

Abstract

The Impact of Agricultural Exports on Economic Growth in Indonesia: Case of Palm Oil, Cocoa and Coffee

Presented by:
Desy Kurniawati

Master of International Development Studies
Takushoku University, 2016

Professor Hirokazu Kajiwara

Indonesia, as an agricultural country, favors the agricultural sector as a source of economic prosperity. The agricultural sector in Indonesia is a resource that has a comparative advantage compared to other countries. Agricultural commodities are a mainstay of the national income and foreign exchange that can be understood from the value of the commodities exported. There are three potential commodities in Indonesia which is exported: palm oil, cocoa and coffee. It is possible that there is connection between these three commodities and economic growth in Indonesia.

The main objective of this research is to analyze the contribution of agricultural exports on economic growth in Indonesia, especially for three most popular commodities: palm oil, cocoa, and coffee. It employs an extended generalized Cobb Douglas production function model, using data from food and agricultural organization, comtrade United Nation, BPS, and World Bank from 1970 to 2014. This research uses OLS (Ordinary Least Square) method by Eviews 9.

The finding of the research shows that the agricultural exports (palm oil, cocoa, and coffee export) have positive effect on economic growth in Indonesia. The control variable (gross fixed capital formation) also shows a positive effect on economic growth. Based on our finding, one factor that cause the positive effect is the success of government in regulating the export market, especially agricultural commodities. These results prove that policies regarding export, especially agricultural export, are quite effective.

In this case, the author suggests some policies regarding agricultural export, namely: (1) the government should allocate funds to improve the quality of the national commodity and land productivities, thus the acquisition of farmers would increase; (2) the government should develop and implement the mandatory SNI for all national commodities, especially for the export market, which is expected to improve Indonesian product quality; (3) the government should implement a policy to increase exports in the form of processed agricultural products (semi-finished goods or finished goods), in order to protect Indonesian farmers and improve Indonesian quality products overall, and (4) enhancement of the role of local governments in agricultural extension should be undertaken in order to improve the quality of Indonesian farmers.

Keywords: agricultural exports, economic growth, Indonesia