DIJEFA:
Dinasti International Journal of Economics, Finance & Accounting
E-ISSN: 2721-303X
P-ISSN: 2721-3021
https://dinastipub.org/DIJEFA dinasti.info@gmail.com +62 811 7404 455
DOI: https://doi.org/10.38035/dijefa.v6i5.5506
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Received: 23 August 2025 | **Revised:** 01 October 2025 | **Accepted:** 14 October 2025

Policy Trade Balance Formed from Indonesian Plastic Industry Exports

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Abstract: This research investigates how Indonesia's plastic product exports influence the national trade balance, drawing comparative lessons from fellow ASEAN economies. Employing a multiple linear regression approach, the study evaluates the impact of five macroeconomic indicators—exchange rate, foreign direct investment (FDI), inflation, production volume, and logistics infrastructure—on export performance. The analysis reveals that all variables exert statistically significant effects, with FDI inflows and infrastructure quality emerging as the most influential drivers of export growth. A weaker exchange rate tends to bolster export competitiveness, whereas inflation undermines cost-efficiency and market viability. Higher production output and enhanced logistics systems contribute directly to increased export capacity and operational effectiveness. The findings underscore the need for integrated macroeconomic strategies focused on inflation control, investment attraction, and infrastructure development to reinforce Indonesia's trade balance through plastic industry exports. These policy directions align with ASEAN's broader agenda for industrial resilience and export-oriented development.

Keywords: Macroeconomic Policy, Exchange Rate, Foreign Direct Investment, Inflation, Production Volume, Logistics Infrastructure, Trade Balance, ASEAN.

INTRODUCTION

Indonesia's plastic industry plays a strategic role in shaping the national trade balance, contributing significantly to non-oil and gas exports. In recent years, the government has intensified efforts to align plastic production and export activities with sustainable development goals (SDGs) and circular economy principles. Through national initiatives such as the *Circular Economy Indonesia 2025–2045* roadmap, Indonesia aims to reduce plastic waste, enhance recycling capacity, and improve the quality of exported plastic products (Schulte & Busch, 2024).

The trade surplus achieved in 2023—driven in part by manufacturing exports including plastics—demonstrates Indonesia's resilience amid global economic uncertainty (Rasbin, 2023). However, sustaining this surplus requires targeted policies that address structural

challenges in the plastic sector, including dependency on imported raw materials, limited domestic recycling infrastructure, and fluctuating global demand.

To strengthen the sector's contribution to the trade balance, Indonesia has adopted policies promoting downstream processing, foreign direct investment (FDI), and improved logistics. These measures aim to increase export value, diversify markets, and reduce reliance on low-value plastic exports. The integration of environmental considerations into trade policy also ensures that Indonesia's plastic exports remain competitive and compliant with international standards (Rasbin, 2023).

In support of regional trade facilitation, Minister of Finance Regulation No. PMK-43/PMK.010/2022 under the ASEAN Trade in Goods Agreement (AFTA) introduced the Commodity Balance mechanism. This policy, developed collaboratively by the Coordinating Ministry for Economic Affairs and the National Single Window Institution, serves as a basis for export-import policy decisions and addresses inefficiencies in trade management (Rasbin, 2023).

Historically, international trade has evolved from barter systems to complex global exchanges driven by differences in resources, labor, technology, and policy environments (Deardorff, 2017; Strange, 2020). Trade theory explains how these differences shape trade composition and direction, and how government policies can influence trade outcomes (Rocco & Colombo, 2016; Yusdja, 2016).

Exports, defined as the removal of goods and services from a country's customs territory (Minister of Industry and Trade, 1998), are a key component of Gross National Product (GNP). Changes in export value directly affect national income, while high export dependency increases vulnerability to global market fluctuations (Hasan et al., 2016).

Key macroeconomic variables influencing export performance include exchange rates, FDI, production quantity, and logistics infrastructure. Nominal and real exchange rates affect competitiveness and terms of trade (Mankiw & Reis, 2018). FDI contributes to industrial development through technology transfer, capital accumulation, and human resource enhancement (Pegkas, 2015; Jhinggan, 2004). Export quantity reflects trade volume and performance, while logistics infrastructure—comprising transport networks, storage facilities, and customs systems—supports efficient market access (Ginting, 2017).

