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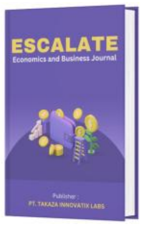

Analysis of Opportunities and Threats in Indonesia's International Trade: A Case Study of Indonesian and Malaysian Plantation Commodities

Intan Mahrani J Gumohung
Pelita Bangsa University
Corresponding Author e-mail: intangumohung04@gmail.com

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Abstract: *This study aims to analyze the opportunities and threats in Indonesia's international trade, particularly in palm oil and tea plantation commodities, with a comparative case study of Malaysia within the APEC framework for the period 2015–2024. Using a qualitative literature review approach, secondary data were collected from academic journals, government reports, and international publications, then analyzed using a SWOT matrix to identify internal and external factors affecting Indonesia's competitiveness. The analysis results indicate that Indonesia holds a significant comparative advantage as the world's largest palm oil producer with a global market share of over 40%, but faces serious threats including sustainability certification pressures (EUDR), price and quality competition with Malaysia, and fluctuations in international trade policies. In the tea sector, Indonesia experienced a 15.78% decrease in plantation area in 2021 and remains dependent on black tea imports from Vietnam, despite having export potential to Malaysia, Russia, and the United States. The study concludes that enhancing ISPO certification, diversifying derivative products, and strengthening regional cooperation through APEC are crucial strategies to improve the competitiveness of Indonesia's plantation commodity trade in the global market, with the main limitation being the focus on literature review without primary data and coverage of only two commodities.*

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Introduction

International trade is a crucial aspect of a country's economic development. For Indonesia, which boasts abundant natural resources, the plantation sector plays a crucial role in its economic growth. Indonesia is recognized as a major producer of plantation products such as palm oil, coffee, rubber, cocoa, and spices. The country not only meets local demand but also exports its plantation products to various parts of the world. Through various international trade agreements and institutions such as the Asia-Pacific Economic Cooperation (AEC),

(APEC), Indonesia faces a series of opportunities and challenges in international trade, particularly related to plantation commodities. Indonesia's position on the international trade map still lags far behind several countries such as Singapore, Malaysia, Thailand, Vietnam, and the Philippines. According to the World Bank, Indonesia's logistics performance, as measured by the Logistics Performance Index (LPI), is still suboptimal. Of the six categories in the LPI, performance

Indonesia was recorded as lower than the five countries in almost all categories, except for the aspect of punctuality.

Customs and infrastructure are the two aspects with the lowest scores in Indonesia's logistics performance. According to the Logistics Performance Index (LPI), one of the main issues contributing to high national logistics costs is infrastructure, which impacts the smooth flow of goods at ports. This is a constraint in Indonesia's logistics sector, negatively impacting national competitiveness (Khoerunnisa, 2024).

Tea exports from Indonesia to Malaysia play a crucial role in international trade between the two countries. Indonesia is one of the world's largest tea producers, producing a wide variety of teas, including black, green, and herbal teas. Malaysia, on the other hand, is a significant tea market, with strong demand from local consumers and a base for further distribution to neighboring Southeast Asian countries. The growth of Indonesian tea exports to Malaysia has been driven by various factors, including the quality of the tea produced, supportive trade policies, and the close relationship between tea industry players in both countries.

In addition, the free trade agreement between Indonesia and Malaysia also facilitates the flow of goods, including tea, between the two countries. Plantation commodities in Indonesia play a significant role in the world's tea market.

Internationally. Palm oil, for example, is one of Indonesia's main export products, contributing significantly to the country's economy. However, this achievement is not without challenges, particularly related to competition from other countries. One of Indonesia's closest competitors in the plantation sector is Malaysia (Edliawati et al., 2024). These two countries together dominate the global market for palm oil products, with Malaysia being the second-largest producer after Indonesia. In this situation, it is crucial to understand the trade interactions between the two countries, as well as how Indonesia can capitalize on opportunities and address the various threats.

Research methods

In this study, researchers utilized a qualitative method with a literature review approach to explore the opportunities and challenges faced by Indonesia's international trade sector, particularly in the agricultural commodities sector. Qualitative methods were chosen because they allow researchers to conduct in-depth analyses of phenomena, understand diverse contexts, and explore different perspectives from various relevant sources, providing a deeper understanding of the data obtained. The literature review was conducted by collecting and analyzing data from various literature sources, such as books, journal articles, government reports, policy documents, and international publications. Through the analysis of these documents, researchers were able to uncover significant patterns and interesting findings related to agricultural commodity trade between Indonesia and Malaysia within the APEC framework. Secondary data drawn from this literature includes trade statistics, previous research, and applicable policies both domestically and internationally (Sukmawati & Budiasa, 2024).

