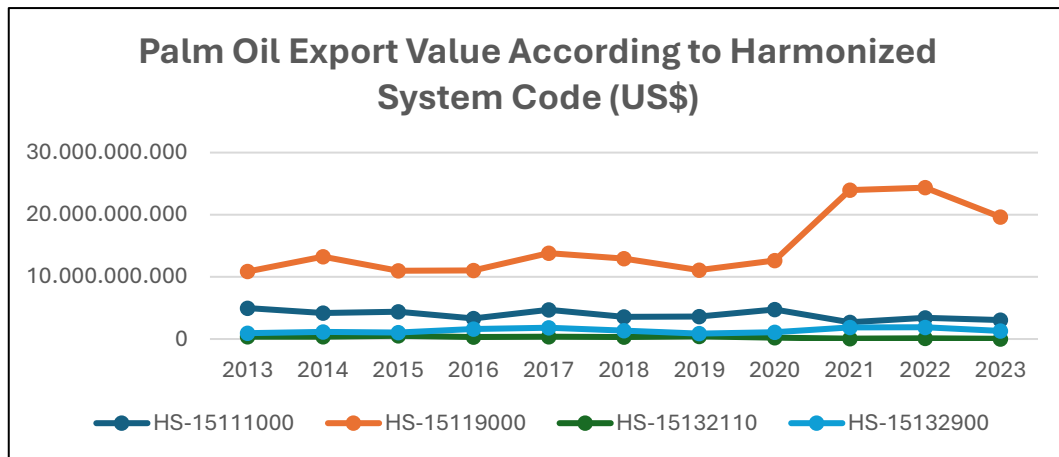
Figure 3
Palm Oil Export Volume



Source: UN Comtrade (2025)

Of the four types of palm oil products, the Other Palm Oil (HS-15119000) category was recorded as the commodity with the highest export volume during the period 2013 to 2023, reaching 215.68 million tons or around 73% of Indonesia's total palm oil exports. During this period, Indonesia's palm oil exports experienced an average growth of 3% per year, with an increase in volume from 22.22 million tons in 2013 to 27.53 million tons in 2023. The peak of exports occurred in 2019 with a total of 30.21 million tons. Based on the GAPKI report (2019), this spike is estimated to be due to increased demand from several major export destination countries, especially China and countries in Africa. Demand from China increased significantly due to the trade war with the United States, which prompted the country to reduce soybean imports and switch to palm oil to meet its various needs.

Figure 4
Palm Oil Export Value

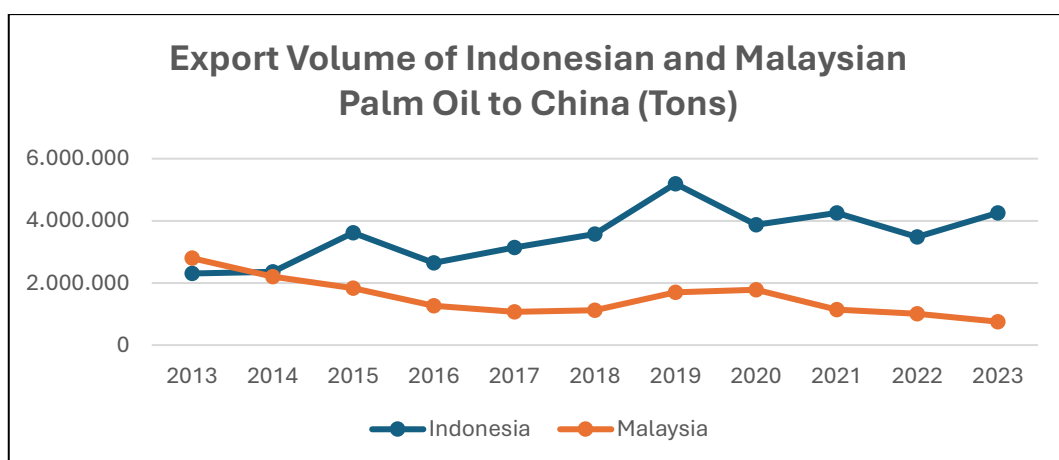


Source: UN Comtrade (2025)

Data analysis for the period 2013 to 2023 shows that the value of Indonesian palm oil exports has fluctuated. The average export value during the period was recorded at 20.49 billion US dollars, with an average annual growth of around 4 percent. The highest achievement occurred in 2022, when the export value reached 29.77 billion US dollars. Although the export volume in 2021 to 2022 tended to decline, the export value actually increased, triggered by the increase in palm oil prices. However, in 2023, although the export volume showed an increase compared to the previous year, the export value actually fell by 19 percent, to 24.01 billion US dollars.