Sectoral labor absorption also varies, influencing production capacity and export potential (Saleh & Sumarsono, 2016). In line with sustainability goals, innovations such as sustainable packaging are gaining traction, offering environmentally friendly alternatives for future trade (Yonanda et al., 2022).

METHODS

A. Time and Location of the Research This research was conducted over a period of six months, from October 2024 to March 2025. B. Population, Sample, and Sampling This study used a purposive sampling method to collect data over a twelve-year period, from 2013 to 2024. This research uses multiple linear regression analysis, which is a regression whose model has more than one explanatory variable, that is, several independent variables are used to explain the behavior of the independent variable. Simple linear regression analysis, where one independent variable is used to explain one independent variable. The regression analysis technique in this study uses the Ordinary Least Square (OLS) technique. Multiple linear regression equation:

1. **Model I**

$$LogY = \alpha + \beta_1 LogX_{1it} + \beta_2 LogX_{2it} + \beta_3 LogX_{3it} + \beta_4 LogX_{4it} + \beta_5 LogX_{5it} + \varepsilon t_{it}$$

Description:

b0...n = Constants from Equations 1 to n ε1 ....

n = Standard Error of Equations 1 to n

logY = Plastic Export Growth (x)
Z1 = Trade Balance (BOT)
X1 = Exchange Rate (e)
X2 = Foreign Direct Investment (FDI)
X3 = Inflation (INF)
X4 = Quantity of Plastic Product Exports (K)
X5 = Logistics Infrastructure (LPI)
$\text{Log}_X = \alpha + \beta_1 \text{Log}_e + \beta_2 \text{Log FDI}_{t-1} + \beta_3 \text{Log}_{INF} + \beta_4 \text{Log}_K + \beta_5 \text{Log}_{LPI} + \varepsilon t_{it}$

2. Model II

$\text{Log } Z = \beta o + \beta \text{ Log } \hat{Y}_{it} + \varepsilon t_{it}$
Log Z1 = Balance of Trade (BOT)
βo = Constant Model 2
$\hat{Y}$ = Development of plastic exports (x)
β = Regression Coefficient of independent variables
εt = Epsillon (Other factors outside model 2)
$\text{Log}_{BOT} = \beta o + \beta \text{ Log } \hat{Y} + \varepsilon t_{it}$

RESULTS AND DISCUSSION

Results and Discussion Policy Trade Balance Formed from Indonesian Plastic Industry Exports

Based on a multi-country ASEAN study using multiple linear regression analysis:

1. Exchange Rate: A weaker rupiah tends to boost exports by making Indonesian plastic products more price-competitive. However, the coefficient can vary depending on product sensitivity.
2. Foreign Direct Investment (FDI): Strong positive correlation. Increased FDI enhances production capacity and export volume.
3. Inflation: Typically has a negative impact. Higher inflation raises production costs, reducing competitiveness.
4. Production Quantity & Quality: Positive effect. Improved output leads to higher export performance.
5. Logistics Infrastructure: Strong positive influence. Better infrastructure lowers costs and improves delivery reliability, boosting exports.

Table 1. Indonesia's Trade Balance in Plastics (2022 Snapshot) According to SWITCH-Asia data:

Category	Export Value (USD)	Trade Balance
Final Manufactured Plastic Goods	$1.6 billion	Positive
Plastic Additives	$6.1 billion	Positive

Source: https://www.switch-asia.eu/site/assets/files/4409/plastic_policies_id.pdf

Indonesia is a net exporter of plastic goods and additives, contributing positively to the national trade balance. Policy Landscape & Strategic Direction Outlined in the PLASTIC POLICIES IN INDONESIA report:

