

Table of Contents	i
List of Tables	iii
List of Figures	iv
List of Abbreviations	v
Chapter I: Introduction.....	1
1. Background	1
2. Research Question	3
3. Literature Review.....	3
A. Structure of Palm Oil Global Value Chains: Additive Value Chains.....	3
B. Vertical integration of Large Corporations: Internationalisation	6
4. Theoretical Framework.....	8
A. Governance of Global Value Chains: Clustered and Geographically Linked.....	8
B. Local Institutional Context	10
C. Upgrading Strategy for Indonesian Value Chain of Palm Oil: Thickening Strategy	10
5. Main Argument.....	11
6. Research Methods	12
7. Systematic of Writing	12
Chapter II: Political Economy of Regionalised Palm Oil Value Chains: Mirroring Malaysia and Indonesia Experiences.....	14
1. Encompassing Multiple Political Interest and Conjecture of Ownership Structures....	14
2. Palm Oil in Indonesia: Actors and Governance.....	17
3. Palm Oil in Malaysia: Actors and Governance.....	24
4. Regionalisation of Palm Oil Industry	27
A. Malaysia and Singapore Interest in Indonesian Palm Oil.....	27
B. Modes of Production: Smallholders Circumstances.....	29
C. Social, Economic and Environmental Issues: Governance of Sustainability Standards.....	33
Chapter III: Institutional Context and Governance of Palm Oil Industry in Indonesia	38
1. Timeline of Palm Oil Development in Indonesia	38
2. Decentralisation Era: Power Assertion of Regulatory Regimes	43
3. Current Policy Strategy: Limited Policy Instruments	45

4. Malaysia as a Model of Palm Oil Governance: Compatibility in Indonesian Context	46
A. The role of state in State-Owned Enterprises, Fund Management Entity, and Investment Regime	46
B. The Weakest Link: Unclear Path of Governance Network and Research.....	52
C. Local based policy in Malaysia: Lessons from Sarawak.....	55
Chapter IV: Upgrading Strategy in Indonesian Palm Oil: Thickening Policy through Regionalisation and Localisation.....	58
1. Industrial Capacity of Palm Oil in Indonesia.....	58
2. Linear Paths of Upgrading Strategy: Vertically Integrated for Large Companies and Dispersal of Smallholders	63
3. Typical Upgrading Trajectories for Most Smallholders	67
4. Structural Thickening Policy: Market-driven Process	68
5. Thickening Policy in Two Scopes: Regionalisation and Localisation.....	71
A. Regionalisation: Emboldening CPOPC roles	72
B. Localisation: A call for structural reform	77
Chapter V: Concluding Remarks	84
1. Conclusions.....	84
A. Governance Dynamics: Across Borders.....	84
B. Upgrading Patterns: Divided and Distinctive	85
C. Value-added lies in the sustainability and market access.....	86
2. Recommendations.....	86
A. Government Institutions	86
B. Local Actors	87
C. Positive Campaigns and Diplomacy.....	87
3. Research Contribution in International Political Economy	88
References.....	89
Appendix I: List of Interviews and FGD	94
Appendix II: Indonesia's Share of the World's Exported Quantity of Palm Oil Derivation Products for the Last 5 Years.....	95
Appendix III: Indonesia's Share of the World's Exported Value of Palm Oil Derivation Products for the Last 5 Years.....	96

Table 1. The Simplified Palm Oil Global Value Chain	5
Table 2. Estimate of Gross Profit Margin in Malaysian Palm Oil Industry in 2014	7
Table 3. Major Private Palm Oil Companies in Indonesia	19
Table 4. List of Actors, Interests and Roles in the Palm Oil Value Chain in Indonesia.....	20
Table 5. Major Malaysian Palm Oil Firms	26
Table 6. Simplified of Indonesian and Malaysian Palm Oil Governance.....	27
Table 7. Characterization of Modes of Palm Oil Production.....	29
Table 8. Timeline of Selected Issues and Public and Private Sector Responses	33
Table 9. Types of Nucleus Estate and Smallholder (PIR) Scheme.....	39
Table 10. Financial Roles and Priorities of the Indonesia State in Governing Palm Oil Sector	42
Table 11. Export Performance of Palm Oil Derivation Products: Indonesia VS Malaysia (2019).....	58
Table 12. Domestic Consumption and Export Volume	61

Figure 1. The Confluence of Actors on GVC and Cluster Governance	9
Figure 2. Total Production Indonesia and Malaysia (1975 – 2015)	15
Figure 3. Total Planted Areas Indonesia and Malaysia (1975 – 2015).....	15
Figure 4. Palm Oil Export (HS Code: 1511).....	17
Figure 5. Palm Oil Planted Areas in Indonesia.....	18
Figure 6. Simplified Stakeholder Map of an Indonesian Palm Oil Plantation.....	23
Figure 7. The Palm Oil Industrial Complex in Malaysia.....	25
Figure 8. Major Phases in the Transnational Development of the Plantation Industry in Malaysia.....	48
Figure 9. Palm Oil Yields in Indonesia (2009 – 2019)	54
Figure 10. Planted Areas of Indonesian Palm Oil (1970 - 2018).....	70

1. APKASINDO = *Asosiasi Petani Kelapa Sawit Indonesia* (Indonesian Palm Oil Farmers Association)
2. APOLIN = Association of Oleochemicals Companies in Indonesia
3. BPDPKS = Indonesian Oil Palm Plantation Fund Management Agency
4. CPO = Crude Palm Oil
5. CPOPC = Council of Palm Oil Producing Countries
6. EU = European Union
7. FDI = Foreign Direct Investment
8. FELCRA = Federal Land Consolidation and Rehabilitation Authority
9. FELDA = Federal Land Development Authority
10. FFBs = Fresh Fruit Bunches
11. GAP = Good Agricultural Practices
12. GAPKI = Gabungan Pengusaha Kelapa Sawit Indonesia (Indonesian Palm Oil Association)
13. GDP = Growth Domestic Products
14. GHG = Green House Gasses
15. GPN = Global Production Networks
16. GVC = Global Value Chain
17. HGU = *hak guna usaha* (the Rights of Exploitation)
18. IMF = International Monetary Fund
19. ISPO = Indonesian Sustainable Palm Oil
20. MPOB = Malaysian Palm Oil Board
21. MPOC = Malaysian Palm Oil Council
22. MSPO = Malaysian Sustainable Palm Oil
23. NES = nucleus estate schemes
24. PIR = *Perkebunan Inti Rakyat*
25. PORIM = Palm Oil Research Institute of Malaysia
26. PORLA = Palm Oil Registration and Licensing Authority
27. PPO = processed palm oil
28. PSR = *Peremajaan Sawit Rakyat* (replanting program)
29. PTPN = PT Perkebunan Nusantara (state-owned enterprises in agriculture)
30. RISDA = Rubber Industry Smallholders Development Authority
31. RPJMN = National Medium-Term Development Plan
32. RSPO = Roundtable on Sustainable Palm Oil