

# The Influence of China's Vegetable Oil Consumption on Indonesia's CPO Exports and Its Implications on Indonesia-China Trade Balance

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**Abstract.** China is one of the main destination countries of Indonesian CPO exports. Empirically, there is a widening gap phenomenon in China's vegetable oil consumption patterns, where consumption growth rates are higher than domestic production levels which therefore affects Indonesia's CPO exports to China, hence lead to Indonesia-China trade balance. The analytical method used is the ordinary least square (OLS), which is arranged in two-equation models. The findings of this study conclude that Indonesian CPO exports to China are influenced by increased consumption of vegetable oils in China, and the value of Indonesia's CPO exports to China has a positive impact on the trade balance deficit between Indonesia and China. This is also in accordance with the hypothesis, where the export value has a positive effect on the trade balance. Indonesia's CPO exports have a positive impact on Indonesia-China trade balance, in which contributing to overcoming or reducing Indonesia-China trade balance deficit. The average CPO export reaches USD 3.25 billion per year. This research indicates that CPO as a strategic commodity in Indonesia has helped Indonesia in overcoming Indonesia's trade balance deficit.