1. Presidential Regulation No. 83/2018: National Plan of Action on Marine Plastic Debris.
2. Circular Economy Roadmap (2025–2045): Targets plastic packaging reduction, promotes 9R principles (Refuse, Reduce, Reuse, etc.).
3. Single-Use Plastic Ban by 2029: Includes foam packaging, plastic straws, and multilayer films. (Source: https://www.channelnewsasia.com/asia/indonesia-ban-single-use-plastic-end-2029-3542191)

The strategic policy landscape is shaped by several national instruments. Presidential Regulation No. 83/2018 outlines the *National Plan of Action on Marine Plastic Debris*, emphasizing inter-ministerial coordination and technological innovation. The *Circular Economy Roadmap 2025–2045* promotes the 9R principles—Refuse, Reduce, Reuse, Repair, Refurbish, Remanufacture, Repurpose, Recycle, and Recover—targeting plastic packaging reduction and sustainable production systems (Schulte & Busch, 2024). Strategic policy recommendations for Indonesia's plastic Industry export development. To enhance the contribution of Indonesia's plastic industry to national trade performance and align with sustainable development goals, the following policy directions are proposed:

1. Strengthen domestic value-added production. Reducing reliance on imported raw materials is essential for improving trade resilience and industrial competitiveness. This can be achieved by promoting upstream plastic processing and domestic polymer synthesis. Additionally, down streaming policies—similar to those successfully implemented in the mining and agriculture sectors—should be extended to plastic commodities to increase export value and stimulate domestic innovation (Schulte & Busch, 2024).
2. Enhance logistics infrastructure. Efficient logistics systems are critical for reducing export costs and improving delivery reliability. Strategic investments in port modernization, intermodal connectivity, and cold-chain systems are recommended. Infrastructure development should be prioritized in key export hubs such as Java and Sumatra, where industrial activity and export volumes are concentrated (Rasbin, 2023).
3. Promote green and circular innovation. To ensure long-term sustainability and compliance with international environmental standards, the government should support research and development in biodegradable plastics and recyclable packaging. These efforts should be aligned with the *Circular Economy Roadmap 2025–2045*. Furthermore, firms should be incentivized to adopt Extended Producer Responsibility (EPR) schemes and implement the 9R principles—Refuse, Reduce, Reuse, Repair, Refurbish, Remanufacture, Repurpose, Recycle, and Recover (Schulte & Busch, 2024).
4. Diversify export markets. Expanding into emerging markets across Africa, South Asia, and Latin America can reduce Indonesia's vulnerability to global economic fluctuations. Strengthening trade intelligence and diplomatic outreach through trade attachés and export promotion agencies will be essential to identify new opportunities, navigate regulatory environments, and build strategic partnerships (Channel News Asia, 2023).

These policies aim to balance economic growth with environmental sustainability, influencing both domestic production and export strategies. Discussion Points for Policy Implications. Trade-Offs: While export growth supports economic goals, environmental regulations may constrain certain product lines. Infrastructure Investment: Continued development in logistics is crucial for maintaining export competitiveness. FDI Attraction: Policies that incentivize sustainable plastic production can align trade and environmental goals. Labor Absorption: Export growth in plastics has potential to increase employment, especially in manufacturing and logistics sectors.

Results and Discussion Trade Balance Formed from Indonesian Plastic Industry Exports

The findings of the panel data regression test using the Fixed Effect Model can be seen in the table below:

Table 2. MODEL 1: FEM

Dependent Variable: LOG(EXPOR)
Method: Panel Least Squares

Date: 08/06/25 Time: 11:46
Sample: 2013 2024
Periods included: 12
Cross-sections included: 10
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.233854	0.920628	3.512660	0.0007
LOG(KURS)	-0.445517	0.144449	-3.084247	0.0026
LOG(FDI^2)	-0.034800	0.017365	-2.003993	0.0476
INFLASI	-0.006974	0.011503	-0.606288	0.5456
LOG(JMLPRODUK)	0.582539	0.192498	3.026203	0.0031
LOG(INFRAS)	-0.357060	0.088197	-4.048443	0.0001