Results and Discussion

Development of Tea Plantation Area

Tea plantations in Indonesia have a long history and have become a vital part of the country's economy. Tea is a leading commodity that not only contributes to state revenue through exports but also plays a crucial role in job creation and improving the welfare of communities in tea-producing regions. In recent years, the area of tea plantations has shown significant changes, influenced by various factors

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such as market demand, climate change, and government policies. Due to the vast amount of tea produced in Indonesia, tea is marketed not only domestically but also internationally.

Thus, tea is one of Indonesia's most widely exported plantation products. For a developing country like Indonesia, tea plantations can provide numerous job opportunities, reduce unemployment, increase income, and ultimately generate foreign exchange, which is crucial for national development (Ibnu, 2023). Tea plantations in Indonesia are divided into two categories: large-scale plantations and smallholder plantations, determined by the nature of their operations. Large-scale plantations include both government-owned and large private plantations.

The report, "Indonesian Tea Statistics 2022," presents information on tea plantation area and production by entrepreneur status, as well as tea export and import data. Dry tea production from smallholder plantations tended to decline annually between 2015 and 2017. Indonesian tea exports fluctuate, with black tea being the dominant type. Tea imports have also varied over the past five years, with Vietnam being the primary supplier to Indonesia. Black tea is the most imported type of tea, with the highest volume occurring in 2013. The expansion of tea plantation area in Indonesia is influenced by the increasing global demand for tea, both for domestic consumption and export.

Black tea and green tea are the two most widely produced types of tea. InIn recent years, demand for high-quality, organic tea has also increased, along with public awareness of health and environmental sustainability. To meet this demand, many farmers and companies have begun expanding their plantation areas and adopting more environmentally friendly agricultural practices. However, increasing tea plantation area often faces various challenges, including climate change, which results in shifts in rainfall and temperature patterns, which can impact crop yields (Basorudin, 2023).

In 2020, the area of PBN tea plantations in Indonesia was 38,333 hectares, decreasing to 32,283 hectares in 2021, a downward revision of 15.78%. And in 2022, it experienced a decrease of 8.43 percent compared to 2021 to 29. The plantation sector, including tea plantations, contributed approximately 3.47% to Gross Domestic Product (GDP) in 2017. Dry tea production from large plantations tended to experience a slight increase from 2015 to 2017, with West Java Province being the largest producer (Uci Sarly Riani, 2023). Data on tea area and production based on business status, namely large state plantations, large private plantations, and smallholder plantations, are also presented in this publication. Government policies also play an important role in the development of tea plantation area. In order to increase tea production and quality, several policy measures have been taken, such as providing subsidies, training for farmers, and support in marketing tea products. Data on Indonesian Tea PR was obtained from the Director of Plantations at the Ministry of Agriculture. In 2020, the area managed by PR was 51,235 hectares, decreasing by approximately 1.73% to 50,350 hectares in 2021, and decreasing by approximately 0.07% to 50,313 hectares in 2022 (Nuralia, 2019).

In marketing, the Indonesian tea industry also faces significant challenges. Competition with other tea-producing countries is intense, and Indonesian tea producers must strive to offer products that are not only high quality but also have added value. Attractive packaging, digital marketing, and storytelling are some of the strategies used by tea producers to attract consumers, both domestically and internationally. To increase the competitiveness of Indonesian tea products, collaboration between the government, industry players, and research institutions needs to be strengthened. Furthermore, awareness of sustainability among global consumers has encouraged tea producers to invest in sustainable cultivation practices. Certification programs for organic and sustainable products, such as the Rainforest Alliance and Fair Trade, are increasingly being accepted by many tea farmers in Indonesia. This certification not only helps increase consumer confidence in tea products but also provides economic benefits to farmers through price premiums.

Indonesia's International Trade Opportunities

1. Rising Global Demand

   Global population growth and growing awareness of the importance of a healthier lifestyle have led to a surge in demand for various plant-based products, including tea and coffee. As a major producer of these two commodities, Indonesia has significant potential to increase exports. By addressing evolving consumption patterns, Indonesia can capitalize on broader market opportunities, particularly in APEC countries, which demonstrate a high demand for agricultural products (Kinanti et al., 2024).

2. Comparative Advantage

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Indonesia has a comparative advantage thanks to its soil and climate conditions that support the growth of plantation crops. Indonesia's diverse islands, coupled with its tropical climate, make it ideal for growing various crops such as oil palm, rubber, and coffee. By leveraging this advantage, Indonesia can improve both productivity and product quality, thereby increasing its competitiveness in the global market (Rufaedah & Fitrianto, 2024).

3. Product Diversification

   To increase competitiveness, product diversification is a necessary step. Indonesia can add derivative products from plantation commodities that have higher added value. For example, in the palm oil industry, processing palm oil into various food and non-food products, such as biodiesel, can increase value. This diversification not only provides marketing flexibility but also strengthens Indonesia's position in the global market.

