

## COMPLETION REPORT

### **The Cooperation of Japan-Indonesia in the Oil Palm Sector**

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Indonesia and Japan have established cooperation in various fields including investment and export-import of oil palm sector. Although Indonesia has the largest palm oil production in the world, palm oil exports from Indonesia to Japan are lower than Malaysia. This research aims to explore the cooperation of Japan-Indonesia in the oil palm sector mainly in export-import and investment. Research uses quantitative and qualitative approach. Quantitative data were collected from various agencies in Indonesia while qualitative data conducted with in-depth interviews on various stakeholders including: academics, BKPM, Directorate of Export Development of Ministry of Trade, and other institutions.

The result of the study shows that in 2018 Indonesia is the second largest supplier of oil palm in Japan with 40.6 percent share while Malaysia is the largest supplier with a 59.1% share. The export value of Indonesian oil palm products to Japan in 2018 is US\$ 217.7 million. Oil palm exports to Japan in the last five years (2014-2018) increased by an average of 41.9% per year. Indonesia has big opportunity to increase oil palm exports to Japan because Indonesia is the largest oil palm producer in the world. On the other hand, the demand of vegetable oil in Japan continues to increase both for renewable energy sources, cosmetic industry and cooking oil. Palm oil also has greater productivity compared to other vegetable plants.

The development of oil palm exports has some challenges, especially market competition, product quality, export procedures, and environment impact of oil palm plantation. The main competitor for palm oil exports to Japan is Malaysia, which currently supplies most of the oil palm in Japan. The procedure for exports in Indonesia also still takes a long time and is uncertain. In relation to environmental impacts, oil palm is suspected to be one of the causes of environmental damage in Indonesia, so it must be certified. Even though Indonesia already has the Indonesian Sustainable Palm Oil certificate (ISPO), it is not yet widely recognized in Japan. They further recognize the Roundtable on Sustainable Palm Oil (RSPO) certificate, thus becoming an obstacle to palm oil exports to Japan.

Various research collaborations in the oil palm plantation sector between Japan and Indonesia have been carried out in socio-economic farmers, the development of bio-refinery technology, and the development

of Palm 5.0 with the algae novels technology. Nonetheless, Japan investment in the palm oil sector in Indonesia is still low. Most of the investment from Japan in the oil palm sector is processing oil palm into its derivative products. Based on these facts the authors plan to continue to encourage increased cooperation between Indonesia Japan in the palm oil sector through seminars and research.

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