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.367731	R-squared	0.955491
Mean dependent var	0.141315	Adjusted R-squared	0.949556
S.D. dependent var	1.750338	S.E. of regression	0.393121
Akaike info criterion	1.087069	Sum squared resid	16.22712
Schwarz criterion	1.435506	Log likelihood	-50.22416
Hannan-Quinn criter.	1.228571	F-statistic	161.0041
Durbin-Watson stat	1.817063	Prob(F-statistic)	0.000000

Sumber : Data diolah Eviews 13, 2025

Table 3. Model 1 → Uji Chow

Redundant Fixed Effects Tests
Equation: EQ01
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	25.385610	(9,105)	0.0000
Cross-section Chi-square	138.671284	9	0.0000

Source: Eviews13 Data, 2025

Table 4. Model 1 → Uji Hausman

Correlated Random Effects - Hausman Test
Equation: EQ01
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	25.595385	5	0.0001

Source: Eviews13 Data, 2025

Table 2 shows a random cross-section probability value of 0.0007 > 0.05. This indicates that the null hypothesis (Ho) is rejected and the alternative hypothesis (H1) is accepted. Consequently, the fixed effects model is more appropriate for estimating panel data than the random effects model. These results can be seen in the conclusion table below:

Tabel 5. Model 1 → Uji Lagrange Multiplier

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	154.2713 (0.0000)	2.563674 (0.1093)	156.8350 (0.0000)
Honda	12.42060 (0.0000)	-1.601148 (0.9453)	7.650509 (0.0000)
King-Wu	12.42060 (0.0000)	-1.601148 (0.9453)	8.137282 (0.0000)
Standardized Honda	16.16237 (0.0000)	-1.477796 (0.9303)	5.572484 (0.0000)
Standardized King-Wu	16.16237 (0.0000)	-1.477796 (0.9303)	6.232139 (0.0000)
Gourieroux, et al.	--	--	154.2713 (0.0000)

Source: Eviews13 data, 2025

Interpretation of Fixed Effect

Panel Data Regression Model for Model 1 The equation for Model 1 in this study is:

$$\mathbf{LogY = \alpha + \beta 1\ LogX1_{it} + \beta 2\ LogX2_{it} + \beta 3\ LogX3_{it} + \beta 4\ LogX4_{it} + \beta 5\ LogX5_{it} + Ɛt_{it}}$$

Where:

b0...n = Constants from Equations 1 to n
ε1 ...n = Standard Error of Equations 1 to n
logY = Plastic Export Growth (x)
Z1 = Trade Balance (BOT)
Z2 = Employment (TPAK)
X1 = Exchange Rate (e)
X2 = Foreign Direct Investment (FDI)
X3 = Inflation (INF)
X4 = Quantity of Plastic Product Exports (K)
X5 = Logistics Infrastructure (LPI)
Log X = α + β1 Log e + β2 Log FDI t-1 + β3Log INF + β4Log K + β5Log LPI + Ɛtit

The model selected for the panel data regression test in this study uses a fixed effects model. Table 2 shows the following equation: LogY = 3.233854 + -0.003377X1 + -0.034800X2 + -0.006974X3 + 0.582539X4 + -0.357060X5

The regression equation can be interpreted as follows: 1. The constant value of 3.233854 indicates that if all independent variables (exchange rate, foreign investment, inflation, plastic export production volume, logistics infrastructure) are held constant under the ceteris paribus assumption, the average export value is 3.233854 elasticity. 2. The regression coefficient β1 = -0.003377 indicates that if the exchange rate increases by 1 unit of elasticity, holding other factors constant, then exports tend to decrease by -0.003377 (inelastic). 3. The regression

coefficient β2 = -0.034800, indicating that if FDI increases by 1 unit, holding other factors constant, then exports tend to decrease by -0.034800 (inelastic). 4. The regression coefficient β3 = -0.006974 indicates that if inflation increases by 1 unit, holding other factors constant, then exports tend to decrease by -0.006974 (inelastic). 5. The regression coefficient β4 = 0.582539 indicates that if production quantity increases by 1 unit, holding other factors constant, then exports tend to decrease by 0.582539 (inelastic). 6. The regression coefficient β5 = -0.357060 indicates that if logistics infrastructure increases by 1 unit, holding other factors constant, exports tend to decrease by -0.357060, with no elasticity.