4. Supportive Government Policies

   The Indonesian government has launched several policies to support international trade, including regulations and promotion of domestic products. Programs such as tax reductions and infrastructure improvements are a key focus, helping farmers and plantation businesses access international markets. This government support provides businesses with opportunities to increase the competitiveness of their products in the global market.

5. Regional Cooperation in APEC

   APEC, as a forum for economic cooperation in the Asia-Pacific region, can serve as a platform for Indonesia to strengthen its position in international trade. Through this collaboration, Indonesia can work with APEC member countries to formulate better policies and share knowledge and technology related to agricultural cultivation and processing. This is crucial to ensure that Indonesian products meet required international standards and have better market access.

Threats to Indonesia's International Trade

1. Competition with Other Countries

   One of the major challenges facing Indonesia in the plantation commodity trade sector is fierce competition with other countries, particularly Malaysia. Malaysia is a major palm oil producer and has established a strong position in the international market. This competition involves not only price but also product quality and sustainability. Indonesia must address both of these factors to maintain its global competitiveness.

2. Environmental and Sustainability Issues

   The negative impacts of unsustainable agricultural practices, such as deforestation, environmental degradation, and biodiversity loss, are gaining increasing global attention. Within the APEC framework, sustainability issues are a key topic in trade discussions. Indonesia's export destinations increasingly expect higher sustainability standards. If Indonesia fails to meet these criteria, the threat of declining demand for Indonesian plantation products will become increasingly apparent. Therefore, industry players need to shift to more environmentally friendly agricultural practices (Winanti, 2022).

3. International Price Fluctuations

   Commodity prices fluctuate frequently for a variety of reasons, including changes in global demand, weather conditions, and global trade policies. This price uncertainty can significantly impact farmers' incomes and the sustainability of their businesses. This price volatility presents a challenge for farmers and businesses alike when developing future business plans.

4. Unstable Trade Policy

   Unstable changes in international and regional trade policies also pose challenges to Indonesia's international trade. Importing countries may impose high tariffs or set import quotas for certain products, which can hinder market access for Indonesian plantation products. Therefore, it is crucial for the government to continuously monitor and adjust trade policies to address these ever-changing global dynamics.

Case Study of Indonesian and Malaysian Plantation Commodities

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The plantation sector, particularly plantation commodities, plays a vital role in the economies of Indonesia and Malaysia. With their tropical climates, both countries possess significant capacity to produce a wide variety of agricultural products, particularly palm oil, rubber, coffee, and tea. Among these commodities, palm oil is the most dominant and contributes significantly to their respective national incomes. Although Indonesia and Malaysia dominate the majority of the global market for this product, there are striking differences in policies, cultivation methods, and the challenges faced in managing the plantation sector in each country. This research will delve deeper into plantation commodities in Indonesia and Malaysia, as well as the various factors influencing their development.

Palm oil is the most crucial plantation commodity in Indonesia and Malaysia. Indonesia has become the world's largest palm oil producer, significantly impacting the export sector. More than 40% of total global production comes from this country. Malaysia, although second in the ranking, has a highly developed and efficient industry and a longer history of palm oil cultivation. Palm oil cultivation in Indonesia began in the early 1900s when the Dutch introduced the crop as a new export commodity. Since then, palm oil plantations have expanded rapidly in line with rising global demand. Malaysia entered the palm oil industry in the 1960s and has since developed modern cultivation technologies and efficient processing practices. Both Indonesia and Malaysia are working to increase their palm oil productivity. Indonesia has invested heavily in cultivation and processing technology, while Malaysia is leveraging its experience and knowledge to improve the quality of its products. In terms of marketing, the two countries compete fiercely in the global market. Malaysia has advantages in branding and product promotion, while Indonesia has the upper hand in production volume.

Conclusion

The conclusion from the above data is that economic cooperation between Indonesia, Malaysia, and Vietnam in the tea plantation sector has a strong and important relationship for the economies of both countries. Indonesian tea production, exports, and imports show interesting trends, with black tea dominating both exports and imports. The tea plantation sector has a significant contribution to the Indonesian economy, with

West Java Province is the largest producer. Smallholder plantations also play a role in increasing tea production in Indonesia. Indonesian tea exports are dominated by black tea, with Malaysia, Russia, and the United States being the three largest importers of Indonesian tea. International trade between Indonesia, Malaysia, and Vietnam has a strong and important relationship in the economies of both countries. Both countries share a wide range of traded goods, including palm oil, rubber, electronics, plantations, and other agricultural products. Trade policies, such as free trade agreements and economic partnerships, also influence trade flows between the two countries.

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