Indonesia and Malaysia consistently occupy positions as two major producers and exporters of palm oil in the world. As a major player in the international market, palm oil products from Indonesia have spread to five continents Asia, Africa, Australia, America, and Europe with the largest market share in the Asian region. In reaching major export destination countries such as India, China, Pakistan, and the Netherlands, Indonesia faces stiff competition, especially from Malaysia and Thailand, which are its main rivals (Prasetyo et al., 2017). Competition between Indonesia and Malaysia is very fierce in the export market, especially in China, which is one of the largest markets for both countries. To illustrate the dynamics of this competition, the following is a comparative graph of the volume of palm oil exports from Indonesia and Malaysia to China based on the HS-15119000 code.

Figure 5
Indonesian and Malaysian Palm Oil Export Volume to China



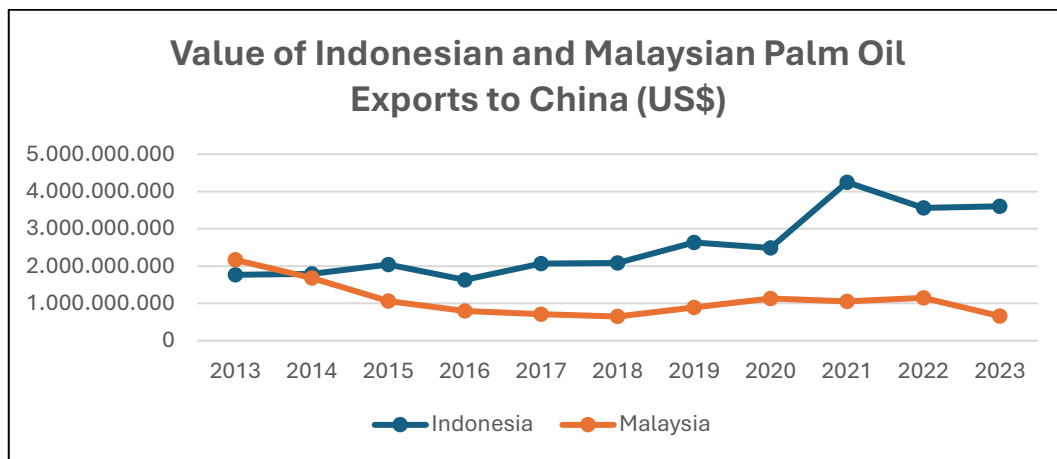
Source: UN Comtrade (2025)

Trade data for the period 2013 to 2023 shows that the volume of Indonesian and Malaysian palm oil exports to China based on the HS-15119000 code has fluctuated, although with different trends for

each country. The average volume of Indonesian exports to China during this period reached 3.51 million tons, much higher than Malaysia which only recorded an average of 1.51 million tons. Overall, Indonesian palm oil exports to China have shown an increasing trend, with an average annual growth of 7%. In contrast, Malaysian exports to the same market have actually decreased, with an average growth rate of -9% per year. If this trend continues, Indonesia has a great opportunity to strengthen its dominance in the Chinese market and surpass Malaysia in the competition for palm oil exports to that country.

Indonesia is the world's largest producer of palm oil, but the country does not yet have full control in determining the price of the commodity in the global market. The international price of palm oil is more influenced by a number of factors, such as the balance between supply and demand, the price of other vegetable oils (especially soybean oil), climate conditions, and import policies imposed by the destination countries. To illustrate this situation, the following is a comparative graph of the value of Indonesian and Malaysian palm oil exports to China based on the HS-15119000 code during the period 2013 to 2023.