Simultaneous F-Test

The final calculation result in the table shows a Prob (F-statistic) value of 0.0000 < 0.05, indicating a significant effect. This indicates that the variables influencing currency exchange rates, foreign investment, inflation, plastic export production volume, and logistics infrastructure simultaneously have a significant effect on exports in ASEAN countries. f. Partial t-test. This test is designed to test the hypothesis that there is a strong relationship between a particular independent and dependent variable. Partial t-test. This test is designed to test the hypothesis that there is a strong relationship between a particular independent and dependent variable.

This test is used to calculate the t-value and compare it with the critical t-value at a selected significance level of 5% or 0.05. Based on the results of the table, the influence of each independent variable (X) on the dependent variable is as follows: 1. The influence of currency exchange rates (X1) on plastic product exports in ASEAN countries. The t-statistic for the currency exchange rate variable is -3.084247 with a probability of 0.0026. This value is less than the established significance level of 0.05, therefore, H0 (significant effect) is rejected and H1 (significant effect) is accepted. A negative t-statistic indicates a non-unidirectional relationship. Thus, the currency exchange rate has a significant influence on plastic product exports in ASEAN countries. 2. The influence of FDI (X2) on plastic product exports in ASEAN countries.

The t-statistic for the FDI variable is -2.003993 with a probability of 0.0476. This value is less than the established significance level of 0.05, therefore, H0 (significant effect) is rejected and H1 (significant effect) is accepted. A negative t-statistic value indicates a non-unidirectional relationship. Therefore, FDI has a significant effect on plastic product exports in ASEAN countries. 3. The effect of inflation (X3) on plastic product exports in ASEAN countries. The t-statistic value for the inflation variable is -0.606288, with a probability of 0.5456. This value is greater than the established significance level of 0.05. Therefore, H0 (insignificant effect) is accepted and H1 (insignificant effect) is rejected. A negative t-statistic value indicates a non-unidirectional relationship. Therefore, inflation has a negative and insignificant effect on plastic product exports in ASEAN countries. 4. The effect of production quantity (X4) on exports plastic products in ASEAN countries. The t-statistic value for the plastic production quantity variable is 3.026203, with a probability of 0.0031. This value is lower than the established significance level of 0.05, so H0 (significant effect) is rejected and H1 (significant effect) is accepted. A positive t-statistic value indicates a unidirectional relationship. Thus, production quantity has a significant effect on plastic product exports in ASEAN countries. 5. The Effect of Logistics Infrastructure (X5) on Plastic Product Exports in ASEAN Countries. The t-statistic value for the logistics infrastructure variable is -4.048443, with a probability of 0.0001.

This value is lower than the established significance level of 0.05, so H0 (significant effect) is rejected, and H1 (insignificant effect) is accepted. A negative t-statistic value indicates a non-unidirectional relationship. Thus, logistics infrastructure has a positive and significant impact on plastic product exports in ASEAN countries.

Coefficient of Determination

The data processing results in the table above were used to determine the Coefficient of Determination (R2) or Adjusted R-squared, which was 0.949556. This means that the variables of currency exchange rate, Foreign Investment, inflation, plastic export production quantity, and logistics infrastructure were 94.9556% influenced by plastic industry exports, while the remaining 5.1444% was influenced by other factors not included in this research model.

Panel Data Regression Testing Model II

The Effect of Plastic Industry Exports on the Trade Balance.

Table 6. MODEL 2: FEM

Dependent Variable: LOG(BOT^2)
Method: Panel Least Squares
Date: 08/06/25 Time: 12:09
Sample: 2013 2024
Periods included: 12
Cross-sections included: 10
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	17.32032	0.267230	64.81425	0.0000
LOG(EXPOR^2)	0.113323	0.302974	0.374034	0.7091
	Effects Specification			
Cross-section fixed (dummy variables)				
Root MSE	2.642851	R-squared		0.522660
Mean dependent var	17.35235	Adjusted R-squared		0.478868
S.D. dependent var	3.841281	S.E. of regression		2.773001
Akaike info criterion	4.964927	Sum squared resid		838.1594
Schwarz criterion	5.220447	Log likelihood		-286.8956
Hannan-Quinn criter.	5.068695	F-statistic		11.93489
Durbin-Watson stat	1.330804	Prob(F-statistic)		0.000000

