

Indigenization and Internalization of Oil Palm Plantation Development in Sumatra, Indonesia

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In the core areas of economic development in Southeast Asia such as Peninsular Malaysia, the traditional plantation sector has been losing its importance during the last three decades in step with the rapid industrialization and urbanization of society. In contrast, in some parts of the Outer Islands of Indonesia such as Sumatra and Kalimantan the plantation sector, especially the oil palm plantation sector, has expanded dramatically during the same period, owing a great deal to capital flowing from outside these areas. Riau province, Central Sumatra, is one of the focal areas of this expansion. In Riau province, oil palm acreage has jumped from only 7,000 ha in 1982 to 1,567,054 ha in 2007. In the almost same period the population of Riau province has more than doubled from 1,741,184 in 1980 to 4,563,406 in 2005. There is no doubt that the explosive expansion of the oil palm plantation sector since the 1980s has been accompanied by drastic changes in the social and ecological environments of Riau province. However, the nature of the oil palm plantation sector in Riau province had begun to change dramatically after the year of 1998.

The nature of evolutionary change of the oil palm plantation sector in Riau province with the late 1990s as a turning point could be discussed from two points, that is, "indigenization" and "internalization (from external expansion to internal expansion)". Until the late 1990s, under the Suharto's regime, the oil palm plantation sector in Riau province consisted of mainly external agents, that is, plantation companies whose capital originated from outside Riau province and estate workers and smallholders who were migrants from other provinces. Since the late 1990s, however, in the era of reformasi and decentralization, local agents have gained greater importance in the oil palm plantation sector in Riau province, reaching comparable level with external agents in the mid-2000s. On the other hand, until the late 1990s, the development of oil palm plantation and smallholdings in Riau province had mainly targeted primary forest areas as their sites. Since the late 1990s, however, such external expansion is considered to be approaching its limits. The rapid increase in the oil palm acreage of smallholdings has resulted from a combination of development of smallholdings in not only primary forest areas but also secondary forest areas and conversion from other crops such as rubber on the existing smallholdings.

The oil palm plantation sector in Riau province has spread its roots in the economy and society of Riau province through the process of indigenization since the late 1990s. As a result, the economy and society of Riau province has become strongly influenced by the plantation economy, which, by its very nature, is closely connected with external environments at national, transnational, and global levels. On the other hand, in terms of spatial configuration in real geographical settings, the external expansion basically ended by the mid-2000s and the internal expansion has become the emerging trend.

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