Figure 6
Value of Indonesian and Malaysian Palm Oil Exports to China



Source: UN Comtrade (2025)

Based on the graph presented, the value of Indonesian and Malaysian palm oil exports to China with the HS-15119000 code during the period 2013 to 2023 shows a fluctuating trend. The average export value during this period shows that Indonesia is superior to Malaysia, with an annual export value reaching 2.54 billion US dollars, while Malaysia is only 1.09 billion US dollars. Indonesia's superiority is mainly due to its larger export volume compared to Malaysia. In addition, the development of the export value of the two countries shows opposite directions, where Indonesia recorded an average positive growth of 6% per year, while Malaysia experienced an average decline of 9% per year.

The comparative advantage possessed by Indonesia and Malaysia is a key factor in determining the level of competitiveness of palm oil exports in the global market, especially in major destination countries such as China. One method used to assess a country's comparative advantage is Revealed Comparative Advantage (RCA). The RCA index measures the comparison between a country's export share of a product with the share of similar products in the world market. Through this analysis, we can get an idea of how strong the competitiveness of palm oil trade is between Indonesia and Malaysia in the Chinese market. The results of the calculation of the RCA value of each country are presented in the following table:

Table 2
Indonesia And Malaysia Palm Oil RCA Index In China

Year	Indonesia	Malaysia
2013	31,61	28,49
2014	45,47	26,58
2015	61,57	18,59
2016	54,12	18,66
2017	47,27	12,82
2018	48,32	11,83
2019	48,03	13,30
2020	39,41	15,07
2021	35,61	10,24
2022	25,15	11,20
2023	27,86	7,84
Average	42,22	15,87

Source: UN Comtrade (2025), processed

China is one of the main markets for palm oil exports from Indonesia and Malaysia based on the HS-15119000 code. During the period 2013 to 2023, the total value of China's palm oil imports from Indonesia reached 27.93 billion US dollars, while from Malaysia it was 11.96 billion US dollars. Indonesia's higher export value is in line with its export volume which is also larger than Malaysia. Based on the data in Table 2, the results of the Revealed Comparative Advantage (RCA) calculation show that Indonesia's average RCA index during the period was at 42.22, while Malaysia recorded an average value of 15.87. An RCA value of more than one (>1) indicates that both Indonesia and Malaysia have strong comparative advantages, so that both are able to compete effectively in the Chinese market. This reflects the optimal utilization of superior factors such as land area, competitive labor costs, and production cost efficiency.

During the period 2013 to 2023, the average Revealed Comparative Advantage (RCA) value of Indonesian palm oil in the Chinese market was recorded at 42.22, indicating that this product has strong comparative competitiveness in the market. The high value of Indonesia's RCA is mainly due to the value of palm oil exports to China which is consistently greater than Malaysia throughout the period. The superiority in export value is driven by Indonesia's higher export volume, which in turn is related to the increase in national palm oil production. The increase in production is supported by the expansion of oil palm plantations in Indonesia which shows a growth trend from year to year.

Indonesian palm oil has been proven to have a comparative advantage in the Chinese market. This finding is in line with the research results of Simanjuntak *et al.*, (2024), which shows that the average Revealed Comparative Advantage (RCA) value of Indonesian palm oil based on the HS-1511 code during the 2017–2021 period was above one (>1), indicating that Indonesian palm oil has high comparative competitiveness. Meanwhile, Prasetyo *et al.*, (2017) outlined a number of factors that have strengthened Indonesia's comparative advantage in palm oil trade in the global market. The first factor is the availability of extensive oil palm plantation land spread across various regions such as Sumatra, West Java, Kalimantan, Sulawesi, and Papua, which are supported by ideal climate and environmental conditions for oil palm cultivation. Second, the availability of a large workforce at a relatively low cost. Third, low production input costs and ease of obtaining raw materials and supporting materials from within the country. Fourth, the existence of supporting industries such as seed providers, fertilizer producers, and chemicals that support the palm oil production process.