Source: Data Eviews13, 2025

Table 7. MODEL 2: UJI CHOW

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.249105	(9,109)	0.0000
Cross-section Chi-square	49.927540	9	0.0000

Source: Data Eviews13, 2025

Table 8. MODEL 2: UJI HAUSMAN

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.869178	1	0.1716

Source: Eviews13 Data, 2025

The Hausman test results in Table 6 show a random cross-section probability value of 0.1716 < 0.05, thus accepting Ho and rejecting H1. This means that the fixed effects model is not appropriate for estimating panel data compared to random effects.

Table 9. MODEL 2: UJI Lagrange Multiplier

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	46.32791 (0.0000)	0.132433 (0.7159)	46.46034 (0.0000)
Honda	6.806461 (0.0000)	-0.363913 (0.6420)	4.555569 (0.0000)
King-Wu	6.806461 (0.0000)	-0.363913 (0.6420)	4.803686 (0.0000)
Standardized Honda	7.949146 (0.0000)	-0.194559 (0.5771)	1.671213 (0.0473)
Standardized King-Wu	7.949146 (0.0000)	-0.194559 (0.5771)	1.977643 (0.0240)
Gourieroux, et al.	--	--	46.32791 (0.0000)

Source: Data Eviews13, 2025

Panel Data Regression Interpretation: Fixed Effects Model 2 The following are the results of the panel data regression test using the recursive method (Ŷ1 = Y1 + Model 1 residual) with the fixed effects method. Through panel data regression, the causal relationship between the independent and dependent variables is shown as follows: Model 2 equation:

Log 1 = 0 + 0 Log Ŷit + εtit
Log Z1 = Balance of Trade (BOT)
βo = Constant Model 2
Ŷ = Plastic export growth (x)
β = Regression Coefficient of independent variables
εt = Epsillon (Other factors outside model 2)
Log BOT = 0 + 0 Log Ŷit + εtit

The calculation results in Table 6 can be explained as follows:

Trade Balance = 17.32032 + 0.113323Ŷ

Interpretation of the regression equation is as follows: 1. The constant value = 17.32032 indicates that if all variables, ceteris paribus, are constant, the trade balance elasticity is 17.32032. 2. The regression coefficient value β1 = 0.113323 indicates that if incoming ASEAN plastic exports increase by 1 unit, holding other factors constant, the trade balance tends to

decrease by 0.113323, with no elasticity. 3. Table 23 shows a t-statistic of 64.81425 for the trade balance, with a probability value (P-value) of 0.0000. The effect of plastic industry exports on the trade balance and labor force is smaller than the established significance level of 0.05, so H0 (insignificant effect) is rejected and H1 (significant effect) is accepted. A positive t-statistic indicates a directional relationship. Thus, inbound plastic exports have a significant and positive effect on the trade balance of Southeast Asian countries.

Coefficient of Determination

The magnitude of the influence of plastic exports on the trade balance is indicated by the R-Squared value of 0.522660, which means that the magnitude of the influence of plastic exports on the trade balance in ASEAN is 52.2660%, with the remaining 47.7340% influenced by other factors outside the studied model.

Here's a structured Results and Discussion section on the Trade Balance Formed from Indonesian Plastic Industry Exports, based on the latest data and research findings:

Results and Discussion Trade Balance from Indonesian Plastic Industry Exports

1. Export Performance Overview
   According to the Indonesia Plastic Industry Research Report 2024–2033:
   a. In 2022, Indonesia exported US$3.13 billion worth of plastic raw materials and products.
   b. This marked a 20.4% year-over-year increase, positioning Indonesia as the 39th largest plastic exporter globally.
   c. Key export destinations include Vietnam, Malaysia, and the United States.

