



## ABSTRACT

IYUNG PAHAN. Development of Indonesia Palm Oil Industrial Cluster. Under supervision of ENDANG GUMBIRA-SA'ID, MANGARA TAMBUNAN, DWI ASMONO, and ARIF IMAM SUROSO.

*The purpose of this study was to gain better understandings and interrelationship among development of palm oil industrial cluster, network, and supply chain integration with competitiveness of Indonesia business and economic environment constraints. Methodology includes survey development of through in-depth interview of players on the interrelationship among suppliers, plantations, processors, and marketers of palm oil. The findings were compared from the experts perspective in Riau and North Sumatra provinces at recent condition with the ideal (future) condition.*

*The application of analytic network process (ANP) were prominent for priority interpretations. From the recent Indonesia palm oil expertise point of view, the future performance of oil palm industrial cluster was determinate by business and economic environment competitiveness that going concern since early development stage till advanced development stage (total weight 34.94%). Business and economic environment competitiveness constraints (competitiveness cube) determined supporting infrastructure, network, and supply chain integration status toward industrial cluster performance. Development of industrial cluster performance were need strong foundation of business and economic environment competitiveness that technically manifested on supporting infrastructure upgrading, hence facilitating supply chain integration occurrence through network externality.*

*Discriminants of business and economic environment competitiveness constraints at recent condition were infrastructure efficiency (weight 8,35%, ranked 4) and government efficiency (weight 4,71%, ranked 11). The discriminants for future condition were business efficiency (weight 9,24%, ranked 3) and economic performance (weight 8,33%, ranked 4). The succeed of future cluster were caused by cluster performance through network effect and decreasing of transaction cost along with business and economic environment competitiveness improvement. Their viewpoints were generally supported by current supply-chain management models.*

*Policy implication needed was the policy that able to develop and strengthen coordination within sectors and clusters rather than economic special pattern. Business implication from this study reveals the importance of supporting infrastructure are requisite for successful of industrial cluster, and critical for Ministry of Industrial policy initiatives as it needs to implement governance structure (agent) for palm oil industrial cluster.*

**Keywords:** Competitiveness, Industrial Cluster, Oil Palm, ANP (Analytic Network Process), Indonesia.