As one of the largest palm oil producing countries in the world besides Indonesia, Malaysia is a relevant comparator to evaluate the level of competitiveness of Indonesian palm oil in the global market, especially in China. During the period 2013 to 2023, the average Revealed Comparative Advantage (RCA) value of Malaysian palm oil in the Chinese market was recorded at 15.87. This value shows that Malaysian palm oil has a fairly strong comparative advantage in the market. However,

when compared to Indonesia, Malaysia's competitiveness is still lower, considering that Indonesia's RCA value is at a higher level.

Malaysian palm oil shows a comparative advantage in the Chinese market, as stated by Riwaldi & Wijayanti (2023) who noted that the average RCA value for Malaysian palm oil based on the HS-1511 code during the 2012–2021 period was always above one (>1). This reflects high comparative competitiveness. This advantage is mainly supported by a high level of productivity. Based on data from the (Kementerian Pertanian, 2024), the productivity of oil palm land in Malaysia reached 4.56 tons per hectare per year, higher than Indonesia which only reached 3.68 tons per hectare per year. With higher productivity, Malaysia is still able to maintain a large export volume even though its land area is more limited. In addition, this high productivity is also driven by the availability of skilled labor, considering that Malaysia emphasizes the development of human resource quality to increase the efficiency of the plantation sector.

Competitiveness is the ability of a commodity to generate sustainable profits and increase its market share. Therefore, competitiveness can be analyzed through a profitability and market share-based approach. To compare the market share of palm oil between Indonesia and Malaysia in destination markets such as China, the Market Share Index (MSI) calculation method can be used. This market share reflects the extent of the influence of palm oil commodities from an exporting country compared to other exporting countries. The MSI values of Indonesia and Malaysia are presented in more detail in the following table.

Table 3
Market Share Index of Indonesian and Malaysian Palm Oil in China

Year	Indonesia	Malaysia
2013	39%	48%
2014	44%	41%
2015	61%	31%
2016	59%	28%
2017	62%	21%
2018	67%	21%
2019	69%	23%
2020	60%	28%
2021	67%	18%
2022	70%	20%
2023	75%	13%
Average	61%	27%

Source: UN Comtrade (2025), processed

Referring to Table 3, it can be seen that the trend of the Market Share Index (MSI) values of Indonesia and Malaysia throughout 2013 to 2023 is moving in the opposite direction. Indonesia's MSI shows an increasing trend from year to year, while Malaysia's MSI actually decreased. The average value of Indonesia's MSI during this period reached 61 percent, while Malaysia only recorded an average of 27 percent. This condition shows that palm oil from Indonesia controls a larger market share in China compared to palm oil from Malaysia.

The increase in Indonesia's MSI value during the period was influenced by the increase in the volume of Indonesian palm oil exports from year to year. Conversely, the decrease in Malaysia's MSI value was caused by the decrease in the volume of palm oil exports to China. In the Chinese market,

Malaysia faces tight competition with Indonesia, which has resulted in a decrease in palm oil exports from Malaysia. This is due to China's preference for importing from Indonesia which offers more competitive prices (Ahmad et al., 2022). Indonesia's production cost advantages, such as lower labor costs and the availability of large plantation land, are the main factors that strengthen Indonesia's dominance in controlling the palm oil market share in China.

CONCLUSION

Palm oil produced by Indonesia and Malaysia both show comparative advantages and competitiveness in the Chinese market, as reflected in the RCA index value of each country which is above one (>1). During the period 2013–2023, the average RCA value of Indonesian palm oil was recorded at 42.22, while Malaysia recorded an average of 15.87. This figure shows that the competitiveness of Indonesian palm oil in the Chinese market is superior to Malaysia. Indonesia's comparative advantage is supported by the availability of extensive plantation land and abundant labor at relatively low costs. Meanwhile, Malaysia's advantage lies in its high level of productivity and the use of skilled labor. Both countries are major exporters of palm oil in the world, especially in the Chinese market. Based on the calculation of the Market Share Index (MSI), Indonesia is recorded as having a larger share of the palm oil market than Malaysia, with an average MSI reaching 61% during the period 2013–2023, while Malaysia only recorded an average of 27%. The higher the MSI value, the wider the market share of a country in a particular commodity. Indonesia's larger market share is due to the higher volume of palm oil exports to China compared to Malaysia, so that most of China's palm oil imports during the period came from Indonesia.

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