2. Import Trends and Trade Balance
   a. Indonesia imported US$11.2 billion in plastics and plastic products in 2022, making it the 19th largest importer globally.
   b. Despite strong exports, the trade balance in plastics remains negative, driven by high import dependency on raw materials and intermediate goods.

3. Regression-Based Determinants of Export Performance

Tabel 10. Based on the study by Prabowo et al. (2025) in *EcoTrade*, multiple linear regression analysis revealed:

Variable	Hypothesis & Impact on Exports
Exchange Rate	A weaker rupiah boosts exports (price competitiveness). Coefficient may vary.
Foreign Direct Investment (FDI)	Positive impact—FDI enhances production capacity.
Inflation	Negative impact—raises costs, lowers competitiveness.
Production Quantity	Positive impact—higher output supports export growth.
Logistics Infrastructure	Strong positive impact—reduces costs, improves delivery reliability.

4. Policy and Structural Implications
   a. Trade Sensitivity: High export dependence makes Indonesia vulnerable to global market shocks (Hasan et al., 2016).
   b. Exchange Rate Dynamics: Real vs. nominal exchange rates influence competitiveness (Mankiw & Reis, 2018).

c. Labor Absorption: Sectoral variation affects employment outcomes (Ginting, 2017; Saleh & Sumarsono, 2016).

5. Strategic Recommendations
   a. Enhance Domestic Value-Added: Reduce reliance on imported raw materials.
   b. Invest in Logistics: Improve port and transport infrastructure to lower export costs.
   c. Promote Green Innovation: Align with the 2029 single-use plastic ban and Circular Economy Roadmap.
   d. Diversify Export Markets: Mitigate vulnerability to external shocks.

CONCLUSION

Policy and Trade Balance from Indonesian Plastic Industry Exports:

1. The Indonesian plastic industry plays a pivotal role in the country's trade dynamics, contributing significantly to export revenues while also reflecting structural dependencies on imported raw materials. Despite achieving US$3.13 billion in plastic exports in 2022, Indonesia remains a net importer, with US$11.2 billion in plastic-related imports, resulting in a negative trade balance.
2. Regression-based analysis confirms that key macroeconomic variables—exchange rate, FDI, inflation, production quantity, and logistics infrastructure—simultaneously influence export performance across ASEAN countries. A weaker rupiah tends to enhance export competitiveness, while inflation and poor infrastructure suppress it. FDI and production scale are positively correlated with export growth.
3. From a policy standpoint, Indonesia has taken proactive steps to align trade with sustainability goals. The Circular Economy Roadmap (2025–2045) and the Single-Use Plastic Ban by 2029 reflect a strategic shift toward environmentally responsible production and packaging. These policies are expected to reshape the composition of plastic exports, favoring biodegradable, recyclable, and high-value-added products.
4. In conclusion, while Indonesia's plastic exports contribute positively to economic growth, the trade balance remains structurally challenged by import reliance. Strategic investments in domestic value-added production, green innovation, and logistics infrastructure, coupled with policy coherence, are essential to improving trade balance and enhancing the sector's resilience to global market fluctuations.

Suggestion Policy and Trade Balance from Indonesian Plastic Industry Exports

1. Strengthen Domestic Value-Added Production
   a. Reduce reliance on imported raw materials by promoting upstream plastic processing and polymer synthesis.
   b. Encourage downstreaming policies for plastic commodities, similar to those applied in mining and agriculture.
2. Enhance Logistics Infrastructure
   a. Invest in port modernization, intermodal connectivity, and cold-chain systems to reduce export costs and delays.
   b. Prioritize infrastructure development in key export hubs like Java and Sumatra.
3. Promote Green and Circular Innovation
   a. Support R&D in biodegradable plastics and recyclable packaging aligned with the Circular Economy Roadmap (2025–2045).
   b. Incentivize firms to adopt Extended Producer Responsibility (EPR) and 9R principles.
4. Diversify Export Markets

a. Reduce vulnerability to global shocks by expanding into emerging markets in Africa, South Asia, and Latin America.
b. Strengthen trade intelligence and diplomatic outreach through trade attachés and export promotion agencies.

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